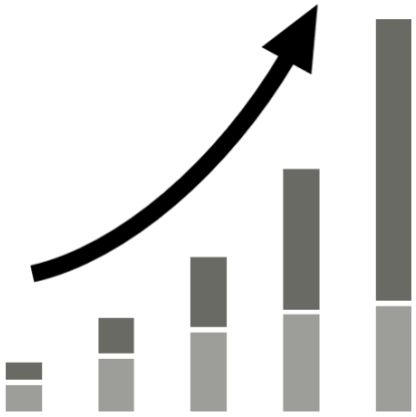
Master's Thesis

Copenhagen Business School

MSc in Economics and Business Administration

Management of Innovation and Business Development



BUSINESS MODEL SCALABILITY
–
HOW TO BUILD FAST AND SUSTAINABLY GROWING COMPANIES

A qualitative study exploring the perceptions of founders and CEOs of Danish scaleups

Author
Bence Dolezsár (125220)

Supervisor
Dr. Claus Springborg

Submission date: 15/05/2020

Number of Characters/Pages: 181751/80

ABSTRACT

The main topic of this research concerns the phenomenon of business model scalability, more specifically, what business model configurations contribute to the scalability of companies. Globally connected markets and rapid technological advancement have been significantly increasing the potential primarily for internet-based companies to achieve previously unprecedented growth in very short time. Efficiently exploiting this opportunity, however, requires companies to design scalable business models. This study addresses a lack of sufficient and coherent knowledge in the literature and provides a better understanding of the topic. Eight qualitative, semi-structured interviews with founders and CEOs of Danish scaleups were carried out to scrutinize their perceptions of the business model configurations affecting scalability. The analysis of the collected data led to two main findings. First, besides the ten factors listed by previous studies, this research identified three additional business model configurations contributing to scalability: customer retention, replicable offering and low barriers to customer engagement. Second, the findings indicate that the relationship between the business model and scalability is rather part of a complex system than the result of a pile of factors and their consequences. Concludingly, the impacts of 1) interrelations among business model configurations 2) trade-offs and limitations 3) dependencies on the circumstances, and 4) the overall business models on each other and on scalability need to be investigated to better understand how business models and their configurations affect scalability.

Table of content

LIST OF FIGURES

LIST OF TABLES

1. INTRODUCTION

The purpose of this chapter is to introduce the topic of this research and give a brief overview about the approach the paper will follow to answer the research questions.

First, the research question and the objectives of the study will be clarified in order to set the foundations of the paper. Next, the context of the research topic will be explained to provide with interesting background knowledge raising attention to the importance and relevance of the topic. Lastly, the structure of this study will be outlined.

1.1 Objectives and Research Question

For the sake of clarity and transparency, this research starts with stating the subject it addresses. This master's thesis aims at answering the following research question:

What business model[1] configurations do founders and CEOs of Danish scaleups perceive to be contributing to the scalability of businesses?

The objective of this research, therefore, is to learn about the BM configurations that contribute to scalability through the perceptions of the founders and CEOs. Besides identifying the factors recognized by the research participant, the study also aims at describing the reasons behind the perceived relationship and how the executives think companies can achieve and benefit from those factors. Furthermore, the author considers it important to reveal additional findings related to the topic that might have relevant implications.

In order for the reader to understand the context of this study, the following section explains what scalability is, why it is important and how it relates to the BM.

1.2 Outlook and Context

The purpose of this section is to place the subject of this research in context and discuss why scalability of businesses is a highly important topic in our world today.

Innovation has been receiving increasing attention in the last couple of decades (Chesbrough, 2010). The pressing challenges of today coming from different sources, such as climate change or

[1] Referred to as BM in the future

unemployment and changing working environments caused by the COVID-19 pandemic desperately demand innovation to provide solutions.

The rapid technological advancement gives hopes, however, new technologies and innovation by themselves are not sufficient (Teece, 1986). We need successful innovative ventures that are able to bring new solutions to the market.

McKinsey & Company (2019) argues that there are two important reasons why we need innovative companies to succeed. First, they can substantially contribute to the United Nation's Sustainable Development Goals and address the biggest global challenges, and second, while doing that, they can also create immense societal wealth by boosting the economy.

Nevertheless, having companies with innovative solutions is not enough: "To be impactful, innovations must also be scalable, not merely one-off novelties" (National Economic Council & Office of Science and Technology Policy, 2015). Scalability, in that context, means that companies should be able to grow their businesses and market their innovation to a large number of customers, thereby having a great impact and generate high wealth simultaneously (Schoop et al., 2018).

Similarly, scalability is very important from a company-level perspective. According to Hoffman & Yeh (2018), global markets and the internet provide huge opportunities for companies, however, in order to exploit them while competitors can arise from everywhere, they have to be able to scale their businesses. Furthermore, they argue that if companies want to bring their innovations to the market, they have to compete with both young, aspiring ventures and large incumbents. Incumbents, such as established car producers or oil companies, however, have strong market position, deep pockets and resources that are impossible to compete with for young innovative companies. Therefore, Hoffman & Yeh (2018) suggest building scalable companies that enable fast growth in sales while corresponding costs are increasing at a (significantly) lower pace. The reason for this is not only to compensate resource shortages but also to increase chances of attracting investors who can help scaling the company further (ibid).

Concludingly, building scalable companies is highly important for companies' success and its consequent impact on the addressed challenges and created social wealth. However, scaling companies is one of the most difficult tasks when building a company (Zajko, 2017).

A fundamental requirement for building a scalable company is to design a scalable BM (Stampfl et al., 2013). This means that a company should design its underlying system of creating and capturing value in a way that it enables the business to increase its revenues faster than its corresponding costs. Building scalable BMs have been essential for the success of companies, such as AirBnB, Facebook,

Google or Uber, that have become market leaders incredibly fast (Hoffman & Yeh, 2018; Moazed, 2020). It means that the success of innovative companies and the degree to which they can have an impact on global challenges and contribute to wealth creation highly depends on building BMs that allow them to scale. BM scalability is also a great measure of business potential (Nielsen & Lund, 2018).

The COVID-19 pandemic has also shown the huge importance of scalability. Many businesses are going bankrupt (Carlsson-Szlezak et al., 2020), and those that have scalable BMs are more likely to survive as they have been operating with lower costs compared to their revenues, thereby having more reserves. While a hotel owns its assets and operates with huge costs, AirBnB has a platform to run and even though they are also hit hard, their scalable BM relieves pains significantly.

Interestingly, many of the current highly scalable and successful companies, such as AirBnB and Uber were founded during the financial crisis in 2008 (Wilson, 2020). These difficult times and significant resource constraints will, once again, require scalable BMs from companies: "This crisis will catalyze some huge changes. (…) Agility, scalability and automation will be the watchwords for this new era of business, and those that have these capabilities now will be the winners." (Joshi, 2020).

This importance has also been recognized by different authors, however, the relationship between BM configurations and scalability is still underrepresented in the literature. Therefore, this research is not only interesting for executives that want to scale their businesses but also contributes academia.

1.3 Study Structure

After the introduction, the Literature review will explain the theoretical background of the paper, introduce the related notions and present the existing knowledge about BM scalability to lay the foundations of this research. The Methodology chapter will explain the methodological considerations and choices that have been followed by this study. In the Analysis chapter, the empirical findings based on the collected data will be presented, followed by the Discussion chapter which answers the research question and presents the interesting implications of this research. Then, critical reflection on this study will be made in the Limitations chapter, whereafter a short summary of this master's thesis will close the paper under Conclusion.

2. LITERATURE REVIEW

As mentioned earlier, recently, there has been an increasing interest in BM scalability (Björkdahl & Holmén, 2013; Nielsen & Lund, 2018; Stampfl et al., 2013; Zhang et al., 2015). The previously unprecedented rapid growth and success of companies, such as Google and Facebook, which is primarily ascribed to their scalable BMs, is promising for entrepreneurs striving for a fruitful exit or dominant market position in a short time (Zhang et al., 2015). Nevertheless, we are still lacking sufficient understanding about what BM configurations enable scalability (Björkdahl & Holmén, 2013; Zhang et al., 2015). Particularly considering young, aspiring high growth ventures, developing this knowledge is very important, because scalable BMs are major contributors to the success of those companies, thereby to innovation and momentous job and wealth creation (Coad et al., 2014; Monteiro, 2019; Nielsen & Lund, 2018).

The objective of this chapter is threefold. First, it will introduce the context and key concepts of this study in order to lay a clear foundation and understanding of the research topic, BM scalability. Second, previous literature BM configurations contributing to scalability will be reviewed to be able to start the actual research with having the existing knowledge and understanding about the topic as a baseline. Third, the overall objective of the literature review is to construe what previous authors have found about the attributes of scalable BMs and identify an arising question that should be subject of further research - in particular, the subject of this study. Thus, the following literature review ensures that this study contributes to academic literature concerning an important topic in a meaningful way.

Following the mentioned logic, the literature review will first introduce the key concepts of the thesis. First, the studied companies will be described, then the notions of BM and scaling will be explained to clarify the context of this study. After that, previous research about BM scalability and attributes contributing to that will be presented in detail, followed by the summary of the current knowledge about the topic. Based on that, I will be able to identify the need for further research that this thesis will address.

2.1 Studied Companies

As this research addresses BM configurations applied by companies**,** it is necessary to, first, identify what type of companies fit the topic of scalability the best.

2.1.1 Scaleups

Deriving from the research topic, ideal companies for this research are those that pursue fast scaling and their ability to achieve that is - at least partially - based on their BM.

In his study about fast growing companies, Monteiro (2019) described scaleups as fast-scaling companies whose accelerated growth is fundamentally based on their scalable BM. Following this definition, scaleup companies fit exactly the described characteristics.

In a broader categorization, Monteiro (2019) classified scaleups as a type of high growth firms (HGFs), that are companies going through an accelerated cycle of growth. More precisely, HGFs are companies that have grown a minimum of 20% in revenue or number of employees at least for three consecutive years (Eurostat, 2007).

The two main drivers of the growth of HGF can be market power and economies of scale (Monteiro, 2019). A distinction is important between the two, as growth based solely on market power – in other words, market positioning that enables companies to apply higher prices without losing a significant portion of their business - is limited (Williamson, 1991). Therefore, firms with the objective of scaling fast need to be able to reduce their average cost as their output increases, which requires their BM to be scalable. HGFs, whose growth is based on their BM scalability are called scaleups (Monteiro, 2019).

Scaleups could be described from another perspective that complements the previous definition: scaleups have passed their first, exploratory phase, identified their initial product or service[2] offering, found a repeatable and scalable BM, gained market access and the main characteristic of them is that they are seeking fast further growth and market expansion (Blank, 2007; Duruflé et al., 2017; Onetti, 2014; Zajko, 2017).

In the modern environment, driven by innovation and new businesses, scaleups represent a very important subject of analysis. Besides contributing to innovation and development, they are the main source of job creation (Birch, 1981; Coad et al., 2014). Adding to the importance of understanding scaleups, the biggest challenges for entrepreneurs occur not at the starting but at the scaling phases of the company (Carucci, 2016; Isenberg, 2012). Besides challenges, rewards are also getting bigger at this phase: Zajko (2017) emphasizes that by quoting Reid Hoffman, who says that the company benefiting from first mover advantage is not the one that launches first but the one that scales first.

[2] Product refers to product or service later in the paper

To summarize, scaleups are fast-scaling companies whose primary objective is achieving fast growth fundamentally through their scalable BM. A well-known example of a company that scaled up exceptionally fast and was led to success by its scalable BM is AirBnB (Stampfl et al., 2013). The platform facilitates interactions between landlords and tenants, whereby it minimizes costs and possesses global coverage. As the previous argumentation and the example shows, scaleups are interesting and especially worthwhile to study to learn more about BM scalability, and findings could be particularly relevant for them.

2.1.2 Internet-based Companies

Scaleups can be present in any sector, however, differences exist between them, concerning their scalability (Duruflé et al., 2017). While it is possible for industrial or even clothing companies, such as Zara, to scale fast (Hoffman & Yeh, 2018), Duruflé et al. (2017) argue that the most prosperous scaleups having the highest chance of scaling fast and attracting most venture capitalists are innovation-based firms utilizing some aspects of technology. Zhang et al. (2015) agree that digital businesses tend to be more scalable and emphasize that this is largely due to their BMs. More specifically, in their studies presented later, Hoffman & Yeh (2018) and Stampfl et al. (2013) argue that internet-based companies are particularly capable of leveraging scalable BMs, mainly because of their global connectivity, cheap ways of interactions with stakeholders, and their ability to very quickly test, improve and change BMs. Even though BM scalability is not exclusive to internet-based companies, both mentioned authors focus on them in their studies and since they represent the most relevant sector of companies considering BM scalability, this research will also examine them.

2.2 Scaling

Scaleups are fast-scaling companies utilizing scalable BMs. But what is scaling and scalability? The goal of this section is to explain these phenomena.

According to Nielsen & Lund (2018), in general, scalability is the ability to change in size. In an IT context, it means that a system is capable of increasing its output under increased load. As most other authors, Nielsen & Lund (2018) link this explanation directly to the context of scaling a business, meaning that a business is able to grow. Despite there is no single understanding of scalability, it is primarily related to the growth potential of the firm (Stampfl et al., 2013). Nevertheless, opposed to the earlier view of Chandler (1990), recent research does not describe scalability as simply referring to growth size. According to Carucci (2016), growth and scaling refers to the same phenomenon, however, scaling is a special type of growth. While growth means increasing revenue and cost at the same pace, scaling means that a business adds revenue much faster than costs. Scalability usually

refers to the ability to exploit scale economies, meaning that unit costs decrease as production increases (Rappa, 2004).

Scalability can occur in three distinct forms, namely declining, constant and increasing returns to scale (Basu, 2008; Gelles & Mitchell, 1996). While, as described before, economies of scale drive down the average costs and increase returns to scale, declining returns to scale refers to the phenomenon of diseconomies of scale, meaning that average costs rise and returns drop (Gelles & Mitchell, 1996). This could happen due to several reasons, such as capacity limits, excessive specialization, or bureaucratic issues (Canbäck et al., 2006). Following the same logic, constant returns to scale mean no changes in the average costs to scale. Nielsen & Lund (2018) complemented this model with the dimensions of linear versus exponential relationship. In their model, they identified exponentially increasing returns to scale as the sweet-spot of scalability, which viewpoint is shared by both other studies addressing BM scalability presented later and will be adopted by this research as well.

Several different aspects exist to measure growth, thereby scaling, but there is no single dominating measurement (Murphy et al., 1996). Nevertheless, sales, market share, and employment could be considered the most important indicators of venture growth (Gilbert et al., 2006). Of these, sales, describing how revenues change over time, is the most commonly used to measure company growth directly as it indicates if customers are increasingly accepting the product (Murphy et al., 1996; Robinson, 1998; Weinzimmer et al., 1998). Increasing market share does not necessarily mean that the company is growing as it shows growth relative to the market, while employment is a more relevant indicator only in specific industries, where extensive development is required before market entry, such as biotechnology (Gilbert et al., 2006). Opposingly, as discussed before, entering the market quickly and developing the product or the BM in the meantime is a main characteristic of internet-based companies, the focus of this study. Moreover, considering that scaling is closely related to the notion of economies of scale and studies of BM scalability presented later also focus on economic results, this research will also take sales as the main measure of scaling.

2.3 Business Model

Since this paper studies BMs, a clear understanding of the concept is necessary prior to investigation. This section will explain what is meant by a BM. Furthermore, different viewpoints of BMs will be examined to identify the one that would enable me to investigate what attributes could be considered as configurations of a BM that foster scalability.

The term BM has begun to receive increased attention since the mid-1990s, initially from the business world (Seddon et al., 2004). In the past, literature showed a conceptual ambiguity and different views on what a BM is, representing diverse understandings and applications in businesses (Chesbrough & Rosenbloom, 2002; Osterwalder et al., 2005). Nevertheless, these differences were rather dependent on the context of how scholars look at BMs and there seems to be a common understanding of the notion by now. The general interpretation of the concept is that a BM explains how a company creates value for customers and how it captures the value (Baden-Fuller & Morgan, 2010; Björkdahl & Holmén, 2013; Chesbrough, 2003; Nielsen & Lund, 2014; Teece, 2010; Zhang et al., 2015; Zott & Amit, 2007). In other words, a BM is a configuration of attributes aiming at delivering the value proposition that enables the firm to commercialize the value created by those strategic choices and become profitable. A famous illustration of that is the BM Canvas framework, that outlines the value proposition, elements that explain how the business creates value, such as activities and partners, and how it captures value, such as customer relationships and channels (Osterwalder & Pigneur, 2010). Zott et al., (2011) noted regarding the mentioned consensus about what a BM is that this clarity allowed for establishing the BM as a unit of analysis that could lay the foundations for further investigation on how companies do business.

Nevertheless, in spite of the common basic understanding of the notion, more detailed specification is required when researching BMs.

Massa & Tucci (2014) state that BMs can be looked at from different aspects. In their framework, they distinguish between six levels of abstraction as different viewpoints from which one can look at a BM (Figure 1). Narratives and Archetypes are, for instance, high level viewpoints describing how a business works and what type of BM (e.g. freemium) it applies. In order to have a common foundation, it is indispensable that studies about BMs define how they look at the BM. Theories trying to identify the attributes of scalable BMs – presented later – chose to dig deeper in the levels of abstraction, hence, I focus on that now. Massa & Tucci (2014) calls that level *meta-models* which conceptualizes the BM as choices and consequences. There is a causal relationship between them as the architecture of choices affects the behavior of the BM, which results in certain consequences. This is in line with the explanation of that level by Casadesus-Mansanel & Ricart (2010), who mention some possible *choices*, such as employed assets and extent of vertical integration and lists, for instance, economies of scale, thereby scalability as a potential *consequence*. Massa & Tucci (2014) suggest that this perspective allows researchers to study the link between choices and consequences of BMs. Looking ahead, Nielsen & Lund (2014, 2018) examines BM scalability at the meta-model level, referring to BM configuration as equal to that. Stampfl et al. (2013), with a similar logic as Hoffman & Yeh (2018), apply the same viewpoint and terminology by focusing on the antecedents (choices) leading to scalable BMs that result in firm growth as a *consequence*. Besides

the examples of Casadesus-Mansanel & Ricart (2010), BM frameworks - the level above meta-models (Massa & Tucci, 2014) – can give guidelines to what kind of *choices* one can think about. For instance, the BM Canvas (Osterwalder & Pigneur, 2010), as mentioned before, breaks down the BM to nine essential components that *choices* can fit into.

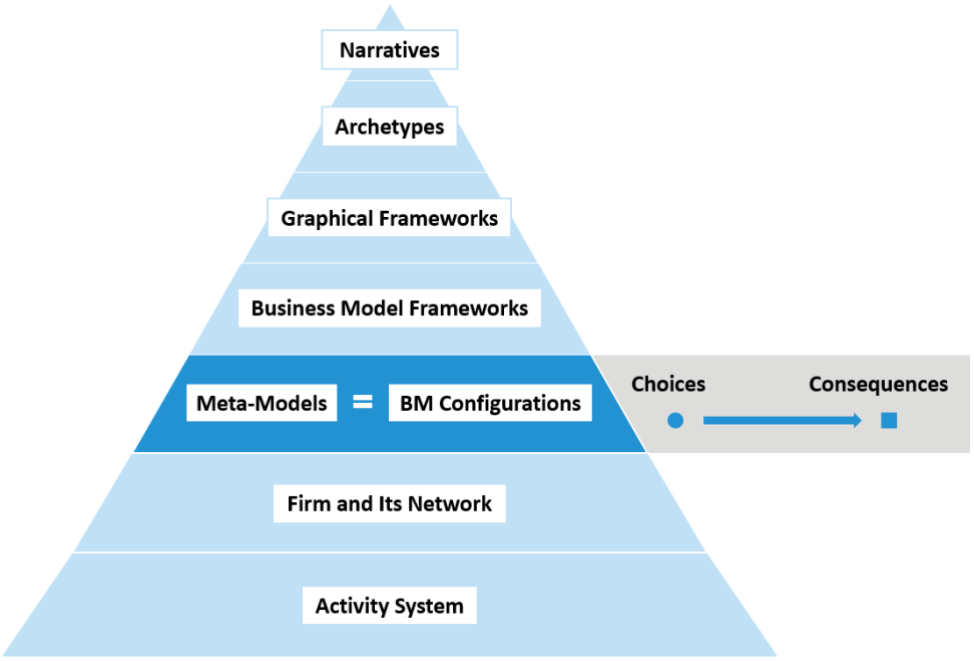


Figure 1: Levels of business model abstraction adapted from Massa & Tucci (2014), Casadesus-Mansanel & Ricart (2010) and Nielsen & Lund (2018)

Zott et al. (2011) suggest that established foundations allow for further research within the topic. One possible area is BM scalability, more specifically, what characteristics or attributes enable the scalability of BMs. This is because even though BM scalability has been identified as a key attribute of successful businesses, little investigation has been conducted to explore what the influencing factors are (Stampfl et al., 2013). Some research has already been done on the topic building on the mentioned foundations, however, those studies aim to serve as baselines, starting points for further research, as this particular area has received little attention especially compared to its importance (Nielsen & Lund, 2018; Stampfl et al., 2013).

2.4 Business Model Scalability

In this section, I present an overview of what current literature says about BM scalability and the factors enabling that, the focus of this study.

As mentioned before, a scalable BM is the foundation of scaleups in pursuit of fast growth (Monteiro, 2019). Scholars publishing in the field of BM scalability are aligned with this statement as they find

these theories particularly applicable to entrepreneurs running their businesses aiming at growth (Björkdahl & Holmén, 2013; Nielsen & Lund, 2018; Stampfl et al., 2013).

The concept of BM scalability is closely related to the previously defined notion of scaling.

Simply put, according to Hallowell (2001) and Björkdahl & Holmén (2013), BM scalability could be defined as the ability of a BM to faster increase revenues than the corresponding costs. Zhang et al. (2015) complemented the older basic definition of Chandler (1990) that the elements of a scalable BM are organized to promote growth, with the requirement of preserving or even increasing the features and quality of products or services. Their definition is the following: "BM scalability is the extent to which a BM design may achieve its desired value creation and capture targets when user/customer numbers increase and their needs change, without adding proportionate extra resources." (Zhang et al., 2015, p. 3). Overall, BM scalability links the previously discussed notions together and refers to the phenomenon when the composition and the design of the BM enables businesses to scale.

As mentioned before, frameworks addressing the topic, presented later, consider exponentially increasing returns to scale as the desired goal, which view will be adopted by this study too.

Authors highlight that scalable BM is a crucial contributor to business growth (Berry et al., 2006; Li, 2009; Miller, 2001), which is a main driver of success (Zhang et al., 2015). According to Nielsen & Lund (2018), connecting the notions of BMs and scalability creates a meaningful framework to discuss and assess business potential. Business potential is considered very important by many business stakeholders. It is relevant for social wealth creation by creating jobs and tax income that help to sustain welfare. Directly involved stakeholders, such as employees, suppliers, and customers seriously consider the business potential of a company as it can decrease risks and increase benefits. Business potential serves as the foundation of investors' valuation methods (Nielsen & Lund, 2018; Stampfl et al., 2013). Similarly, Hallowell (2001) argues that investors usually look for BMs with 'infinite scalability', as those businesses have the highest potential of great returns on investment. Carr (2000) goes even further by saying in relation to internet-based companies that they must grow very big very fast, otherwise they are 'nowhere', which requires a scalable BM.

To bring a real-life example, even though Google addressed the scalability of web searching (Brin & Page, 1998), achieving huge scale has been a result of the design of their BM (Battelle, 2005).

Attributes of scalable BMs

In order to display the current academic understanding about the attributes or factors affecting the scalability of BMs, I looked at related previous studies. Despite a lot of resources invested in

researching BMs, Björkdahl & Holmén (2013) noted that we lacked serious and systematic attempts to identify and study factors that make BMs scalable. Realizing this gap in the literature, some authors conducted initial research on the topic, however, they also urge further research as the field is still relatively unexplored.

2.4.1 Framework 1

Stampfl et al. (2013) address the issue by introducing an explorative model of BM scalability, specifically concerning companies with internet-based BMs. They synthetized the previous literature, thereby incorporating other academic findings in their research as a baseline, which is represented in their results as collective knowledge about the topic. As mentioned before, they found venture growth and investor attractiveness as the two consequences of scalable BMs. Besides that, they also identified five main antecedents and two main moderators of scalable BMs that will be discussed below.

Technology: Using efficient and effective technology plays a key role in the scalability of BMs. Firstly, technological scalability often helps companies decreasing their dependence on human labor, thereby reducing fix costs by *automating processes*. Another aspect of technology is the scalability of *technical infrastructure*. It refers to the ability and capacity to serve a rapidly increasing number of users that usually includes the development of software and server structure. A proper technical infrastructure is substantial for handling exponential user growth.

Cost and revenue structure: Financial aspects of the BM also need to be taken into consideration. Pecuniary factors are obviously essential for growth to be financed. However, fast growth is often impossible to be financed exclusively through cash-flow. Therefore, scaling ventures usually have to rely on long-term external financing to avoid limited scalability (Patel et al., 2011).

Adaptability to different legal regimes: Different legal restrictions were identified as important factors influencing the scalability of BMs. Legal restrictions could arise in various forms, such as requirements or blocks imposed by certain governments or intellectual property rights. Therefore, without substantial knowledge about and adaptability to different legal regimes, international expansion and growth might be seriously threatened. In addition, Beck et al. (2005) found that smaller firms, including scaleups, are more exposed to negative effects. Consequently, BMs designed to be more flexible could significantly contribute to scalability.

Network effects: The phenomenon of positive network effects or network externalities refers to the situation when the value of a product for a user increases as more and more other people are using it (Parker et al., 2016). At the same time, this means that a growing network of users generates

attractiveness for non-users to join and further foster growth and boost a self-reinforcing process. However, it can turn into the opposite if the network exceeds a particular size, the contribution of users could decrease while user cost increases. Within the context of network effects, two aspects were identified as major contributors to scalability. The concept of *critical mass* means that as a certain number of users have been attracted, rapid expansion should occur throughout the community (Evans & Richard, 2010; Markus, 1987). Achieving critical mass can be a crucial target - especially for community-based BMs - since if a company reaches it, growth could be accelerated, but missing it could end the journey. Besides that, 'going viral' was said to affect BM scalability. Viral growth is a tool for achieving critical mass and benefiting from network effects by leveraging brand evangelists who encourage others to join, thereby speeding up the process of growth (Ferguson, 2008). Viral marketing integrated into the BM fosters the venture's ability to scale.

User orientation: User orientation is built around three components. *Simple BMs* that are designed to solve real problems based on existing user knowledge scale faster. It also means that the venture is focused on *problem-solving* as the BM aims at addressing a pressing issue. Additionally, *previous user knowledge* has an impact on BM scalability. This means that the more understanding users have about how to use the product, the better the chances are for scaling. It suggests companies to build easy to understand BMs and offerings that avoid complexity and do not require users to develop new skills to use it.

These factors enhance BM scalability, thereby contribute to companies' growth potential and investor attractiveness. Nonetheless, in order to realize that potential, the BM needs to be well implemented and operated to succeed (Osterwalder et al., 2005). Concerning implementation, Stampfl et al. (2013) identified two moderating factors, concerning market and management, between BM scalability and the potential consequences. Even though, there is usually no clear line between design and implementation, as ventures often redesign and experiment with their BMs (M. W. Johnson et al., 2008; Sosna et al., 2010), those phases should be conceptually separated. Therefore, Stampfl et al. (2013) do not consider implementation as an attribute of scalable BMs.

2.4.2 Framework 2

Similarly, Nielsen & Lund (2018) developed a framework based on an empirical research with companies possessing BMs with scalability attributes. They identified five patterns of so-called sweet-spot scalable BMs that contribute to exponentially increasing returns to scale. Next, these patterns will be explained.

New distribution channels: Selling through multiple distribution channels is commonly known as important for scaling, however, they emphasize introducing new distribution channels. New

distribution channels should generate additional value to already existing channels and to the customers who use them in order to create sweet-spot BMs. In their example, a food supplier opened a channel to serve private customers and could simultaneously lower the prices for restaurants while also marketing them for end consumers, thereby increasing their businesses.

Release from traditional capacity constraints: Opposed to the traditional approach of investing resources at the points of constraints, the authors aim at avoiding those constraints by the right BM configuration. Different opportunities are possible for handling different capacity constraints depending on what companies are selling. As an example, they suggest that standardizing products or services could reduce the amount of resources required per new item.

Outsourcing of investment: BMs having the ability to push investment requirements over to strategic partners can enhance scalability. In practice, this means that partners, such as third-party developers, make capital and resource investments to develop additional elements or features. Businesses usually follow a platform BM in order to engage strategic partners in that way. Examples of that are Apple that invites external developers to produce content on their platform and SkyWatch that is able to produce drones with much less financial and other resource constraints than competitors by developing a core platform and allowing others to contribute.

Leveraging of partners working for free: Companies can enhance BM scalability by understanding the perspective of the stakeholders and how they can design the value proposition of their offering to them. As a result of appropriate BM configuration, companies can get money or value for nothing. Elaborating on the previous example of Apple, developer partners not only work instead of the company and help locking-in customers, but also pay for being present on their platform. Tupperware and Groupon were mentioned as companies leveraging marketing and sales partners, however, strategic partners could be used for other purposes, such as distribution or giving access to resources or complementary activities.

Implementation of platform models: This pattern is related to both the third and the fourth one, however, the implementation of this is more radical. Collaboration is the fundamental element of platform models as they aim at turning competitors into partners or rather customers. In this case, businesses do not cooperate with partners in certain aspects only, but create ecosystems, for instance by coordinating entire value chains, such as Podio or VISA.

The five identified patterns led to a set of attributes that ultimately contribute to the scalability of BMs. These attributes are called dimensions that generalize the five patterns, that are specific examples of how companies reach those attributes (Figure 2). Therefore, the authors suggest the framework of the dimensions as a basis for further research. The four dimensions of achieving BM

scalability are features or components that 1) enrich the existing value proposition (for free) 2) free the BM of capacity constraints 3) create a platform 4) change the role of existing stakeholders and utilize them in simultaneous roles.

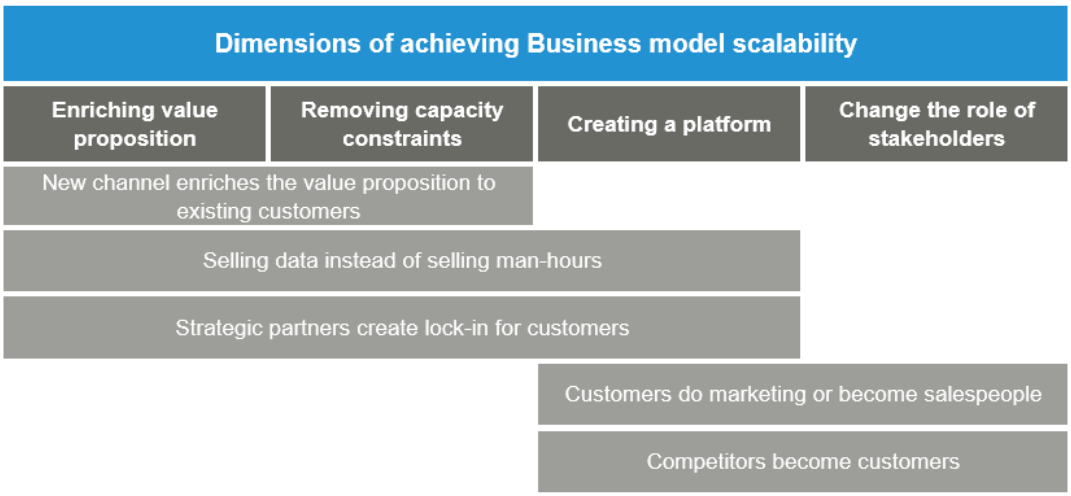


Figure 2: The relationship between patterns (horizontal) and dimensions (vertical) (Nielsen & Lund, 2018)

2.4.3 Framework 3

Besides the mentioned academic studies, there is a recent practitioner framework attracting more and more attention. Since there is a blurred line between academia and practice in business and academic research often builds on practical data, it is relevant and interesting to look at blitzscaling, a framework developed by Hoffman & Yeh (2018) based on their experience and learnings about today's most successful companies, and academia also recognized their work (Sullivan, 2016). Focusing on scaleups, blitzscaling studies how to scale businesses very big very fast and build market-leading companies in the globally connected business battlefield. The most fundamental of the three key techniques to achieve fast scaling is BM innovation, more specifically, building a scalable BM.

Hoffman & Yeh (2018) identified four growth enablers and two growth limiters that should be considered when designing a scalable BM. First, the four growth enablers will be presented.

Market size: The most basic factor for BM scalability is to address a big market with a large number of potential customers. The dynamic aspect of the market should also be considered: besides a large *total addressable market* (TAM) at a given time, businesses should also consider how it will change over time. Initially smaller but fast-growing markets might allow companies to scale faster than large but static ones. Investors, specifically venture capitalists who take huge risks also encourage businesses to target large, growing markets as they provide opportunities for higher returns on investment. The contribution of investors is usually also necessary for fast growth, which adds to the

need for large markets. Nevertheless, estimating the size of the market can be challenging, as new entrants with high growth potential often aim at disrupting conventional markets or expand to other markets later, such as Amazon did.

Distribution: Having an 'insanely great' product and large TAM might be worth little if there are no sufficient distribution channels to reach potential customers. "A good product with great distribution will almost always beat a great product with poor distribution" (Hoffman & Yeh, 2018, p. 57). The authors suggest companies to find creative and cheap ways for distribution and categorize these techniques into two general categories. *Leveraging existing networks* means that companies should exploit existing vehicles to distribution by tapping into already built networks to reach potential customers. For instance, PayPal got access to ten million users through eBay by developing an easy payment software for them. Even though this strategy can largely boost growth, it might also reside with downsides, as a business can be exposed to and dependent on these existing networks and need to adapt to changing conditions. The other approach is to pursue *viral distribution*, which is similar to the spread of a virus, so that users bring new users to the business, who then do the same. Virality could be organic if occurring during the use of the product or incentivized by rewards, which are not necessarily monetary. Virality, in most cases, requires free or freemium products reducing the burdens for new users to join. At the same time, companies must pay attention to retention and keep their users.

High gross margins: The best measure of long-term unit economies are gross margins that represent sales revenue minus cost of sold goods. The higher gross margins are the better the scalability, because companies earn more money on an invested dollar so they can allocate more resources to fund growth. Software and *Software-as-a-Service* (SaaS) companies usually have higher gross margins due to the low costs of duplicating software and lowering operating costs. Hoffman & Yeh (2018) argue that lower gross margins do not make sales easier, as customers only consider the overall cost and the perceived value, hence designing BMs with high gross margins is beneficial. It also indicates that companies have to sell less while they can grow faster, thereby enabling fast growth. The operational challenges of companies' scale based on unit sales volume, not based on gross margins. High gross margins increase both the chances of fast scaling and the rewards for it, the size of growth.

Network effects: Network effects play a key role not only in scaling the business, but also in sustaining the growth in the long term to build massive companies. Technology and the internet are great facilitators for connecting people and businesses together. The power of network effects lies in the generated positive feedback loops that could result in superlinear growth. This effect locks in customers and other users and imposes burdens for them to switch to an alternative from an

incumbent. It results in increasing returns to scale, which often leads to very few or one player dominating a market and taking the majority of the profits.

Network effects require and produce aggressive growth at the same time. The impact of network effects can increase superlinearly. However, conversely, businesses with network effects have to reach a tipping point where the product is adopted widely enough that it starts to attract an exponentially increasing number of new users. Therefore, companies often subsidize users in the early stages to manipulate the demand curve and sacrifice short-term profits for long-term growth as they reach the tipping point faster.

A major factor helping to achieve tipping points and enabling network effects to sustain is the connectivity of the world. The internet is the most important driver of connectivity that makes it very easy and cheap to discover product and also enables leading companies to dominate markets as popular products appear first, for instance, in Google or Amazon searches. This emphasizes the importance of fast growth and the role of distribution mentioned before.

Designing BMs that incorporate growth factors are, however, only half of the battle. Avoiding obstacles that limit growth is also necessary for success. Concludingly, avoiding the following deficiencies enable scalability.

Lack of product-market fit: Product-market fit means that a business is in a good market and addresses that with a satisfactory product. Without that, it is impossible to grow successfully. Hoffman & Yeh (2018) complement the notion as they say companies should aim at discovering a nonobvious opportunity in a market where they have a unique advantage or approach against competitors. These opportunities can be triggered by disruptive technologies but also changes in market dynamics or law. However, these circumstances create uncertainty, hence companies have to make serious commitments to validate product-market fit. The authors suggest the lean startup approach of Ries (2011) to systematically tackle risks and test assumptions to find product-market fit.

Lack of operational scalability: A scalable economic model is not sufficient per se. Once a business starts growing fast, operations must also be scalable to meet demand. In many cases, human limitations are the source of operational issues. When companies hire new employees to cope with the increased amount of work, they also add complexity to the organization and more relationships to handle that make operations less efficient. To diminish these issues and support scalability, the design of BMs that require as few human beings as possible is advantageous. Another solution could be outsourcing work to suppliers and contractors. An example of this is AirBnB leveraging freelance photographers to shoot pictures of the apartments instead of employing an army of professional

photographers. The other crucial element of handling operational challenges is the ability to scale up the infrastructure of the business. While failing to resolve the scalability limitations of the infrastructure could be fatal for growing companies, the rapid growth and success of Amazon is largely due to its cloud services that enable Amazon to scale its operations. Nevertheless, operational limitations have to be overcome in order to grow fast not only on the software side, but also on the hardware side. Complex manufacturing processes can hold companies back from meeting demands.

2.5 Summary and Implications to This Study

As presented above, BM scalability is a major driver of venture growth, thereby it is very important for business success and wealth creation. However, few researchers have addressed the topic of BM scalability to find out what attributes are the major contributors to scalability. The discussed studies represent the current knowledge about the topic, had very similar approaches and objectives, and were all conducted in a relatively close time range to each other. This might lead to the assumption that their results should be, at least, very similar. However, even though overlaps and similarities can be observed in their findings, notable differences are conspicuous. Despite the importance of some elements, such as operational scalability, is mentioned by all studies, others, for instance the adaptability to legal regimes are only mentioned by Stampfl et al. (2013). Nielsen & Lund (2018) were the only ones identifying "enriching value proposition" and "changing the role of stakeholders" as configurations contributing to scalability, however, the latter, for instance, is a broad concept that might be associated with other attributes as supporting them. "Creating a platform" was also directly listed solely by Nielsen & Lund (2018) as a contributing factor, however, certain characteristics particularly relevant for platform businesses, such as network effects were also considered important by the other authors. These differences are clear signs that further research is necessary to explore and better understand the topic, which is reinforced by the authors themselves as well. An additional reason for conducting a research within the topic is that the fast-changing nature of the business environment might alter appropriate BM designs.

The logic of previous researchers was – as mentioned before – to identify attributes of BMs that companies can choose to pursue by specific configurations in order to enable scalability. Table1 shows all the attributes of scalable BMs mentioned by the previous studies that will serve as a baseline for this research. This table, listing all attributes, aims to be the common denominator of the current state of the literature as it merges the attributes mentioned by multiple authors as explained below. In cases of merged attributes, even though examples brought by the authors contributing the certain attributes might slightly differ, the main statements remain highly similar. Moreover, the derived framework will function as a starting point of my analysis, without the objective of

confirming or denying the arguments of other studies. The framework is also not mutually exclusive as previous authors emphasize that these attributes are interrelated, and certain BM configurations can affect several of them simultaneously (Hoffman & Yeh, 2018; Nielsen & Lund, 2018).

	Hoffman & Yeh (2018)	Stampfl et al. (2013)	Nielsen & Lund (2018)
Network effects	X	X	
Distribution	X		
Market size	X		
High margins	X	X	
Product-market fit	X	X	
Operational scalability	X	X	X
Adaptability to different legal regimes		X	
Enriching value proposition			X
Creating a platform			X
Changing the role of stakeholders			X

Figure 3: Business model configurations identified to be contributing to scalability by previous literature

Explanation of merged attributes:

- High margins are considered by two studies as they enable financing high growth.
- Network effects are highlighted almost identically in the respective frameworks.
- Both product-market fit and user orientation emphasize solving a real problem of customers that they also perceive as a right solution and satisfy their needs.
- Operational scalability is fundamentally what the other authors refer to as well by reducing capacity constraints and scalable technology.

The differences between the presented frameworks imply that bringing in another perspective may help to further elaborate on some of the mentioned disputes. Therefore, in this research, my objective is to compare the frameworks of previous studies to the understanding of founders and CEOs of scaleups, thereby challenging, confirming or extending academic findings about what BM configurations enable scalability.

In the next chapter, I will describe the methodological choices influencing this study while aiming at answering the research questions.

3. METHODOLOGY

This chapter explains the methodological considerations and choices underlying this research. First, it presents the philosophy and approach of this master's thesis, whereafter the research strategy will be explained, following the framework of the research onion by Saunders et al. (2009). Later, a detailed description of how the research was planned, conducted, and presented will be shown before addressing the topic of research quality.

3.1 Research Philosophy

First of all, the outer layer of the research onion, the research philosophy of this study will be discussed as having fundamental implications to the whole study (Saunders et al., 2009). These philosophical assumptions, also called worldviews by Creswell (2014), aim at setting the philosophical foundation for the study and explain the view of the researcher. The worldview applied by the researcher profoundly affects the whole approach to the study inclusive of the way the research should be conducted (Saunders et al., 2009). Moreover, according to Johnson & Clark (2006), the research philosophy has significant impacts also on how the findings should be interpreted.

Philosophical orientations are shaped by epistemological and ontological beliefs embraced by the researcher (Bryman & Bell, 2015). Ontology, in short, the science of being, deals with the nature of reality and entities within that. It concerns the position and assumptions of the researcher regarding reality, how the world operates (Saunders et al., 2009). Ontology could be divided into two main aspects, namely objectivism and subjectivism. Objectivism claims that reality is external to the social actor, while subjectivism considers the social phenomena to be created through the social actors' perceptions and actions. Subjectivism is also referred to as constructionism, specifically, social constructionism, as it explains reality as something constructed through society by social actors (Bryman & Bell, 2015). Epistemology concerns the issues of what should be considered as acceptable knowledge in a particular discipline (Saunders et al., 2009). Epistemology contains three different aspects, called positivism, realism and interpretivism (Bryman & Bell, 2015). Positivism and realism are similar in a sense that they both look at the world as it presents an observable reality and objects are independent from the human mind. Contrary, interpretivism emphasizes that it is important for the researcher to understand the differences between humans as social actors and, instead of the objects, they should be the central subject matter (ibid). In this context, the researcher adopts an emphatic stand and the objective is to understand the world by taking the views of individuals.

This research concerns the concept of BM scalability from the perspective of founders and CEOs of Danish scaleup companies. In line with the logic described before, I am studying the perspective of social actors, thus reality is understood as being socially constructed by them. Hence, the adopted worldview of this study is social constructionism combined with the interpretivist epistemology that are often combined for qualitative research according to Creswell (2014).

Social constructionists explain social phenomena as it is created by the perception of individuals, in this case, the founders, who establish meanings of their environment based on their experiences (Creswell, 2014). According to Saunders et al. (2009), different perceptions of situations and phenomena then result in differing interpretations that influence the actions of social actors in a different way. Interpretivism suggests that the researcher can understand different actions by investigating the subjective motives of the individuals' actions (Saunders et al., 2009). Remenyi et al. (1998) emphasize the importance of examining the details of phenomena through social actors. As a consequence, in case of this research, social circumstances shape reality and the perception of reality, therefore, reality is a social construct and understanding it requires interpretivist philosophy (Saunders et al., 2009).

Adopting the lenses of social constructionism combined with interpretivism enables me to understand the different perceptions developed by individuals regarding BM scalability, affected by their experiences, thoughts and worldviews. Consequently, this study concedes that reality is created through and subjective to the experience and perception of social actors involved in this research.

3.2 Research Approach

After the explanation of the chosen research philosophy, the applied research approach of this study needs to be described. Bryman & Bell (2015) suggest two paths explaining the relationship between research and theory.

Essentially, deductive - also known as top-down - approach takes existing theory about a particular domain as a foundation for the research and those considerations are tested with the collected data (Bryman & Bell, 2015). In other words, deductive research builds on previous literature to derive hypotheses or propositions that are then subject to a rigorous empirical investigation. Based on the data gathered for the new research, the formulated hypotheses or propositions are accepted, rejected or modified (ibid).

In contrast, induction refers to a more experimental reasoning without having initial assumptions. In this case, researchers start with their observations and theoretical considerations arise as a result of the observations, following a so-called bottom-up approach. This approach requires researchers to

search for patterns in the data set based on their observations and try to develop theories that explain those patterns (Bernard, 2011). Contributing to academia with new theory or the modifications of existing literature is the main objective of the inductive approach (Bryman & Bell, 2015). In terms of the research procedure, induction requires less preparation prior to data gathering but extensive data collection and analysis is necessary, whereas deduction has the opposite characteristics (Saunders et al., 2009).

Even though the presented approaches show a rigid division between each other, a combination of deduction and induction is not only possible but often advantageous within the same research (Saunders et al., 2009).

The most important factor affecting the decision about the research approach is the research topic itself (Creswell, 2014; Saunders et al., 2009). More specifically, the wealth and maturity of the literature addressing a certain topic usually has the most significant influence on the research approach. A topic that is extensively and well defined by existing theories is more likely to require a deductive approach, whereas relatively new topics that attracted little previous literature are more suitable to be approached inductively (Saunders et al., 2009).

With these considerations in mind, this paper will follow a combination of deductive and inductive approaches. The main reason behind this decision is that even though previous theories attempted to identify BM configurations enabling scalability, this specific topic is still highly underrepresented in academic literature and characterized by disputes among researchers. Since, as shown in the literature review, some theories suggest certain BM configurations that contribute to scalability, it is reasonable to use those findings as a baseline and collect data about the listed attributes. In that sense, this research applies a deductive approach as it explores and elaborates on findings derived from previous literature that could be accepted, rejected, or modified. Nevertheless, the lack of abundance of and consensus in the literature indicates that previous findings could be incomplete. Hence, besides building on previous findings, searching for additional BM configurations affecting scalability is also intended, following an inductive approach.

3.3 Research Strategy

Having clarified the research approach, the next step is to uncover the research strategy and related choices of this paper that turn the research question into a research project (Robson, 2002; Saunders et al., 2009). For that purpose, different, potentially overlapping strategies exist with different underlying logics (Yin, 2017). The previously discussed research philosophy and approach, just as the research topic and the research questions are all profound determinants of the most appropriate

strategy for a particular study. Before discussing the chosen research strategy of this paper, the purpose of the research, another important aspect needs to be clarified.

Saunders et al. (2009) classified the purposes of researches into three categories: exploratory, descriptive and explanatory.

The objective of an exploratory research is to explore phenomena and try to describe them (Saunders et al., 2009). It is particularly useful to understand, clarify and assess a problem, seek new insights and gain knowledge to be able to ask further questions (Robson, 2002). Exploratory research is considered ideal for initial or early studies within an area (Saunders et al., 2009).

Descriptive research attempts to explore and explain phenomena while providing additional information about the topic. It can be seen in the middle of the order, usually functioning as an extension of a previous exploratory, or as a forerunner to an explanatory research. It requires a clear understanding of the phenomena the researcher intends to examine prior to data collection (Robson, 2002).

Explanatory research studies phenomena with the purpose of establishing a causal relationship between variables and explaining their relationship (Saunders et al., 2009). In other words, explanatory studies investigate a topic in-depth and help to understand it more precisely than how it was described before.

Nevertheless, the mentioned research purposes are not entirely separable in all cases. Considering that this study addresses a domain that has been researched before, however, only to a limited degree, my research purpose encompasses attributes of both exploratory and descriptive nature.

Based on the described characteristics and the topic of the research, it is now possible to decide which research strategy is the most suitable to follow. Because of the absence of sufficient and coherent literature on the topic, this research considers it most reasonable to build on previous findings and explore it more by taking the perspective on BM scalability of a particularly relevant group of people, founders and CEOs of scaleups. Thoroughly understanding the phenomenon through the experiences of these social actors requires the researcher to engage with them through conversations and have in mind that knowledge is subjective to them, corresponding to the selected philosophy of social constructionism (Kvale, 2007). Since this research aims at understanding the meaning of participants' perceptions and learning more about a topic, containing exploratory purposes, a qualitative approach is appropriate (Cooper & Schindler, 2008; Creswell, 2014; Kvale, 2007). According to Creswell (2014), this approach is suitable also considering my objective to identify different factors –

configurations of BMs - associated with scalability and develop a holistic understanding from the various perspectives of participants.

Additionally, to discover BM configurations perceived as contributing to scalability by participants, it is also important to understand their reasons behind that. For this purpose, conducting qualitative, semi-structured interviews was considered the most suitable strategy (Saunders et al., 2009). By choosing a mono method research, the qualitative data collected through interviews was analyzed by qualitative data analysis procedures, as explained later (ibid). This strategy is particularly applicable if the researcher adopts an interpretivist epistemology. It allowed me to probe answers when it was useful that interviewees explained the reasons behind or elaborated on why they considered certain BM configurations as contributing to scalability. Conducting semi-structured interviews also led the discussions into relevant and important areas that were not considered previously (ibid). Overall, this strategy enabled me to gather rich, detailed and in-depth data that helped me to answer my research question. Nevertheless, the manner of planning and conducting the interviews and interacting with participants has a significant impact on the collected data (Silverman, 2007).

Hence, below, I will explain the considerations and processes I followed in order to ensure that my research strategy was appropriately planned and carried out. The previously discussed reasoning that led me to choose semi-structured qualitative interviews as the most suitable approach for this research was in line with the thematizing phase of the research suggested by Kvale (2007). Doing interviews, however, requires a long and thoughtful process, therefore, I used his framework and practical suggestions as a main guideline besides considering other relevant pieces of advice as well.

3.4 Designing Interviews

Prior to conducting the interviews, careful preparation and design of the process is indispensable (Kvale, 2007). Here, just as during thematizing, it is important to keep the objective of the research in mind. My goal was to develop a foundation for the entire investigation so that it supported me learning about what configurations of BMs enable scalability. For that, the most important choice at this stage was selecting the interviewees.

Qualitative studies containing exploratory purposes require thoughtful selection of the research participants who enable the researcher to understand the topic in the best way (Creswell, 2014; Kvale, 2007). Rowley (2012) emphasizes that since the findings of the research highly depend on the respondents, selecting the right profiles who are able to contribute with relevant insights to the topic is of critical importance. The appropriate approach for that is referred to as purposive sampling which

aims at selecting the most relevant participants based on certain characteristics with the research goals in mind (Bryman & Bell, 2015; Rowley, 2012).

Respondents with certain profiles and attributes could be considered as having a closer relationship with the research topic, thereby possessing more relevant insights than others (Rowley, 2012). For this research, respondents were selected based on specific criteria for which the literature review provided the necessary considerations. My sampling criteria consisted of two main attributes. First, company criteria were determined with the purpose of finding firms that had been most actively focusing on designing scalable BMs and had been successful in that regard. Scaleup companies were identified as firms with the main objective of fast growth, fundamentally enabled by their scalable BMs. Hence, scaleups could be considered a group of companies that have the most relevant insights about the topic, deriving from both their successes and failures during their journey with the primary focus of developing scalable BMs. However, scaleups represent a wide range of companies coming from different sectors, residing with varying conditions. In order to narrow my focus down to those scaleups that have the best circumstances and highest chance for designing scalable BMs, thus providing with the most relevant insights to this research, I selected internet-based scaleups as criteria for the sample. As a last filter, only Danish companies were selected. Despite internet-based scaleups are looking for international presence, geographic location and local circumstances still affect their BMs, especially in earlier stages. Hence, focusing on Danish firms aimed at ensuring that the research considers participants with similar conditions, thereby making findings more relevant for this group.

Second, the attributes of respondents representing the mentioned companies had to be chosen. Since the BM design of a company is a high-level level responsibility, CEOs and founders of scaleups were considered appropriate participants of the research. Those individuals represented relevant companies, possessing overall and thorough understanding of their BM scalability, thereby they could support me to understand the topic the best way.

To identify companies matching the set criteria, I used company websites and databases, such as Crunchbase, on the internet. Finding the right individuals within the companies was possible either on the mentioned websites or on LinkedIn. For reaching out and organizing the interviews, I contacted the interviewees via LinkedIn or email (Appendix 1).

There is no exact answer for the optimal number of participants, however, Kvale (2007) notes that the regular number of interviews tends to be 15 ± 10. Since time and resource constraints are always present, he recommends avoiding too many interviews, since fewer cases could provide the opportunity to allocate more resources to preparation and analysis. Furthermore, I followed the principle of saturation. When the researcher starts to hear the same or very similar comments from participants, data saturation has been reached and the analysis should begin (Grady, 1998; Legard et

al., 2003). Considering these, I conducted eight interviews. Even though some new knowledge was still produced through the last interviews, the majority of participants' comments related closely to what other interviewees said before, therefore, taking resource constraints into account (Kvale, 2007), I decided to stop data gathering and start the analysis. The first interview followed a slightly different guide than what was designed after the focus of the research has been modified to a small degree, however, it covered the topics relevant for this paper. Consequently, I chose to include it in this research as it provided relevant and valuable information that helped me answer my research question.

3.5 Conducting Interviews

Due to the need for social distancing surrounding the COVID-19 pandemic in March and April, all interviews took place online. In line with Hoffman & Yeh (2018), the competition for scaleups is often fierce and scalable BM configurations can result in competitive advantage, interviewees asked for their and their represented companies' identity to be handled confidentially. The length of each interview fell between 50 and 60 minutes. Each participant gave permission for the use of a voice recorder. However, I also took notes in a way not distracting the flow of the conversation in order to be able to ask follow-up questions on important topics (Kvale, 2007).

Setting the stage was important as the interviews lacked physical presence (Kvale, 2007). I started the conversation with a briefing to the interview, gave the opportunity to ask questions but also included some informal discussions based on my previous research about the company and the participant to raise attention and create trust. Being prepared and knowledgeable about both the topic and the company was particularly critical to encourage informed and insightful conversations as I was making interviews with elites (ibid).

An interview guide with themes and questions was prepared and applied for the semi-structured interviews, constituting the skeleton of the interview (Appendix 2) (Kvale, 2007). This guide was created partially using a deductive approach from literature to ensure that potentially relevant areas were not left out from the interviews. Furthermore, the guide made it possible to conduct structurally comparable interviews, contributing to the quality of the interview, the ease of analysis, and enhanced findings. However, the conversation was allowed to unfold in informal ways that presented opportunities for follow-up questions corresponding to potential unexpected directions and enabled interviewees to explain their perceptions in detail, serving the purpose of the research (ibid). The predefined questions consisted of open ended questions that inspired participants to compose comprehensive answers in accordance with the purpose of the research without influencing their opinion (Saunders et al., 2009). The questions asked were easy to understand and avoided academic

language (Kvale, 2007). To ensure getting insights relevant for the research topic, however, I defined the main concepts, such as BM and scalability, in the beginning of the interviews.

3.6 Transcribing Interviews

As mentioned, all interviews were recorded. When transcribing the interviews, for which no exact rules exist, I kept in mind that oral conversations are linguistically different discourses than written texts (Kvale, 2007). An interview is an oral social interaction, that, by nature involves elements that are inappropriate in a written copy, therefore, when transcribing them, I aimed to fit them into written format supporting my analysis without changing the content and the meaning itself. Supporting the process, I used Otter.ai, a software that transcribed the audio file of my interviews into a written format. Using that transcription as the basis, I went through the text while listening to the audio, editing the text. In practice, it meant I corrected mistranscribed parts, removed duplicated words and structured the conversation in a transparent, non-fragmented order by merging parts that belonged together but were separated. A reason for that could be that participants had to ask back when the sound quality got too low to understand each other.

This method enabled me to prepare my interview data for efficient analysis that will be described in the next section.

3.7 Data Analysis

In order for the collected data to be useful and meanings to be understood, transcriptions of the interviews needed to be analyzed (Kvale, 2007; Saunders et al., 2009). Qualitative approach is attractive as it provides with rich data quickly, however, applying analytical ways to process large and often unstructured data can be challenging (Bryman & Bell, 2015; Miles, 1979). Qualitative analysis relies mostly on the circumspect display of the different interpretations of the research participants and the exploration of linkages between them (ibid).

My analysis was supported by the computer program NVivo, that enabled me to code my data.

Several different approaches exist to analyze qualitative data gathered from interviews (Kvale, 2007). By applying meaning condensation, the researcher compresses extensive expressions of interviewees into briefer formulations while keeping the essence of the meaning. Meaning interpretation is used when the researcher needs deeper and more critical interpretations of the interview data than just structuring what was said. This is more applicable for rather abstract topics. However, the most suitable method of analysis for my research was coding, as assigning keywords to segments of the text allowed me to classify information relevant for certain BM configurations that contribute to

scalability (Kvale, 2007). As a result, I was able to identify parts of my interview data referring to certain BM configurations even if different participants described them in different ways. Hence, I could extract information that helped me answer my research question.

Following the instructions of Kvale (2007), I did not only outline the method of analysis prior to the interviews, but, to a certain degree, built it into the interview process as these are simultaneous processes together with the identification of findings (Creswell, 2014). In practice, this meant that the questions in the guide and the follow-up questions posed aimed at facilitating the conversations in a way that interviewees listed and explained the BM configurations that they considered as affecting scalability and provided explanations of how those could be achieved. Compared to a less structured approach without the end goal in mind, these two main levels of discussion imposed less obstacles for the analysis of the interview data as important findings of the research could be extracted relatively easily.

3.8 Reporting

Kvale (2007) emphasizes the importance of the right balance between adopting quotes from interviewees and expressing the interpretations of the researcher. In line with his suggestions, I aimed at presenting my careful interpretations complemented with some important quotes directly from participants to help the reader understand the research topic better.

Presenting results in an appropriate way and thereby enhancing reports is crucial for conveying the important findings and messages (Kvale, 2007). The most suitable approach for this study was to display findings as the researchers' dialogue with the interview text (ibid). Hence, the interview results consisting of conceptual discussions about scalable BM configurations were confronted with the literature and with each other. Consequently, statements confirming or challenging the literature or each other could be shown allowing for an interesting reading.

3.9 Interview Quality

The quality of the interviews has crucial implications on the quality of the analysis and findings derived from the gathered data (Kvale, 2007). To avoid building edifices on sandy foundations, I aimed at ensuring the highest possible quality of the research. Hence, quality criteria has to be assessed considering the research methodology to ensure the high quality of the study (Kvale, 2007; Saunders et al., 2009). In particular, validity, reliability and generalizability are the most important and commonly used aspects of the data quality that determine the usefulness of the research (Bryman & Bell, 2015; Kvale, 2007; Mason, 1996).

3.9.1 Validity

In the context of qualitative research, following Pervin (1984), validity pertains to the extent to which the method reflects on the phenomena that was intended to be investigated. In order for the findings of this thesis to be considered as valid scientific knowledge, several supportive actions were taken.

First of all, validation was a continuous process throughout the research. Thus, all the carefully made and explained decisions regarding the research method contributed to the validity of the research (Kvale, 2007). The qualifications of the interviewer play an important role in the validity of the interview (ibid). Therefore, I educated myself about the topic through the review of the literature, listening and reading up on additional content and by discussions with senior colleagues at work about the company's BM to be able to drive insightful interviewees. During the interviews, I intended to be clear with my questions, create a reasonable structure to guide the conversation, but remained open and flexible to encourage participants to reveal their thoughts relevant to the topic. Nevertheless, I adopted a critical look on a continuous basis during the research to check the credibility and plausibility of the acquired data and my findings (Glaser & Strauss, 1967; Kvale, 2007).

Following Sandberg (2005), communicative validity criteria emphasizes the importance of the coherence of researchers' interpretations, in other words, the common understanding between the researcher and the participants. Having this in mind, in cases when interviewees did not make it clear how their statements relate to the scalability of the BM, I asked them to explain that relationship. When I was uncertain if I had understood correctly what interviewees meant or how exactly a statement related to the topic, I asked back to them to confirm that my interpretation was appropriate. Another important criterion is pragmatic validity that encourages researchers to try to minimize the chance of discrepancies between what participants say and their actual lived experiences (Sandberg, 2005). In line with that, I asked follow-up questions embedding statements in concrete situations, especially, when they appeared to be less logical. An example of that was when I asked back after a statement that certain customers refer good services to their competitors to get an explanation and make sure that I capture the knowledge in action, or to put it differently, the lived experiences of the interviewee. Later, during the analysis, I carefully selected interview data to be analyzed only if it helped answering my research question. Moreover, following Creswell (2014), I used member checking to validate my findings, meaning that I took my interpretations of interview data back to interviewees to check if they felt them accurate to increase the validity of my research. I adopted another recommendation of his, building on Lincoln & Guba (1985), and I engaged in peer debriefing by involving a knowledgeable peer university student who reviewed this research and asked relevant questions about that. Thereby, I was able to involve an external point of view to check if my study and its findings resonate with another person than myself.

3.9.2 Reliability

Reliability refers to the trustworthiness and consistency of the findings of the research, given similar conditions (Bryman & Bell, 2015; Kvale, 2007). Nevertheless, the aspect of reliability is, in general, tailored to quantitative research and more problematic for qualitative studies (Bryman & Bell, 2015; Kvale, 2007). Since semi-structured qualitative interviews lack a standardized approach, the question is not whether the findings are reproducible but if different researchers would show similar findings at other times, considering the responses of the interviewees, the transcription, and analysis carried out by the researcher (Bryman & Bell, 2015; Saunders et al., 2009). In order for future researchers to be able to attempt to repeat this study, detailed explanation of the choices concerning the research method was made available. Supporting that goal, besides the description of the research methodology, the attached interview guide (Appendix 2) enables researchers to construct similar interviews within the topic. Nevertheless, because of the flexible nature of semi-structured interviews and the interactions between participants, there is still a significant possibility that the same approach would lead to different findings to some degree. This attribute is acknowledged by the author, however, this is not a critical problem in this case, since the purpose of this research is to generate a deeper understanding of the topic that could serve as a basis for future researchers with the objective of further investigating the domain.

Another related concern with regards to my research strategy is the question of bias (Kvale, 2007; Saunders et al., 2009). In order to diminish the risk of interviewer bias, interview questions were designed to try to avoid leading questions with elements of personal beliefs and were asked in a neutral way attempting not to affect interviewees. First, asking participants to tell their understanding about the topic without strong guidance and then using open ended questions also aimed at providing the opportunity for them to express their opinions without being led to a certain direction. To give a practical example, instead of explaining in detail how network effects could contribute to scalability, I simply explained the term if it was necessary and asked if participants perceived any impact of that on scalability. Furthermore, talking to elites who were considered experts within the field and have been actively looking for scalable BMs also ensured that they had clear perceptions that they were able to articulate without being influenced. Even though these choices and techniques might not be able to fully eliminate biases, my goal was to minimize the possible impacts.

3.9.3 Generalizability

If the interview results from a sample are reliable and valid, the question remains whether they are mainly of local interest or they are transferable to contexts beyond the one in which this research was conducted (Bryman & Bell, 2015; Kvale, 2007). A recurrent objection to interview research is that

due to the few subjects, findings are not generalizable (Kvale, 2007). In line with the criticisms, even though I aimed at selecting a specific and relevant group of interviewees, I acknowledge that the generalizability of the findings is rather limited, also as a consequence of the small number of participants. Nevertheless, adopting the worldview of social constructionism, where reality is constructed by social actors, the objective is not generalization, but that the produced knowledge can be transferred to another relevant situation (ibid). To achieve this goal, the previously described processes were followed.

4. ANALYSIS

This chapter presents the empirical findings of my research based on the data collected from eight semi-structured qualitative interviews. The interviews were conducted with founders and CEOs of Danish scaleup companies and aimed at learning about what BM configurations they perceive as contributors to scalability and how they think specific BM designs could enable companies to benefit from them.

In the next section, I will introduce my findings concerning the perceptions of the interviewees about the impact of factors on scalability that were identified by previous authors. I will list all BM configurations included, present what interviewees think about their effects on scalability and how they think companies can design BMs to benefit from these configurations.

After that, similarly to the previous sections, I will present additional BM configurations that interviewees perceived as contributors to BM scalability that were not highlighted before by the literature.

When describing what interviewees think about each BM configuration in relation to scalability, I aimed at providing an overview of the interviewees attitude toward the factor, explaining what their opinions and the reasons for those are, and highlighting relevant and interesting ideas through my own interpretation or direct quotes from interviewees.

In the last section, I will give an overview of the findings of this research by using a summary matrix displaying all the discussed BM configurations and their relationship to scalability as recognized by each interviewee.

4.1 Previously Identified Business Model Configurations

4.1.1 Product-Market Fit

Relation to scalability

Product-market fit and the ability of the business to solve a real problem of the customers is considered one of the most important contributors to scalability by all interviewees.

I2 thinks finding a scalable BM “starts with a good product-market fit". Similarly, i8 thinks that being customer focused, identifying a real problem of customers and solving it is the foundation of a

scalable business. I1 and i2 emphasize that businesses should not even start scaling up before they find product-market fit. I1 suggests for businesses that want to scale that "don't scale before you have that because then you just going to burn an awful lot of money." I4 argues that unless a business has product-market fit, selling the product is a hard push that significantly hinders scalability. More specifically, i4 argues that product-market fit is necessary for a well-functioning distribution, as it enables companies to utilize partners' existing distribution channels and contributes to virality as described under the Distribution section. I1 and i6 highlight that product-market fit is not only crucial for sales but also for customer retention. They argue that satisfied and happy customers stay with the business' product and help them to get new customers, for instance, directly by recommendations or indirectly, by WOM or leaving positive reviews about the company.

Interviewees have other important consideration regarding the aspect of product-market fit as well. I4 warns that companies should, indeed, put customers and their needs in the center, however, they should be careful about designing their businesses and BMs around a solution. I4 argues that, if a business wants to scale up, providing a solution for real needs of customers is necessary but choosing a scalable format and BM to deliver that solution is also essential. I6 adds that scalable businesses should develop a solution that can achieve product-market fit in all or at least most potential target markets to be able to scale the company on a global level.

Achieving and benefiting from it

Interviewees agree with the statement of i1 and i2 that product-market fit should be a prerequisite for scaling a company. To achieve that, i2 suggests as a first step to "call 20 customers and ask them for half an hour of their time and go out and talk with them". I1 and i2 then suggest involving customers in the development of the product to make sure it satisfies their needs.

However, i3 emphasizes that product-market fit is never fully achieved and continuous improvements are necessary and the Lean startup approach is advisable to follow. Considering that, they established a customer panel aiming at collecting relevant feedback from customers. I3 also thinks that investing significantly in R&D and analyzing customer data concerning the usage of the product contributes to companies' ability to provide solutions that customers want. Similarly, i6 pays a lot of attention to customers' needs and their company develops and implements around 40% of new features based on customer feedback.

I5 and i6 believe that reducing complexity and making it easy for customers to understand the benefits of and to use the product is beneficial. I6 thinks that complex and innovative products require the company to add more resources to educate customers and explain it, that might hinder scalability: "we are preaching, we're standing with the Bible in the hand, making them think and act differently".

On the other hand, even though i3 agrees that more complex product need to be explained well, their experience is that by building appropriate and automated explanation processes, it is manageable without significantly decreasing scalability.

Main perceptions and arguments of interviewees regarding the relationship between Product-Market Fit and scalability	
Main perceptions	**Arguments**
• Product-market fit contributes to scalability	• Satisfies customer needs • Contributes to many other factors
• Find a scalable model for solving a problem	• Only following customers' needs does not lead to a scalable business model

Table 1: Key findings concerning Product-Market Fit

4.1.2 Distribution

Relation to scalability

As scaling requires selling the product, all interviewees perceive distribution as one of the most important parts of the BM affecting scalability.

I1 and i4 point out that, in order to be scalable, it is necessary to increase revenues and companies either have to sell again to their existing clients or find new customers. I7 states that having a big market and a lot of potential customers is worth nothing by itself without having access to them. Similarly, i1 emphasizes how crucial distribution is by the following statement: "You can have the best product in the world if nobody knows, it doesn't matter in the end". Similarly to others, i1 emphasizes that having a scalable distribution model is fundamental for businesses that want to scale.

Achieving and benefiting from it

Interviewees, however, have different ideas about what the most prosperous ways of distribution enabling scalability are.

Building an internal sales funnel based on the company's online presence utilizing automation tools, such as CRM systems, could be an important component, but this is not the most scalable approach (i1, i2). I4 explains that if a company aims at scaling exponentially, their internal team trying to acquire all the customers is not the ideal way of distribution.

Instead of building their own distribution channels, many interviewees think that tapping into existing distribution channels is a more scalable approach. I8 uses eBay's established channels, whereas others consider utilizing the access of partners to a specific target audience. I1, i2, i4 and i6 believe that the most scalable way of gaining access to their potential customers is through the distribution

channels of players who are already their suppliers or partners. They consider it important because their target audience is difficult to reach, and their product requires a high level of investment and commitment. Partners, who have good relationships with them, can significantly decrease the costs of reaching the potential clients at scale and increase trust between the parties, thereby increasing the chances of conversion too. Different approaches still appear: whereas i2 asks for an introduction to potential clients and manages the sales process afterwards, i6 believes that, for their business, using resellers without the deep involvement of the internal team could further contribute to scalability. I5 applies local distributor partners as stating that trust is highly important in their business.

Interviewees strongly emphasize that product-market fit and product quality has a serious impact on distribution. In the opinion of i4, engaging in the mentioned partnerships – as well as benefiting from virality - requires companies to have product-market fit and a good quality product as otherwise, the partnership could undermine the partners' relationships with their own customers or partners.

I2 believes it is not possible to determine one best approach, especially because different businesses might require different tools. In the opinion of i2, certain industries could imply different strategies while the nature of the customer might also have significant implications. According to i2, B2B and B2C businesses could differ in that regard but even the specific buyer personas might indicate different optimal distribution channels. I2 says that utilizing partners' existing distribution channels might not be the right approach if their target persona was at a lower level in the corporate hierarchy or they were a B2C company.

Besides tapping into existing distribution channels, all interviewees agree that virality could be a huge contributor driving exponential growth for companies. The reason for this belief is that word of mouth (WOM) might not cost anything, however, could generate lots of new customers (i1, i2 & i7).

Interviewees think that virality can simply arise from having a great product that people like so much that they tell about it to others. Highlighting that, i1 attributes much of their success in scaling faster than their competitors to "having our customers turn into evangelists (…) because we built a really awesome product". Even though most interviewees found the opportunity to introduce monetary or other incentive systems potentially prosperous for scalability, most of them do not actively use that. I5 assumes a reason for that could be rooted in the Danish culture as they might not feel it appropriate. I4 argues that there are certain BM configurations that can create virality. For example, encouraging customers to invite others to engage with the company or making some elements of the product sharable for them. This way, customers are willing to spread the word, moreover, even part of the value that the company can deliver – for instance, people can get a limited list of companies and their information that they want to search for (i4).

Main perceptions and arguments of interviewees regarding the relationship between Distribution and scalability	
Main perceptions	**Arguments**
• Distribution contributes to scalability	• Generates revenue
• Some modes of distribution are more scalable than other	• Automating internal sales funnel or tapping into existing distribution channels can enable decreasing customer acquisition costs
• Limitations to building scalable distribution channels	• Customers might require personal touches during the buying process

Table 2: Key findings concerning Distribution

4.1.3 Operational Scalability

Relation to scalability

All interviewees considered the operational scalability of a company important for scalability.

I4 emphasizes that if a company wants to be scalable, it needs to be able to scale its operations, otherwise costs will increase at the same pace as revenues. Similarly, i1 and i2 both mention operational scalability among the most important requirements for building a scalable business. I1 think that realizing the lack of scalable operations late hindered their business from scaling up in the early phases as they could have acquired more customers if they had been able to keep up with the pace. I1 believes that building scalable operational processes requires investment, but "you need to understand the importance of actually investing the money in the right places, and not keep that bootstrap mentality where you think about every penny". I8 also aims at building scalable operations in their business in order to be able to acquire more customers at lower costs.

Even though i6 thinks operational scalability is essential to their scalability, also warns that limitations exist as complex products need certain amount of human interactions and too heavy automation in customer interaction processes can negatively impact customer acquisition and retention, that is also mentioned by i2. I5 also says that, for instance, automating customer interactions to a high degree could be harmful if trust is important and customers demand a personal touch.

Achieving and benefiting from it

Interviewees identified two main pillars that are needed for companies to scale their operations.

All interviewees mention that a fundamental requirement for building scalable operations and avoiding the costs to increase parallel to the number of customers is the automation of internal processes. I1 argues that without automation “if there's too many manual tasks it will be too labor intensive”. More specifically, i1 and i2 think that the automation of customer acquisition and customer onboarding are essential for scalable operations as they help companies to increase their revenues at declining costs. Both interviewees believe that building repeatable and scalable sales processes are ű important as they can function almost as an engine automatically delivering customers. Both of them believe that, creating the right content attracting potential customers and leading them through a funnel until they become customers could be automated and contribute to scalability. More specifically, i1 believes that using a CRM software could enable companies to build these processes. I3 agrees with i1 and i2, that the next step is to automate onboarding, thereby significantly decreasing unit costs. I3 believes that pre-built content, such as handbooks or tutorial videos explaining the product could prevent the company from having to constantly extend the customer support team.

Besides automating how the company captures value, i4 thinks it is also important to have scalable methods for creating value. I2, i4 and i7 think that being able to scale production is important, otherwise, costs of production increase as the number of customers increases. As an example, i4 thinks selling recorded videos instead of live consulting projects could be a solution. However, i2 mentions that their creative production could also be largely automated by utilizing artificial intelligence (AI).

I6 thinks that building a scalable infrastructure is important to handle increasing amount of demand, however, for software companies, it is becoming a less important issue as the costs of building or renting – for instance, from AWS – scalable infrastructure has been falling significantly.

Main perceptions and arguments of interviewees regarding the relationship between Operational Scalability and scalability	
Main perceptions	**Arguments**
• Operational scalability contributes to scalability	• Ability to serve increasing demand • Decreasing unit costs
• Limitations exist to scaling operations	• Interactions with customers might be necessary

Table 3: Key findings concerning Operational Scalability

4.1.4 Network Effects

Relation to scalability

BM configurations enabling businesses to benefit from positive network effects are considered to be contributing to scalability by all interviewees.

The main reason for interviewees to believe that is that network effects increase the value offered by companies as more customers or other players join. This means that acquiring new customers becomes easier and easier for them, which then results in a positive feedback loop and helps the company accelerate its growth without increasing its costs (i1). Similarly to other participants, I1 argues, that they are trying to build an ecosystem around their business to involve more players that can increase cross-side network effects and drive revenue for the company. However, i1 emphasizes that these ecosystems, to function beneficially, require that creating a win-win-win situation. It means that all participants – in their case, customers, third-party service providers and their own business – benefit from the increased presence of other players as the ecosystem grows. I8 states that this particularly affects their company's scalability, as their business is a marketplace built on connecting buyers and sellers. In that sense, achieving positive network effects is considered fundamental for scaling a business that aims at building an ecosystem. Considering also different businesses, participants often think that establishing an ecosystem and benefiting from network effects, at some point, is beneficial for fast scaling (i1, i3, i4, i6 & i7).

Nevertheless, interviewees consider benefiting from network effects difficult. Some interviewees are only planning to pursue that in the future, as they think it requires a more established customer base – a critical mass – and a more mature company, which can maintain that with its offerings (i4, i6 & i7). Consequently, they have rather designed their BMs to serve customers in a traditional way in the earlier stages and believed that network effects could support their scalability from a later stage.

Despite most interviewees do not think it is indispensable for scalability, i4 points out that network effects "allow a business to achieve that competitive lock-in, stickiness, that, essentially over time, almost makes competition irrelevant if the network effects are strong enough". Referring to the long-term impact, i4 believes that network effects do not only help companies to acquire new customers at scale, but also to keep existing ones as switching to competitors would provide them with less value. As a result, it helps to increase customer retention, which allows for recurring revenues, thereby contributing to scalability as explained later.

Achieving and benefiting from it

I6 thinks creating network effects and the mentioned lock-in impact is possible if a business sells an enterprise software that is most effectively utilized by companies if all employees use that – for instance, for communication, as in case of Slack. Moreover, this could encourage companies to use the same software as their partners to have more compatible systems, resulting in same-side network effects (i3 & i6).

I1, i4 and i6 think generating network effects only after building a solid customer base by selling a product to them could be successful. I6, for instance, started to allow customers to share best practices about the use of the product and trade elements among each other that they built in the software, to create same-side network effects. I6 thinks additionally generating cross-side network effects by introducing third party service providers was easier, as they had the audience for that. According to i6, they could increase their revenue as well by charging a commission on the transactions.

Main perceptions and arguments of interviewees regarding the relationship between Network Effects and scalability	
Main perceptions	**Arguments**
• Network effects contribute to scalability	• Positive feedback loop generates more customers • Ecosystem building enables multiple revenue sources
• Network effects can support scalability at rather later phases	• Critical mass required to benefit from them

Table 4: Key findings concerning Network Effects

4.1.5 Changing the Role of Stakeholders

Relation to scalability

All interviewees think that changing the traditional roles of stakeholders could be beneficial for scalability.

The main reason for this is that interviewees think utilizing stakeholders does not cost anything or just a little, while it can help them create value and acquire new customers, thereby generating revenue (i1, i2, i4 & i5). I1 and i4 think benefiting from stakeholders could contribute to the scalability of a company, since as the number of stakeholders is growing in parallel with the company, the positive impact of stakeholders on value creation or capturing could increase simultaneously without additional costs. I4 emphasizes that if a company wants to build a scalable business, it should

work with stakeholders who serve a shared goal, which aligns and enables them utilize synergies instead of diminishing each other's businesses because of conflicting interests.

I5, for instance, considers changing the role of competitors to partners as a significant enabler of their scaling. The reason for that is that there are some dominant players in the market in which trust and credibility are important. Consequently, i5 thinks that turning established and powerful competitors into partners contributes to scalability by utilizing their brand and distribution channels.

Nevertheless, in general, interviewees do not think that changing the role of stakeholders, by itself, is among the most important ways to build a scalable BM.

Achieving and benefiting from it

Interviewees mention two main practices of changing the role of stakeholders that they find important for scalability.

I1, i2, i4 and i6 all emphasize that customers could be used as a powerful tool for acquiring new customers. I1 and i4 think that happy customers could be the best salespeople and the company does not (necessarily) have to pay them. I1 argues that if a company is able to create a product that people love, they are happy to refer that to other people. I4 argues that their customers are "really good friends with their competitors, which are very small, local communities. So all of them talk together, but at the same time, they are bragging to each other." Besides WOM, interviewees think there are more formalized ways of turning customers into salespeople. I4 argues that designing the product in a way that encourages customers to share parts of it with others or invite them. Monetary and other incentive systems could also increase customers' sales activities (i1 & i5). I2 thinks that organizing events and webinars where they allow customers to represent themselves to the ecosystem but require them to bring potential new customers from their network is also beneficial for customer acquisition and scalability.

The other popular practice among interviewees was to engage other players of the ecosystem, including potential competitors as partners. I1 and i4 think that collaborating with other related or complementary service providers creates synergies that benefit customers and the company and also enables them tap into others' distribution channels and acquire more customers.

Main perceptions and arguments of interviewees regarding the relationship between Changing the Role of Stakeholders and scalability	
Main perceptions	**Arguments**
• Changing the role of stakeholders contributes to scalability	• (Almost) no additional costs and it could help generating or capturing value as number of stakeholders grow in parallel with the company

Table 5: Key findings concerning Chaning the Role of Stakeholders

4.1.6 Creating a Platform

Relation to scalability

75% of the interviewees think that creating a platform could be a very effective way to build a highly scalable company.

Interviewees often see businesses as part of ecosystems. Consequently, i3 thinks that, eventually, businesses either join platforms connecting them to the players or create them. Concerning these options, i3 sees a trade-off: joining a platform is easier and more lucrative for businesses in the early growth phases, however, "when you look at companies who have been highly successful, they have been the ones able to build a platform instead of working on top of someone else's". I4 agrees and argues that companies owning the platform can avoid investing in their own assets and they only need to facilitate interactions between the participants of the platform that generates revenue. This results in decreasing unit costs as the number of customers (participants) increases. Furthermore, i4 highlights that this setup can lead to a multi-sided platform, where participants' roles are changed to create value for each other thereby triggering network effects. Consequently, a platform might turn into an engine that drives itself, letting participants filling in the fuel (i1, i4 & i6). Additionally, i3 mentions that instead of competing with more established companies with much deeper pockets, younger companies with scaling ambitions might achieve better results by rather connecting the players in the ecosystem through a platform. I8 agrees that following a platform strategy is a smart way to scalability by connecting the players. An additional benefit of creating platform, according to i3, is that the company becomes the owner of incredibly high volume of data that could be utilized in many ways to increase scalability.

Achieving and benefiting from it

Despite the overall very positive assessment of platform models' impact on scalability, interviewees often considered creating platforms beneficial for their businesses only at later stages (i1, i3 & i6).

I8 also explains it is challenging to bring in participants when there is a shortage of other participants, who would provide the value. However, interviewees think solutions exist.

I1, i4 and i6 think that building a platform around an existing business that already possesses a solid customer base could help the company to bring participants to the platform. I6 finds it a reasonable first step to allow customers to interact and create value by sharing, for example, best practices with each other, surrounding the product. Looking at the platform from an ecosystem point of view, i1, i4 and i6 believes that having one type of participant on the platform makes it attractive for other players who can serve them, thus inviting those to join the platform could be successful. In other words, they agree that in order to overcome the potential drawback of creating a platform, companies should first attract customers with their own product, then allow them to interact with each other and the company on a platform which then makes it appealing to other players to join and create a multi-sided platform. I1 warns that the sides brought to the platform should be mutually beneficial for each other to keep the necessary equilibrium.

I8 started their company as a platform and in order to encourage buyers to join, i8 believes that making partnership with supplier providing large amounts of products could be a good solution.

Main perceptions and arguments of interviewees regarding the relationship between Creating a Platform and scalability	
Main perceptions	**Arguments**
• Creating a platform contributes to scalability	• Low costs as participants create value for each other • 'Owning' the interactions across players of the ecosystem provides multiple revenue sources and huge volume of data • Might allow companies to grow very big in the long term
• Joining a platform contributes to scalability	• In the short term, it might be better for scalability as it gives access to potential customers

Table 6: Key findings concerning Creating a Platform

4.1.7 Enriching Value Proposition

Relation to scalability

Half of the interviewees believe that enriching value proposition through external support contributes to scalability, whereas the rest think it might be a positive factor but are not sure if it is particularly important for scalability.

I4 thinks about a business as solving a problem of customers, that is, embedded in a context of many related issues that customers want to get solved. Therefore, i4 believes that enriching the value proposition can foster scalability as it could enable the company to acquire new customers through the enriched offering and to increase revenues generated by existing customers without significantly increasing corresponding costs. I1 think similarly and argues that customers like to have specialized solutions for each problem, however, if a company is able to offer some of the needed solutions together by integrating others' products, customers are more likely to choose that more easily accessible solution as it does not require complex integration of different systems or even benefits from synergies.

From a scalability perspective, enriching the value proposition through partners could also be beneficial since the company can prevent increase in costs and still enrich their value proposition by offering more value for customers (i5).

Other interviewees, even though they engage in partnerships, for instance, helping them delivering their product, they are not sure whether enriching value proposition particularly contributes to scalability as the setup of those partnerships could be complicated.

Achieving and benefiting from it

Interviewees describe two main ways of enriching their value proposition through external parties. I1 and i2 invites third party service providers and developers to their business, allowing them to enrich their businesses' value proposition. They think that having external participants contributing to their businesses with related service or features that customers find valuable can help them build more scalable businesses by providing extra revenue sources and attracting more customers. Nevertheless, I2 warns that if a company's product is secondary to someone else's core offering, that setup is a more challenging and less lucrative considering scaling potential. I1 shares this view, therefore, their company only allows customers to access additional products within their system if they have already bought one of their own products. The company of i4 also engages third-party contributors in their platform, thereby increasing their offering without devoting additional resources.

I4 also believes that a peer partnership between companies addressing the same customers with complementary products could be contribute to scalability. This requires a deeper, strategic partnership and besides enriching each other's value proposition, it also gives access to each other's distribution channels. Furthermore, this partnership allows the companies to combine their products and offer different solutions from which clients can find what suits their challenges best, resulting in easier customer acquisition and higher customer retention.

I5 thinks that if services or features provided by partners enrich the value proposition of the core product, it is worth to directly build into that and offer them together to utilize the synergies.

Main perceptions and arguments of interviewees regarding the relationship between Enriching Value Proposition and scalability	
Main perceptions	**Arguments**
• Enriching value proposition contributes to scalability	• Outsourcing value creation decreases costs • Increasing revenues as the company can serve related issues of customers
• Partnerships might also cause difficulties, thereby also hinder scalability	• Depending on the setup of partnerships, companies might 'lose as much as they win'

Table 7: Key findings concerning Enriching Value Proposition

4.1.8 Market Size

Relation to scalability

Overall, all interviewees believe that a large total addressable market can contribute to the scalability of the company. However, only half of the interviewees are convinced that large market size is an important factor for building a scalable business from the beginning and the rest believe that addressing a large market, at least in the early stages, is not necessarily the ideal strategy scaling.

I1 believes that large markets mean more potential customers and revenue which implies a direct and an indirect consequence on scalability. The direct is that the company can potentially scale faster as more potential customers could be interested in them. The indirect is that companies that want to scale up fast need external funding and investors are highly interested in large markets, indicating higher potential returns on investment (i1, i2 & i4). "The market has to be big enough. If you are going to be a scalable business, you are going to need venture money. And VCs only invests in 1 billion plus markets." (i1).

Besides the size of the market, interviewees also consider market dynamics an important factor for building a scalable business. For instance, i2 and i8 also states that addressing a market that is growing annually makes their business more scalable as the number of potential and acquired customers increases. „I think that is the key to finding product market fit in a market that is growing." (i2).

Despite acknowledging these, others think that large markets inherently indicate many players and a fierce competition, whereby building a scalable business becomes more difficult (i2, i3, i4 & i7). For

example, i3 thinks that differentiation is much more difficult for companies, hindering their scalability.

Achieving and benefiting from it

To address the mentioned concerns regarding the intense competition in large markets, interviewees consider different solution that could enable companies to scale.

A frequent opinion among interviewees is that companies that want to scale up fast should aim at addressing niche markets (i2, i4 & i7). Even though this is not the only way, i4 thinks that building highly scalable, potentially global market leader companies requires finding a niche space because established, large markets have very strong players that dominate the market and it is difficult to compete with them. I7 explains it as the following: "We are trying to address these markets that are big enough to be interesting, but small enough to not be interesting for everybody". However, those markets then should be potentially large markets in the future and i2 and i4 point out that identifying those opportunities is very difficult. I7 thinks that their applied strategy could be helpful in that contest. They operated a consulting business and through their deep engagement with the customers, they have been able to find those customer pains that had not been well addressed by the market players and they have built a scalable business around it. The ultimate goal is still to find large markets in the long-term, which could be achieved also by horizontal expansions to other sectors (i7).

Other interviewees, who consider large markets beneficial for scalability from the beginning, often emphasize the importance of the expansion strategy (i1, i3 & i6). The businesses of all interviewees aim at addressing global markets, but each of them scales their business gradually, targeting different markets in the scaling up phase. I1 and i3 argue that scaling up first in smaller markets where there is a lower competition is better, whereas i6 and i8 think that with global scaling ambitions, it is better to prove a business in the biggest markets, such as the USA or Great Britain in Europe.

Main perceptions and arguments of interviewees regarding the relationship between Market Size and scalability	
Main perceptions	**Arguments**
• Large market size contributes to scalability	• Large number of potential customers
• Large market size hinders scalability	• Fierce competition • Hard to differentiate
• Addressing niche, potentially large markets contributes to scalability	• Lower competition • Positive market dynamics can lead to large number of potential customers

Table 8: Key findings concerning Market Size

4.1.9 High Margins

Relation to scalability

Evaluating the role of high margins divides the interviewees. Half of them think that high margins clearly contribute to scalability, while 2 interviewees perceive that attribute as hindering companies from scaling up. At the same time, 2 interviewees believe both high and low margins could enable scalability depending on the business context.

As scalable businesses "are the ones that, as they grow, the slope of the revenue curve is higher than the cost curves" (i4), increasing margins are a constant objective according to i1. This, however, does not mean that high margins always enable scalability, in the opinion of i5 and i8.

Interviewees mention different reasons why high margins are beneficial for scaling. I1, i2 and i4 emphasized that high margins make it possible for them to reinvest more money in the scaling process. As a result, according to i1, "you can grow faster and faster to create that exponential growth, because every time you close a customer, you can close two or three, and that gets to be nine, and so on". Furthermore, customer acquisition cost (CAC) minus customer lifetime value (LTV) is the most important KPI indicating their scalability. I1 states that the type of the market mostly determines CAC and higher margins increase LTV, thereby that KPI, consequently contribute to their scalability.

I4 points out a related consequence of high margins as it helps businesses with scaling ambitions to avoid high dependence on external funding. As i4 explains "Having high gross margins that are sufficient to organically cover the costs of much of the scaling is important so that you don't continually need external capital to keep that scaling growing". This is because i4 believes fast scaling companies need a lot of fuel – money, in their case – that could have two sources: revenues generated by themselves or external investment, and the latter comes with other costs.

I6 prefers high margins because the cost of onboarding is equal for each customer regardless how much they pay, which also refers to the arguments made by the other interviewees.

On the other hand, i5 and i8 argue that high margins actually undermine their scalability as they result in significantly lower number of customers, thereby lower revenue.

I5 explains it with the specific industry they operate in. In their sector within healthcare, governments are not only regulators but also major customers of the company of i5. A considerable portion of their sales have to go through public procurement and associated tenders are considering the price of the product with 40% weight. i5 believes reducing the margin significantly is necessary to adapt to the market, since then their company has a much higher chance of winning a tender that could generate large volumes of sales. Moreover, i5 thinks that the whole industry is based on trust, winning some

massive tenders and being trusted by a government could significantly increase their credibility among market players. Based on these arguments, i5 believes that lower margins – at least in the earlier stages of scaling up – could better contribute to their scalability.

I8 perceives the segment they operate in as price-sensitive, and explains their product as focusing on eliminating waste and creating efficiency. Therefore, i8 also believes that high margins can harm their scalability.

I3 and i7 think that although higher margins are better for their businesses to scale, it depends on the product a company is selling and the customer they are selling to. I7 states that, based on the conditions, high margins could be barriers to growth, especially in the early stages when businesses have not established themselves.

Achieving and benefiting from it

Most interviewees have relatively similar opinions about how it is possible to operate with high margins. As mentioned before, i3 and i7 believe that high margins are more beneficial for their scalability since they both have software businesses which means that they have relatively low unit costs as they do not have to produce their product for each new customer. I4 agrees that software businesses are much more suitable to impose high margins, however, more specifically, Software-as-a-Service (SaaS) businesses are even more popular than others for that reason. I1 and i2 agrees with that. Moreover, i1 believes that "if you have less than 80% margins on your SaaS you're the either paying someone too much or doing something wrong".

Main perceptions and arguments of interviewees regarding the relationship between High Margins and scalability	
Main perceptions	**Arguments**
• High margins contribute to scalability	• Reinvest own money • Investor attractiveness
• High margins hinder scalability	• Price sensitivity • High weight of price in tenders

Table 9: Key findings concerning High Margins

4.1.10 Adaptability to Different Legal Regimes

Relation to scalability

3 interviewees think that being able to adapt to different legal regimes is important for building a scalable company. Despite the rest of the interviewees acknowledge that some issues surrounding

the compliance to different legal requirements are present, they think this is a universal condition that does not affect their companies' scalability.

I2 and i4 argue that, since businesses with scaling ambitions need to address international markets, adaptability to different legal regulations in different countries plays an important role in their scalability.

Other interviewees, such as i3, i6 and i8 do not perceive legal regulations as having a significant influence on their businesses and say that requirements are similar in their target markets. Different legal conditions add complexity to their operations, however, those are rather small obstacles that occur inevitably and do not affect their scalability. Nevertheless, i1 and i7 argue that, to some degree, it is beneficial for their scalability to have their businesses started in Europe, where regulations are stricter (e.g. GDPR) and most often, they comply to legal requirements of other locations too. I7 adds that developed markets, that are the most lucrative for them, are often similarly regulated.

Contrary to the overall opinion of the mentioned interviewees, i5 believes that their adaptability enabled them being more scalable in a highly regulated market as, for example, it allowed them to successfully enter the highly regulated German market. I4 also believes that not being adaptable to different regulations could hinder scalability as a company might not be able to legally target certain markets.

Achieving and benefiting from it

First of all, interviewees often think that the segment they operate in and the product they have are not significantly exposed to changing legal regimes as regulations affecting them mostly follow similar principles (i2, i3 & i6). Concludingly, they think choosing to compete in globally homogeneous environments helps companies scaling by eliminating most of the legal obstacles.

To further increase the adaptability, i5 and i7 think building a product that complies to rather strict regulations increases the chances of the company to be able to enter other markets. I5 thinks that local partners in different markets support their expansion to a high degree as they help them understand the regional requirements. Furthermore, i5 argues that designing a BM that could be compatible to, for instance, different modes of distribution allows them to follow the advice of local partners and enter the ecosystem.

Contrary to the approach of adapting to different regulations, i4 suggests that companies should analyze potential target markets before their expansion and enter those markets that they find possible and relatively easy to operate in. Nevertheless, i4 thinks that certain changes are often required when

entering new markets, thus, developing a macro system that serves as the skeleton for the BM makes it easier to adapt smaller details to specific regulations.

I1 changes the perspective by saying that as their company is a pioneer in their segment, governmental regulations are still being formulated and they are involved in the processes. That enables them to influence regulations and design their BM accordingly.

Main perceptions and arguments of interviewees regarding the relationship between Adaptability to Different Legal Regimes and scalability	
Main perceptions	**Arguments**
• Adaptability to different legal regimes contributes to scalability	• Enables easier, less costly access to international markets
• Adaptability to different legal regimes does not contribute to scalability	• Little impact on the business, part of regular operations • All businesses have to comply to the same regulations

Table 10: Key findings concerning Adaptability to Different Legal Regimes

4.2 Newly Identified Business Model Configurations

4.2.1 Argument for selection

In the following section, considerations regarding BM configurations will be presented that are novel findings of this research, compared to the results of previous literature. As a consequence of my research strategy, conducting semi-structured interviews, the relatively free flow of conversation allowed interviewees to reveal any BM configurations that they thought impacted scalability. Even though the majority of these considerations had already been identified, as discussed before, interviewees mentioned additional considerations too.

The conversations not being restricted by heavy boundaries allowed interviewees to articulate anything that crossed their mind related to the topic. This and the interrelated nature of the BM indicated that reasonable selection of the unveiled ideas was necessary to avoid presenting findings that are either highly related to a previously discussed factor or could be biased perceptions of a very limited number of interviewees. In order to be able to select additional considerations of the interviewees that could be the most relevant for this research, I applied the following selection criteria:

The mentioned BM configuration

- could not be associated with one configuration listed by previous literature
- was particularly considered to be important for scalability by at least three interviewees.

Below, I will present the newly identified BM configurations recognized as contributing to scalability by interviewees based on the mentioned criteria.

4.2.2 Customer Retention

Relation to scalability

6 interviewees consider customer retention - and consequent long-term revenues - an important contributor to the scalability of the business.

I3 argues that it is common to think that scaling up mainly consists of acquiring more customers, however, having new customers does not worth much if they and existing ones are leaving through the back door. "Our focus is always at any given time to really make the current customer base happy and then the secondary is getting new customers" (i3).

I1 and i6 emphasize that one of the most important metrics which they measure concerning scalability is customer lifetime value (LTV). Consequently, to make their business more scalable, they aim at increasing customer retention, thereby LTV. They mention that a reason for this is that if existing customers buy again, unit costs can decrease as most of the sales and onboarding efforts have already been made. Similarly, i7 considers recurring revenues leading to a much more scalable business than selling one-time consulting projects. “If they are happy customers and use us this continuously over the next years, that's a good deal.” (i7). I4 agrees with that by saying „The best customer to sell to is the one you already have. All the statistics show that the most profitable companies achieve incremental sales with their existing customers.”.

Achieving and benefiting from it

As quoted before, i3 believes that having product-market fit and satisfying customers is fundamental to keep customer retention high.

Interviewees have two different suggestions how a company can increase its scalability utilizing customer retention.

Most interviewees believe that offering subscription-based models for customers is the best way for companies to have recurring revenues from existing customers (i1, i4, i5, i6 & i7). I7 highlights that,

in the early phases of their business, they were searching for a need of potential customers that occurred on a continuous basis in order to build a scalable business that is able to keep its customers and have recurring revenues. Similarly, i5 mentions that they have two models: selling the product and a subscription-based model. Of these, the subscription model is "the one we are focusing on is naturally as any other company is the one that brings in recurring revenues." (i5).

Interviewees often associate subscription models with Software-as-a-Service (SaaS) models. "It works as an annual subscription with the automatic renewal unless they tell us the not to renew. So that is a quite typical SaaS solution." (i6).

Other ways for the company to benefit from retention identified by interviewees are upselling and cross-selling to existing customers. I1 applies both methods and argues they are significant contributors to their business's scalability: "we could have actually stopped all sales last year, and then we would have still grown 31%.". Their company can grow in parallel with the customers as they can upgrade their product package as their demand increases. I1 also explains they have different related products that existing customers can purchase, thus their business benefits from cross-selling. As mentioned before, i4 believes breaking down offerings can help customers to engage with the company without significant barriers, but it also helps the company to upsell and cross-sell. I4 thinks that, ideally, customers could upgrade their existing product or purchase complementary and related products according to their needs, on demand.

Main perceptions and arguments of interviewees regarding the relationship between Customer Retention and scalability	
Main perceptions	**Arguments**
• Customer retention contributes to scalability	• Could generate continuous and additional revenues without extra customer acquisition costs

Table 11: Key findings concerning Customer Retention

4.2.3 Replicable Offering

Relation to scalability

5 interviewees believe that creating a replicable offering contributes to scalability. Since reducing the unit costs as the number of customers increases is the foundation of scalable businesses, decreasing unit costs of production and customer onboarding is important.

I7 argues that standardizing a product, thereby making it replicable, could help to achieve that. In the opinion of i7, "for a scalable solution, we have to be able to do it so that it is automatically reusable by another time.". I7 thinks that unless a company has a standardized product that could be applied

to similar cases in a similar way and "save development costs", it is difficult to achieve significantly decreasing unit costs. Related to the production scalability aspect, i2 mentions that difficulties occur for their business as a big portion of their product requires creative production that is hard to replicate as different situations demand different solutions.

I6 acknowledges that their business can probably never be as scalable as Slack since their product is not the same and does not deliver the same outcome for each customer. It requires them to customize their product to some degree according the specific client needs while it is also more difficult onboard customers as a prebuilt handbook would not apply to all cases. I4 also agrees that if the product needs to be produced or created again and again, the business can never reach a fully scalable state.

I3 emphasizes that an important goal for their business is to achieve self-service interactions of clients with the company to the highest degree in order to reduce onboarding costs, for which a standardized product is beneficial.

Achieving and benefiting from it

I7 thinks that the first step to creating a standardized, replicable product is to identify a general, problem that could be addressed with a universal solution. In their case, they collected information for this from their consulting services and purposefully looked for regularly occurring issues. Acknowledging that consulting, in the traditional way, is not a scalable model as businesses sell hours, i7 contrasts the software solution they built to that: "in these cases, we are talking much more about a case of being able to scale it and reuse 100%".

I2 and i3 think that simple products that do not require creative work for each new case are easier to be standardized. Nevertheless, despite i2 acknowledging that their business demands significant creative production which is not totally standardizable, argues that using AI has significantly helped them to automate production processes. "I think we have around 45-50% automation now in our production, and most of that is due to AI." (i2).

Considering the automation of the onboarding processes, as a result of standardized products, i7 thinks it is much easier to let customers logging in to an online platform and setting up everything themselves on a dashboard. Similarly to i3, i7 believes that the complexity of the product also has an impact on the degree to which automation of the onboarding process is possible, however, argues that having a standardized product is an important advantage.

Main perceptions and arguments of interviewees regarding the relationship between Replicable Offering and scalability	
Main perceptions	**Arguments**
• Replicable offering contributes to scalability	• Low costs of reproduction resulting in decreasing unit costs • Similar outcome for customers might allow for automation in sales and onboarding

Table 12: Key findings concerning Replicable Offering

4.2.4 Low Barriers to Customer Engagement

Relation to scalability

3 interviewees believe that lowering the barriers for customer engagement can help to increase scalability, while, even though others did not mention it specifically, some of their ideas imply that they might also consider it helpful to some degree.

I4 and i6 think that if companies are selling expensive and complex products, customers might perceive price and risk too high, that could hinder companies from acquiring customers and scaling up. Both argue that their B2B companies, applying top tier enterprise level pricing, require a lot of efforts from the sales team to make potential customers feel comfortable about purchasing an expensive product. Furthermore, they believe that the complexity of the product and the typically long-term commitments could also hinder scalability as selling the product requires more manual work. They think that lowering barriers for potential customers to engage with the company and the product can develop trust and a deeper understanding of how the product can support them. This could eliminate a significant portion of manual interactions with the customers before selling to them and increase the conversion rate. I4 thinks this BM design could be beneficial as it allows "you, as a customer, develop a positive feeling towards that brand. You develop an impression that these are good people, these are knowledgeable people, and I can count on these people. You develop trust, and people want to buy things that they trust." I6 thinks that changing their BM and lowering the barriers for customers to engage with them could result in potentially hyper growth for their business, therefore, they will consider shifting their path.

I1 also finds it important for scalability to engage with customers early in order to gain trust and create value for them without asking for serious commitments.

On the other hand, i5 thinks their business has less flexibility regarding the way they offer their solutions as the transactions are highly regulated. I8 do not mention that lowering barriers to customer

engagement would support their company being more scalable, however, it might be less applicable to their business as it generally aims to provide more efficient services and operates with low barriers.

Achieving and benefiting from it

Interviewees identify different ways to lower barriers to customer engagement in the early phases of the relationship with the company.

I1, i2 and i3 think that establishing themselves as thought leaders in the eyes of potential customers by offering them relevant knowledge concerning the problem they are solving. They can express that they are credible suppliers and have valuable knowledge that can help potential customers. The form of this could be digital content (i1 & i3) but also webinars or physical events (i2) that only require little information or maybe a small fee from potential customers. This can enable both parties to learn if they are a good match and develop trust and positive attitude towards each other.

I1, i4 and i6 also believe that the product itself can also be offered to the customer without demanding deep commitment. I4 suggests that the offering can be broken down to smaller pieces, potentially downgraded, which potential customers could have free access to. An example of this is offering a limited list with limited information instead of a detailed report, if that is the product (i4). I4 further believes that besides offering free value to encourage customer engagement, it could also be beneficial to reduce barriers for becoming a customer.

I4 thinks that by breaking down the product to pieces and ensuring that becoming a customer is not very expensive and does not require long-term commitment, the company allows customers to engage with the product at low risk. I4 believes that this way, customers can more comfortably make purchase decisions for high-value products subsequently, and the company can reduce their resources allocated to sales. Breaking down the product could also allow customers to select elements in a combination that best solves their problems.

I4 and i6 also think that allowing customers to sign short-term contracts instead of, annual subscriptions reduces barriers for them to engage with the product, develop trust and, eventually, stay with the company if it satisfies their needs.

Main perceptions and arguments of interviewees regarding the relationship between low barriers to Customer Engagement and scalability	
Main perceptions	**Arguments**
• Low barriers to customer engagement contribute to scalability	• Helps potential customers develop trust and decrease perceived risk, thus help customer acquisition and increase revenues

Table 13: Key findings concerning Low Barriers to Customer Engagement

4.3 Summary of the Findings

The purpose of this section is to provide a summary and a visual representation of the findings of this research. The following summary matrix (Figure 3) displays the BM configurations that were considered as contributing to BM scalability.

The green signs mean that the interviewee agreed that a certain BM configuration contributes to scalability. The orange signs indicate that the interviewee either did not state whether they thought that a certain factor contributes to scalability or was not sure whether it contributes to scalability. More specifically, the former could occur if the interviewee did not mention a certain factor, as it was not part of the interview guide based on the literature review or did not have a clear idea about its relation to scalability. The latter could mean that the interviewee thought that a given factor could enable scalability in certain cases, however, it depends on the circumstances and might also have contradictory impacts. Concludingly, the orange signs indicate that the interviewee did not articulate a clear perception whether a factor contributes to scalability or not. Often, these findings were considered interesting and highly relevant results, thus were discussed in more detail earlier. The blue signs mean that the interviewee stated to perceive that the given factor does not contribute to scalability – however, it does not mean that it hinders scalability.

Lastly, it is important to note the matrix displays the type of the perceived relationship between certain BM configurations and scalability by interviewees, however, it does not represent the perceived importance of them. Even though the interview data, in some cases, allows for interpretations concerning the recognized importance of the factors by interviewees, that I aimed to represent in the earlier sections, this research is not able draw conclusions from that.

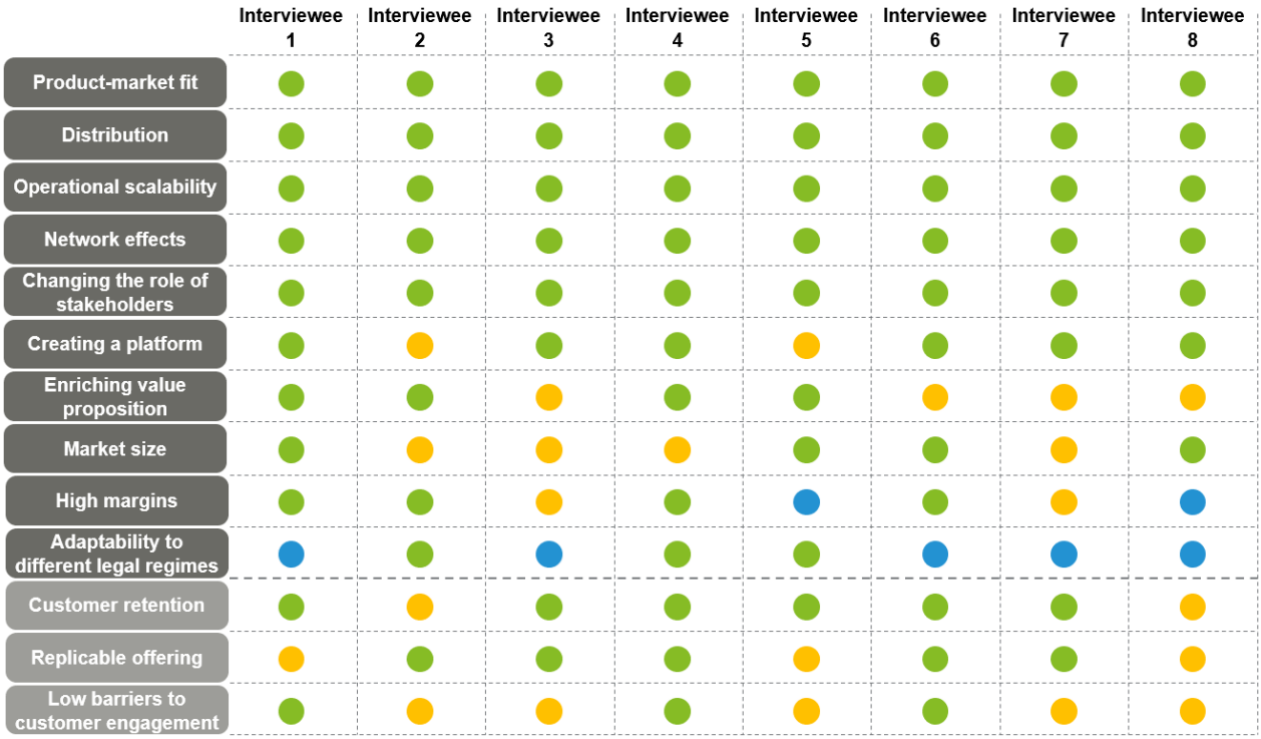


Figure 4: Summary of the findings

Considering the previous findings of other authors, as the matrix shows, five factors are recognized as contributing to scalability by all interviewees. Mostly, interviewees think that four other factors could also contribute to scalability, however, in certain cases, contradicting opinions are articulated as well. One factor is not considered to be contributing scalability by five interviewees, nevertheless, three of them perceive it as an enabler for scalability.

As a result of this research, three additional BM configurations are identified as contributing to scalability by at least three interviewees.

The analysis of my interview data helped me to understand what BM configurations founders and CEOs of Danish scaleups perceive to be contributing to scalability and how companies can design BMs to benefit from them. The new findings and mixed perceptions of interviewees - compared to the literature ad to each other - indicate an interesting discussion, therefore, in the next chapter, I will address the implications of my research.

5. DISCUSSION

The purpose of this chapter is to answer the research question, compare the findings to those of the previous literature and raise important learnings and interesting discussions emerging from this study.

It is important to note that the findings and discussions introduced here represent the perceptions of the eight interviewees and the interpretation of those by the researcher. Consequently, these findings are not generalizable. However, they help the reader to understand what BM configurations do founders and CEOs of Danish scaleups consider as contributing to scalability, why they think that, how they relate to the previous literature, and what interesting discussions could be initiated from those findings. Concludingly, this research contributes to the existing literature with interesting findings that I will present below.

First, I will answer my research question and elaborate on the relevant BM configurations that were discussed by other authors, and the ones that have been newly identified by this study. Thereafter, I will discuss discoveries of this study that are highly relevant for understanding more about the relationship between BM configurations and scalability. Findings presented here put the topic of the research in a different perspective and contain important implications for further research.

5.1 Business Model Configurations Contributing to Scalability

In this section, BM configurations perceived to be contributing to scalability will be introduced and interesting discussions and implications emerging from the analysis will be highlighted.

5.1.1 Business model configurations identified by previous literature

First, I discuss factors also recognized as contributing to scalability by the previous literature. As Figure 3 shows, five out of ten factors are considered to be contributing to scalability by all interviewees and at least three interviewees agree with the contribution of all configurations. However, the research has interesting findings and implications challenging and expanding on the factors identified by previous theories that will be discussed below.

5.1.1.1 Product-Market Fit

All interviewees confirm product-market fit to be an essential factor. More specifically, its role is key because unless the product solves a real customer problem, the company will not even face the

challenges of increasing demand. Contrary, finding product-market fit can increase scalability in many different ways, for instance, by enabling virality, high margins or customer retention.

5.1.1.2 Distribution

Distribution is also agreed to be necessary for scalability as this is the fundamental enabler of increasing revenues. Besides optimizing the internal sales funnels, almost all interviewees highlight the importance of tapping into existing distribution channels and virality. The reason for that is to avoid constantly increasing internal efforts and customer acquisition costs.

However, limitations exist in some cases, for instance, on developing distribution channels that automate customer acquisition to make it more scalable. In case they have more complex products, interviewees warn that the total elimination of salespeople from distribution might result in difficulties in customer acquisition, thereby hinder scalability. Other influencing factors could be the nature of the industry, product or customers, as, for example, i5 emphasizes, trust is highly important in healthcare and customers are old-school people, thus, personal touch is necessary in their case.

An interesting aspect of distribution that is less emphasized in existing literature is that, as some interviewees think, there is no clear best approaches to it that helps companies being more scalable. However, according to my findings, it is influenced by various factors. For instance, high-price enterprise solutions require distribution channels through which the target people in decision-making positions at companies are available and trust can be created, for which utilizing business partners' networks could be suitable. On the other hand, in case of a B2C product with lower investment demands from customers, creating virality around the product could work very efficiently. Besides that, as i5 explains, the industry and regulations could also affect what distribution channels contribute most to scalability, as some methods might be very limited, for instance, due to regulations regarding how certain goods can be exchanged.

5.1.1.3 Operational Scalability

Similarly, all interviewees agree that operational scalability, listed by all authors considered in this research, is an important factor for scalability. The reason for this general agreement could be that scalability, by definition, requires decreasing unit costs as the volume of output increases. Therefore, the organization needs to be able to scale its operations, concerning its infrastructure and resources accordingly to meet increasing demand without growing costs in the same pace.

Additionally, an interesting discussion emerges from the findings of this research.

The findings indicate that limitations to the extent to which companies can and should make their operations scalable exist, that has not been addressed by the literature. For instance, companies that

have more complex, novel or expensive products that is difficult for customers to understand and use have to allocate more resources for the onboarding of each customers. Even though automation to some extent is possible with tutorial videos and pre-written explanations, sometimes, eliminating human interaction might decrease customer satisfaction and retention, thus hinder scalability.

5.1.1.4 Network Effects

All interviewees believe that utilizing positive network effects could contribute to scalability. In line with both authors who mention network effects, interviewees agree that achieving critical mass is necessary to benefit from them. Nevertheless, interviewees raised an interesting discussion around the topic.

Despite i8 thinks benefiting from network effects could be possible from the beginning of the company, for instance, by pursuing a platform BM, the majority think that leveraging network effects requires a strong foundation of customers, therefore, their contribution to scalability is possible rather in the later stages of scaling up. The findings indicate that companies should, at least, consider building a solid customer base through their product offering, potentially finding other players of the ecosystem with related products and then shifting their BM to try to leverage same-side and cross-side network effects. In that regard the findings of this research also extend the aspect of network effects.

The different opinions here might have been driven by the different overall BMs of interviewees. While the platform business of i8 implies in their case that they can benefit from network effects from the early stages as they essentially connect different actors, others, representing software businesses perceive that leveraging network effects is possible only after acquiring the critical mass of customers who can then interact with each other and different other players in a way that creates more value for them.

This debate indicates that future research should examine how network effects could be effectively utilized for scalability.

5.1.1.5 Changing the Role of Stakeholders

In line with previous literature, each interviewee agrees that changing the role of stakeholders can contribute to scalability. This might not be surprising since if a company wants to be scalable, it has to decrease unit costs while growing in sales. Therefore, utilizing stakeholders external to companies could provide opportunities to benefit from that, for instance, by turning customers into salespeople, sometimes, without even investing their own resources.

5.1.1.6 Creating a Platform

Similarly to Nielsen & Lund (2018), this research suggests that creating a platform could have a significant impact on the scalability of the company. Nevertheless, the findings extend existing literature with interesting considerations.

The perceptions of interviewees indicate that creating a platform could be a rather long-term goal and tool for companies to increase their scalability. The reason for this could be similar to why most interviewees think leveraging network effects is possible at a more mature stage. As a platform essentially enables participants to interact with each other, it often requires solid foundations and customer base to build on. Nevertheless, platforms can give companies access to and the opportunity to utilize a larger ecosystem of their business, thereby enhancing their scalability.

A reason for two interviewees not considering creating a platform contributing to scalability could be that it is not an indispensable factor and is difficult to achieve, thus, in some cases, working on it can also hinder scalability. Even though their companies aim at scaling up, they might not have very high ambitions, such as becoming a market leader company yet and these circumstances could influence their perceptions. Moreover, the possibilities of i5 are also limited by strict regulations dictating under what conditions they can operate and interact with stakeholders, that might limit companies' abilities to create platforms in certain industries.

The findings of the research indicate that there could be a trade-off between joining and creating a platform: Deriving from the difficulties of building it, joining a platform might support scalability and accelerate growth better in the short-term, however, creating a platform could be a recipe to follow if a company wants to build a scalable business in the long-term. The findings imply that after a company has reached a certain level of growth, a next step towards further increasing their scalability might to create a platform around the business as being more capable of doing that. Nevertheless, this transition requires foundational changes in the BM. This topic of overcoming the trade-off between joining or creating a platform and its impact on the short- and long-term scalability of companies could be an important and interesting subject of future research.

Creating a platform seems to be a very powerful tool contributing to scalability as it could enable many other BM configurations that can support it. By creating a platform, companies can change the role of stakeholders and utilize them, enrich their value proposition through external parties, generate network effects and potentially also increase margins as they can benefit from facilitating interactions among players who create value for each other.

Overall, the findings imply that creating a platform is not essential for scalability. Companies might be able to scale their businesses to a certain degree without creating a platform, however, that way,

achieving a level of scalability that could enable companies to aim for market leading positions in the long-term might not be possible.

5.1.1.7 Enriching Value Proposition

Similarly to the findings of Nielsen & Lund, (2018), some interviewees believe that if partners or other external parties help a company to enrich their value proposition, it contributes to their scalability.

The main argument of the interviewees for that, which is not emphasized in the literature, is that customers usually do not have standalone problems, but problems are embedded in systems of related issues. This means that if a company enrich and extend its value proposition, it could be able to acquire more customers and increase the lifetime value of them, thereby increasing their scalability.

Nevertheless, challenging Nielsen & Lund (2018), some interviewees think the setup of the partnerships, through which companies can enrich their value proposition, could have an influence on whether the attempt helps scalability. A reason for this could be that in such a partnership, parties both give and take value away, thus, its contribution to scalability might depend on the circumstances of the collaboration.

5.1.1.8 Market Size

Despite all interviewees agree that large market size could contribute to scalability, the findings of this research add another interesting layer to the topic.

The interviewees perceptions indicate that besides offering more potential customers, large total addressable market size has an important indirect effect on scalability: funding is almost always necessary for fast scaling and investors are looking for high returns on investment, therefore, they prefer large markets.

Besides the size of the market, interviewees often perceive positive market dynamics as important for scalability, as the demand increases.

The most interesting finding is that some interviewees argue that initially smaller, niche markets could be more beneficial for scalability than large markets, as competition is not as fierce and customer acquisition could be easier. Hoffman & Yeh (2018) also mention that aspect, however, the findings of this research indicate that it should be paid more attention to in the literature. Interviewees suggest that, ideally, these markets evolve to large markets which could be achieved also by companies through vertical or horizontal expansions.

5.1.1.9 High Margins

Despite all interviewees agree that high margins, in some cases, can contribute to scalability, opposing thoughts are also articulated, encouraging an interesting discussion.

Interviewees agree that high margins are favorable for scalability primarily because companies have more money to reinvest after each new sale, thus driving further growth. Another relation to scalability is that, as i1 and i6 points out, if customer acquisition and onboarding costs are given, it is more scalable for companies even to have less customers but higher margins than the other way around.

However, some interviewees contradict the statement of Hofmann & Yeh (2018), who argue that customers do not choose products based on the margin, but they compare the value they get to the price. Contrary, these interviewees believe that high margins might significantly affect the buying decision and pose obstacles for scalability, especially, in the earlier phases of scaling up, when companies want to grow the number of customers and establish themselves on the market.

According to my findings, it could depend on several conditions. I8 emphasizes that markets and customers with high price-sensitivity might indicate that lower margins are favorable for customer acquisition and scalability. Therefore, the nature, complexity and innovativeness of the product could also affect how high companies can set margins to increase scalability.

There is an even more specific and interesting finding of this research with regards to the impact of margins on scalability. As i5 reveals, the healthcare industry they operate in is highly influenced by the governments, which does not only mean regulations but also that a high percentage of the customers are also public institutions. They are obligated to choose their supplier based on a tender as it is considered as public procurement. Tenders, however, could have specific criteria or scoring system sol select the winner, and price is often a factor with a very high weight. This means, that companies in similar industries might have to operate with lower margins to reduce price in order to be scalable.

Consequently, the findings of this research suggest that even though having high margins could be beneficial, in cases, it might significantly affect the buying decision and hinder scalability.

5.1.1.10 Adaptability to Different Legal Regimes

In case of adaptability to legal regimes, contradicting Stampfl et al. (2013), five interviewees believe it does not have a direct impact on scalability. Nevertheless, three interviewees agree with the previous literature.

Interviewees, who do not consider it as a contributing factor, argue that different legal requirements are given conditions that everyone has to comply to, however, it does not affect scalability. Nevertheless, the companies of these interviewees are operating in markets that are, as some of them emphasize, usually regulated in similar ways in most of the countries. Contrary to their argument, in that sense, it could be argued that operating in an industry with a product that is not exposed to significant differences in legal regulations reduces troubles companies have to face when scaling up, that inherently includes expanding to other countries.

An interesting finding not mentioned by any previous literature is that companies that are pioneers in a new field might have the opportunity to create regulations together with the authorities that can enable them designing BMs more adaptable to different the requirements.

5.1.2 Newly Identified Business Model Configurations

In addition to the previously discussed BM configurations, this research introduces three new factors considered as contributing to scalability by at least three interviewees, as shown by Figure 3. Thus, this study extends existing literature about BM configurations contributing to scalability.

5.1.2.1 Customer Retention

While previous literature focused on new customer acquisition, the findings of this study indicate that customer retention is also important for scalability. Keeping customers for a longer period of time could contribute to scalability by increasing their lifetime value while acquisition costs occur only once.

The customer lifetime value could be increased by designing the BM to generate recurring revenues, or businesses could also upsell and cross-sell to existing customers. Utilizing recurring revenues could be a powerful tool as it provides continuous revenues for the company and, especially in case of an easily replicable offering, corresponding costs increase at a lower pace. Subscription-based model is a commonly mentioned BM configurations that allows companies to have recurring revenues and several interviewees believe it is a very important enabler of scalability, thus, they have consciously tried to design such a model.

Similarly, to let customers to buy what best suits their needs and give them the opportunity to upgrade the product (upsell) or buy complementary products (cross-sell) might support new customer acquisition and increase lifetime value at the same time without additional costs.

5.1.2.2 Replicable Offering

Interviewees often mention that during their quest for scalable BMs, they have been trying to create a replicable offering. The reason for this is that a replicable product can make the production side of a company highly scalable as once the product is developed, very low marginal costs occur as sales increases, therefore, unit costs are declining over time. Additionally, the findings also indicate that sales and onboarding costs also decrease if the variety of products and their output for customers disappears, which can further contribute to scalability.

Most interviewees suggest that creating a standardized product with zero or low customization that can solve an issue faced by many potential customers could enable companies to have a replicable offering and support scalability.

On the other hand, even though a standardized product does not mean it is simple and easy to create, a different concern might be that competitors could copy them which could hinder the scalability of a company by increasing competition.

Another interesting finding of this research is that AI might have a significant impact on how companies can create a replicable offering in the future. Despite AI is currently rather used for increasing efficiency and automating repeatable processes, i2 mentions that it can significantly contribute to the scalability of even creative production. Thus, even though a product is not standardized and involves creative elements, AI might still help to make them more replicable. As AI is rapidly developing, a very interesting topic for further research could be how AI will affect value creation or other elements of the BM, thereby the scalability of businesses.

5.1.2.3 Low Barriers to Customer Engagement

Interviewees, especially those who run companies that operate with high prices (and margins), sometimes have difficulties with rapidly growing the customer base as acquisition can be a costly and long process. A reason for this could be that developing a high level of trust is difficult but necessary when customers face high risks because of high prices or the required long-term commitment.

The findings indicate that lowering barriers to customer engagement can help to create trust and display credibility toward potential customers, thus support customer acquisition and contribute to scalability. Possible BM configurations to achieve that could be breaking down the offering to pieces from which customers can select what they need or creating value for customers – in a scalable form - before they buy anything. Moreover, breaking down the product could also help companies to upsell or cross-sell to customers later.

A potential reason for some interviewees not recognizing it as contributing to scalability could be that their businesses inherently pose lower barriers, such as lower prices, for customers to engage with them.

5.2 Novel Perspectives

The findings of this research have interesting implications beyond understanding what BM configurations do founders and CEOs of Danish scaleups consider as contributing to scalability.

In this section, I present new perspectives that have not been emphasized by previous literature but emerged from the interview data and might have important implications not only on the relationship between BMs and scalability but also on how this relationship should be looked at and examined. Findings introduced below shed light on the topic from a different angle than from which this study was approached and indicate that a thorough understanding of the subject requires a comprehensive investigation addressing several different dimensions.

Consequently, this section could be particularly interesting for future researchers who would like to study what factors businesses should consider when designing scalable BMs.

5.2.1 Trade-offs and Limitations of Identified Factors

Existing literature addressing the topic tend to focus on what BM configurations enable scalability and how companies can achieve and utilize them – which was the focus of this research as well. However, my findings indicate that limitations and trade-offs exist concerning some of those factors, meaning that even though they can contribute to scalability, under certain circumstances, they can be counterproductive.

To bring some examples also mentioned before, too much automation in customer acquisition and onboarding might result in fewer sales and decreasing retention, thereby hinder scalability. The dilemma of joining a platform or creating one, for instance, could be considered as a trade-off: joining one might make the company more scalable in the early phases, whereas creating one could make the company more sustainably scalable in the long-term. Similarly, even though high margins are said to be beneficial for scalability, in some cases, they might pose obstacles for the company to grow its customer base.

This indicates that future research within the topic should address the extent to which certain BM configurations could be exploited to contribute to scalability.

5.2.2 Interrelation of Factors

Despite previous literature, for instance Nielsen & Lund (2018) refers to interrelations among the different BM configurations, how they affect each other and thereby scalability has not been particularly studied yet. However, my findings indicate that the mentioned factors do not only impact scalability, but they are often in important relationships with each other, thereby having indirect impacts on scalability as well. Certain BM designs contribute to scalability through affecting other factors, while some choices have impacts on what the right choices could be for other elements of the BM.

The most interesting example of a BM configuration contributing to scalability by affecting other factors is creating a platform. By doing that, businesses enable changing the role of stakeholders who can enrich the value proposition of the company by contributing with their services to platform. Thereby, they can also support operational scalability as the platform owner does not have to create everything. On top of that, as explained before, network effects could be enabled as well. Another representative example is product-market fit which is considered to affect many other factors in a positive way, such as the possibility of applying high margins, or the rate of customer retention.

Another example of the interrelations could be that in case of higher margins – and consequently higher prices – lowering the barriers to customer engagement might be of higher importance for scalability, than in case the margins are lower. Other factors might contribute even more to scalability when applied together: breaking down a product to pieces can lower the barriers to customer engagement and enable upselling and cross-selling, thereby contributing to scalability.

Consequently, further research that studies BM scalability should not necessarily take standalone BM configurations as the unit of analysis but rather the interrelated system of the whole BM. Applying a system-thinking approach might enable the future researcher to more accurately understand how BMs can contribute to scalability.

5.2.3 Dependencies

The findings indicate that BM configurations that contribute to scalability could depend on several other factors. Despite Stampfl et al. (2013) and Hoffman & Yeh (2018) mentioning that, for instance, internet-based businesses and certain overall BMs, such as SaaS companies might have better chances of scaling, they do not emphasize how different circumstances and attributes of businesses affect the BM configurations that can support scalability.

This study suggests that the industry a business operates in might significantly influence the impact of certain factors. As i5 highlights, a highly regulated industry experiencing important presence of

public institutions might require drastically modified approaches. It could limit the companies' options for distribution and require them to cut margins low to win tenders if they want to scale up. However, even more free markets could imply special requirements: if trust and credibility is essential, companies might have to apply more human workforce and corresponding distribution channels to be scalable. Another example is that price-sensitive markets could punish companies applying high margins in order to be scalable. However, interviewees think that high margins can contribute to scalability. This might imply a debate whether certain markets are better for building scalable companies than others.

Moreover, even though it is not a general attribute of the industry, high-end or complex products might demand special procedures. Going further, i2 suggests that even the specific buyer persona could indicate different advisable distribution approaches, for instance.

The findings also imply that B2B and B2C markets could be different spaces and reward different choices: in B2B, for example, lowering the barriers for customer engagement might be especially important as signing a contract with a supplier might be a very complex buying decision with inherently higher risk and commitment.

Lastly, my findings indicate that different companies in different stages of scaling up might consider different BM configurations as best contributing to their scalability. For instance, in the early phases, companies might perceive that giving up on their margins to some degree might be more beneficial for scalability when they want to establish themselves on the market, and increasing margins is better when they become credible players in the ecosystem. Similarly, joining a platform might make a company more scalable in the beginning, however, creating one is recognized as a better option for that sake in the later phases.

As a result of this discussion, many interesting questions arise that could be addressed by future researchers:

- What industry characteristics enable the scalability companies?
- How do certain product categories and buyer personas influence the scalability of businesses?
- What BM configurations contribute to scalability in in different stages of the company?

5.2.4 Overall Business Models

The findings indicate that the overall BM applied by a company might also have an important impact on scalability. The reason for this could be that the overall setup of the business has a significant influence on how the company can benefit from the mentioned BM configurations.

Similarly to Stampfl et al. (2013) and Hoffman & Yeh (2018), interviewees indicate that software, especially SaaS businesses could have higher scaling potential than other businesses. SaaS means that a company offers their software solution on a subscription basis. The main reason for this might be that it enables businesses to exploit some of the listed BM configurations well, such as standardizing their product, operating with high margins, and benefiting from recurring revenues.

Besides SaaS, platform businesses are also recognized as having increased chances of high scalability, in line with Hoffman & Yeh (2018). It means that a company does not only create a platform around their business, but their operations are fundamentally based on a platform model. As explained before, interviewees believe that it could also support scalability through enabling other configurations. Furthermore, contrary to SaaS, even though the owner has to build the platform, the product itself could be built by external parties which could make this model highly scalable.

5.3 Summary and Overall Implications

Besides the ten BM configurations identified by previous literature, interviewees consider three new factors as contributing to scalability, as shown before.

The findings of this study indicate that the relationship between the BM and scalability is rather part of a complex system than the results of a pile of choices and consequences. In order to understand the phenomenon more thoroughly, the author suggests to, first, break down the problem and examine how the described dimensions – trade-offs and limitations, interrelations among BM configurations, dependencies and overall BMs - affect each other and scalability. Then the acquired comprehensive fundamental knowledge might enable researchers to put the components together and try to understand how that system around BMs works in different setups and how it influences scalability.

The findings also indicate that the factors affecting scalability are often perceived differently by different interviewees which does not necessarily originate from the differences between the companies they lead or the industries they operate in. Therefore, this research argues that reality – in that case, the factors contributing to scalability – is subject to the interviewees' own perceptions and cannot be described objectively.

As a consequence of my research approach, the findings described in this chapter are not generalizable, however, they extend the existing knowledge and literature about the topic and could provide with inspiration for business leaders aiming to build scalable BMs and further researchers interested in the topic.

6. LIMITATIONS

Despite this research was thoroughly and carefully conducted as explained in the Methodology chapter, limitations of the findings are acknowledged. Alvesson & Sköldberg (2000) state that unmediated data or facts do not exist which is especially applicable to this qualitative research considering its research philosophy. They argue that necessary interpretations by the researcher cannot be neutral and ideology-free which affects the whole research process, implying limitations on the findings. Following the suggestions of Alvesson & Sköldberg (2000), I reflect critically on my own research and findings considering four different levels.

First of all, limitations originate already from my strategy to data collection. The selection of the participants of the research, for instance, could have important consequences (Alvesson & Sköldberg, 2000).

I selected founders and CEOs of Danish, internet-based scaleup companies because my purpose was to find people who represent and have a great overview of companies whose main goal is scaling up that is primarily enabled by their BMs. Despite the high relevancy of the interviewees to my research topic, this choice might indicate limitations on the findings of this research.

To start with, scaleup companies whose representatives I talked to are businesses that are successful in building scalable BMs. Despite my goal of selecting the most relevant type of businesses to my research, this also restrained me from gathering information from people representing companies that failed to scale their business and could have provided valuable information about the reasons for that.

The CEOs and especially the founders of scaleups are typically visionaries who are passionate about the innovative businesses they put heavy hours of work into for years to make them succeed. During that path they have to convince employees, customers, partners and investors to invest their time, money, trust into their dream even though their companies are still small and unknown compared to large competitors. An important part of that – especially, to convince investors – is to prove that their business is scalable and stakeholders who buy in despite the high risk can expect high return on investment. Consequently, my interviewees might have been used to presenting the scalability of their BM in a positive light, ignoring or downplaying difficulties. Thus, my collected interview data might not entirely represent the real perceptions of interviewees and could potentially lack some important details that would have modified my findings.

Founders and CEOs are also usually busy people who were asked to take off almost an hour of their working day. In some cases, they might have hurried the interviews to get it done sooner than it

would have actually required to them explain their opinion and answer all questions thoroughly. An evidence for that was that when an interviewee was giving rather short answer to my questions in the end of the interview and told we could not continue our discussion much further because they had a meeting right after the interview. This might have resulted in missing information, thus less accurate interpretations of interview data by the researcher.

The fact that I collected data for my research from Danish executives – except for one person - representing Danish companies could have also affected the findings of this research. Culture might have a considerable impact on the perceptions of people and since the study focused on people's thoughts from a specific nation with a unique culture, some of the findings might have been different if I had collected my data from people representing different cultures. I5 highlighted that aspect during the interview when talking about incentive systems for referrals: "I hear that in some countries, it is quite common to do that. Which is strange at least to me with a Danish mentality'.

Having to conduct the interviews online due to the COVID-19 pandemic situation could also be considered as a limitation to this research. Kvale (2007) emphasizes the importance of nonverbal interactions between the researcher and the interviewees that could help the researcher to identify topics to focus more attention on based on also the physical reactions of participants and to interpret data more accurately. Video interviews allowed limited nonverbal interactions, but some interviews had to be conducted without video connection due to technical difficulties. These circumstances might have been obstacles for developing trust to some degree which was important as I talked to elites and might have also limited my findings and affected my interpretations (Kvale, 2007).

The next level of critical reflection focuses on the analysis of the collected data which fundamentally happens through the interpretations of the researcher (Alvesson & Sköldberg, 2000). My interpretations during the analysis of the data were influenced by two main factors that could be considered as limitations of this study.

First, since, to some extent, I followed a deductive approach, I was particularly paying attention to identify and analyze data addressing the BM configurations provided by previous literature in order to be able to answer my research question. Even though I was also searching for new factors perceived to be contributing to scalability by interviewees, the pre-identified factors did not only influence my interview guide (Appendix 2) but might have also guided my interpretations of the data to some extent.

As I mentioned before, in order to develop my abilities to conduct the interviews, thus increasing the quality of my findings, I had tried to extend my knowledge about the topic from different sources (Kvale, 2007). Nevertheless, the knowledge I possessed might have also had an impact on my

analysis as well besides data collection. Analyzing and connecting data is more difficult if the researcher does not have existing knowledge about potential relationships between certain factors and their impact. This could have affected the analysis and the findings of the research, as I might have identified different perceptions of the interviewees than another researcher would have done with different existing knowledge. Consequently, even though my knowledge about the topic increased the quality and validity of this qualitative research, it might also imply limitations on the findings of the study.

Alvesson & Sköldberg (2000) argue that another level of critical reflection should address the underlying ideologies of the research since the phenomenon is embedded in a social context. Concludingly, the questions and interpretations of the research are not neutral and are influenced by and help to construct certain ideological conditions (ibid).

The primary underlying ideology of this research is that fast growth and scalability of companies is a desired phenomenon and understanding how it could be achieved through certain configurations of BMs is beneficial for the companies, the employees, innovation, and the overall wealth of society (Birch, 1981; Coad et al., 2014; Nielsen & Lund, 2018). Concludingly, this research suggests that following the BM configurations perceived to be contributing to the scalability of businesses could lead companies and society to an elevated state of existence.

However, this study does not question these underlying assumptions, rather builds on that ideology. Even though it was not part of the scope and an objective of the study, not addressing this ideology critically influenced my approach to the research and could be considered as a limitation of this master's thesis. The main reason for this is that a study within the same topic with different underlying assumptions might choose a different approach to the research and might interpret the perceptions of the interviewees differently whereby the findings of the paper would also be different. For instance, when discussing operational scalability of companies and related automation of processes, this research does not consider how the potential layoff of employees affect the business from a different perspective.

The last level of critical reflection derives from the postmodernist approach and addresses the issues of representation and authority (Alvesson & Sköldberg, 2000). This research, similarly to other papers, aims at formulating a reasonably coherent narrative in order to be able to convey the learnings and messages based on the collection and analysis of empirical data. This approach inherently implied leaving out some details of the data which did not fit into certain BM configurations that might have had some degree of impact on the findings of the research. Nevertheless, despite trying to create a coherent narrative, I paid attention to discuss contradictions and ambiguities in my findings as I considered them interesting pieces of the learnings.

Related to that, in this study, the voice and interpretations of the researcher are highly represented compared to others, for instance, the interviewees or the peer reviewers. The decisions about what questions were asked, what parts of the interview data were presented in the research and which statements were quoted from interviewees were made by me. Consequently, the voices and opinions of the interviewees are also represented through my interpretations. Even though I followed rigorous methods, as described in the Methodology chapter, in order to ensure the highest possible reliability and validity of this research and my findings, the researchers interpretations are dominantly present in this thesis which could be considered as a limitation.

7. CONCLUSION

This research aimed at gaining a better understanding of BM configurations that could contribute to the scalability of businesses. The necessity of this study was twofold. First, BM scalability has become a crucial topic in the business environment as a key to building successful global ventures that contribute to innovation and societal wealth creation. Second, even though BM scalability has received increasing attention, it was still underrepresented in literature and there were misalignments between the findings of authors addressing the topic.

The purpose of this paper was to answer the following research question: What BM configurations do founders and CEOs of Danish scaleups perceive to be contributing to the scalability of businesses?

First, previous findings of the literature were introduced and used as a starting point for this research.

In order to answer the research question, I conducted eight semi-structured, qualitative interviews with the mentioned founders and CEOs. As I used a combination of deductive and inductive approaches, I collected data concerning the BM configurations considered by previous literature and about additional factors that the interviewees perceived to be contributing to scalability.

As a result, this research found that besides all ten BM configurations mentioned by previous literature, three additional factors were recognized as contributing to scalability by at least three interviewees each, that the reader can find in the Discussion chapter. The findings contribute to existing literature in three ways:

- Challenges and expands on BM configurations identified by previous literature
- Introduces new BM configurations that could contribute to scalability
- Implies that the relationship between BM configurations and scalability cannot be thoroughly understood as a standalone phenomenon as it could be part of a complex system in which multidimensional relations influence outcomes.

These findings, particularly the last one, provide interesting implications for further researchers within the topic.

This research emphasized the importance of scalability and aimed at learning more about it through the perceptions of relevant social actors. Nevertheless, it is important to keep in mind as a (potential) founder or executive of a company that the most important consideration about a business is not whether it is scalable.

“When it comes to scaling, you just have to ask yourself: Is this something that can scale? And is this something that should scale? And if you can answer yes to both of those questions, then, you will probably find a way. But not everything that can scale should scale.” (i4).

Being able to build a scalable company comes along with possibly exponentially increasing impact on stakeholders. This means that both positive and negative outcomes could have significant consequences. Being aware of that, executives should be extremely careful to create businesses that have positive impacts on society and to scale them responsibly.

APPENDICES

Appendix 1

Email/LinkedIn outreach to founders and CEOs of scaleups

Hi [*NAME*],

I am Bence Dolezsar and I am contacting you from CBS, studying innovation and writing my master's thesis about BM scalability.

[*COMPANY*] looks to be a great fit for my research, so I would like to ask if you would be open to an online interview about the topic, more specifically about what elements of your BM enables or limits your scalability and how it could be potentially improved. The interview could be, of course, handled confidentially if you wish and would last no longer than an hour.

I am looking for founders and CEOs of scaleups but in case you would rather refer me to someone else in your company who has an overview of the BM, that could also be good.

I am very excited about the topic and it would be a huge help from you if I could learn about your perspective on that.

Please let me know whether this would be possible.

Kind Regards,

Bence Dolezsar

Appendix 2

Interview guide

Main objective of the interview:

Get the interviewee's perspective on the topic of BM scalability. Get an understanding about

- what BM configurations enable or hinder the scalability of the interviewee's business
- why and how certain factors affect scalability
- how companies can design BMs that benefit from those factors
- how the scalability of their BM could be improved

through the perceptions of the interviewee

Definitions

Scalability: The ability to grow fast in terms of sales, while exploiting economies of scale, meaning that the unit costs are decreasing.

Business model: It explains how the company creates value for customers and how it captures the value. Configurations mean the choices made within the context of the BM.

Introduction questions:

- What is your product/service?
- Is it a goal for your business to grow/scale up?
- How would you assess your growth in the recent years?

Open questions about BM scalability:

- What elements or configuration of the BM enables you to scale?
- What BM configurations hinder you from scaling? How could you change that?
- What other BM configurations would be possible to increase your scalability?

Topics regarding BM configurations identified to be contributing to scalability by previous literature:

What do you think about the impact of…

- Network effects
- Distribution
- Market size
- High margins
- Product-market fit
- Operational scalability
- Adaptability to different legal regimes
- Enriching value proposition
- Creating a platform
- Changing the role of stakeholders

…on scalability?

REFERENCES

Alvesson, M., & Sköldberg, K. (2000). *Reflexive Methodology: New Vistas for Qualitative Research*. Sage.

Baden-Fuller, C., & Morgan, M. S. (2010). Business models as models. *Long Range Planning*, *43*(2–3), 156–171. https://doi.org/10.1016/j.lrp.2010.02.005

Basu, S. (2008). Returns to Scale Measurement. In S. N. Durlauf & L. E. Blume (Eds.), *The New Palgrave Dictionary of Economics* (2nd ed). Palgrave Macmillan.

Battelle, J. (2005). *The Search: How Google and Its Rivals Rewrote the Rules of Business and Transformed Our Culture*. Penguin.

Beck, T., Demirguc-Kunt, A., & Maksimovic, V. (2005). Financial and legal constraints to growth: does firm size matter? *The Journal of Finance*, *60*(1), 137–177.

Bernard, H. R. (2011). *Research Methods in Anthropology* (5th ed.). AltaMira Press.

Berry, L. ., Shankar, V., Parish, J. ., Cadwallader, S., & Dotzel, T. (2006). Creating new markets through service innovation. *MIT Sloan Management Review*, *47*(2), 56–63.

Birch, D. L. (1981). Who creates jobs? *The Public Interest*, *65*(Fall), 3–14.

Björkdahl, J., & Holmén, M. (2013). Editorial : Business model innovation – the challenges ahead Joakim Björkdahl * and Magnus Holmén. *International Journal of Product Development*, *18*(June), 213–225.

Blank, S. G. (2007). The Four Steps to the Epiphany. In *Cafepress. com*. https://doi.org/22

Brin, S., & Page, L. (1998). The anatomy of a large-scale hypertextual Web search engine BT - Computer Networks and ISDN Systems. *Computer Networks and ISDN Systems*, *30*(1–7), 107–117. https://doi.org/10.1016/S0169-7552(98)00110-X

Bryman, A., & Bell, E. (2015). *Business Research Methods*. Bell & Bain Ltd.

Canbäck, S., Samouel, P., & Price, D. (2006). DO DISECONOMIES OF SCALE IMPACT FIRM SIZE AND PERFORMANCE? A THEORETICAL AND EMPIRICAL OVERVIEW. *Journal of Managerial Economics*, *4*(1), 27–70.

Carlsson-Szlezak, P., Reeves, M., & Swartz, P. (2020). *Understanding the Economic Shock of Coronavirus*. Harvard Business Review. https://hbr.org/2020/03/understanding-the-economic-shock-of-coronavirus

Carr, N. G. (2000). *The Myth of Scalability*. The Standard.

Carucci, R. (2016). *Midsize Companies Should not Confuse Growth with Scaling*. Harvard Business Review. https://hbr.org/2016/07/midsize-companies-shouldnt-confuse-growth-with-scaling

Casadesus-Masanell, R., & Ricart, E. J. (2010). From strategy to business models and onto tactics. *Long Range Planning*, *43*(2–3), 195–215. https://doi.org/10.1016/j.lrp.2010.01.004

Chandler, A. (1990). Scale and scope: the dynamics of industrial capitalism. Harvard University Press. Chandrashekaran. *Harvard University Press*, *11*(1), 37.

Chesbrough, H. (2003). *Open Innovation: The New Imperative for Creating and Profiting from Technology*. Harvard Business School Press.

Chesbrough, H. (2010). Business Model Innovation: Opportunities and Barriers. *Long Range Planning*, *43*(2–3), 354–363.

Chesbrough, H., & Rosenbloom, R. S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and Corporate Change*, *11*(3), 529–555.

Coad, A., Daunfeldt, S. O., Hölzl, W., Johansson, D., & Nightingale, P. (2014). High-growth firms: introduction to the special section. *Industrial and Corporate Change*, *23*(1), 91–112. https://doi.org/https://doi.org/10.1093/icc/dtt052

Cooper, D. R., & Schindler, P. S. (2008). *Business Research Methods* (10th ed.). McGraw-Hill.

Creswell. J. W. (2014). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (4th ed.). Sage.

Duruflé, G., Hellmann, T., & Wilson, K. (2017). *From start-up to scale-up: Examining public policies for the financing of high-growth ventures* (Issue 4). https://doi.org/https://doi-org.esc-web.lib.cbs.dk:8443/

Eurostat. (2007). *OECD Manual on Business Demography Statistics*.

Evans, D. S., & Richard, S. (2010). Failure to Launch: Critical Mass in Platform Businesses. *Review of Network Economics*, *9*(4), 1–26. https://doi.org/https://doi.org/10.2202/1446-9022.1256

Ferguson, R. (2008). Word of mouth and viral marketing: taking the temperature of the hottest trends in marketing. *Journal of Consumer Marketing*, *25*(3), 178–182.

Gelles, G. M., & Mitchell, D. W. (1996). Returns to scale and economies of scale: Further observations. *Journal of Economic Education*, *27*(3), 55–60.

Gilbert, B. A., McDougall, P. P., & Audretsch, D. B. (2006). New venture growth: A review and extension. *Journal of Management*, *32*(6), 926–950. https://doi.org/10.1177/0149206306293860

Glaser, B. G., & Strauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Aldine de Gruyter.

Grady, M. P. (1998). *Qualitative and Action Research: A Practitioner Handbook*. Phi Delta Kappa Educational Foundation.

Hallowell, R. (2001). "Scalability": the paradox of human resources in e-commerce. *International Journal of Service Industry Management*, *12*(1), 34–43.

Hoffman, R., & Yeh, C. (2018). *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies*. Currency.

Isenberg, D. (2012). *Focus entrepreneurship policy on scale-up, not start-up*. Harvard Business Review. https://hbr.org/2012/11/focus-entrepreneurship-policy

Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, *87*(12), 52–60.

Johnson, P., & Clark, M. (2006). *Business and Management Research Methodologies*. Sage.

Joshi, M. (2020). *Who will be the winners in a post-pandemic economy?* World Economic Forum. https://www.weforum.org/agenda/2020/04/post-pandemic-economy-favour-fastest-movers/

Kvale, S. (2007). *Doing interviews*. Sage Publications Ltd.

Legard, R., Keegan, J., Ward, K., Yeo, A., McNaughton, C., Lewis, N., & Lewis, J. (2003). In-depth interviews. In *Qualitative Research Practice: A Guide for Social Science Students and Researchers* (pp. 139–169). Sage.

Li, Y. R. (2009). The technological roadmap of Cisco's business ecosystem. *Technovation*, *29*(5), 379–386. https://doi.org/10.1016/j.technovation.2009.01.007

Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic Inquiry*. Sage publications.

Markus, M. L. (1987). Toward a "Critical Mass" theory of interactive media: universal access, interdependence and diffusion. *Communication Research*, *14*(5), 491–511.

Mason, J. (1996). *Qualitative Researching*. Sage.

Massa, L., & Tucci, C. L. (2014). Business model innovation. In *The Oxford handbook of innovation management*. Oxford University Press.

McKinsey & Company. (2019). *SDG Guide for Business Leaders*.

Miles, M. B. (1979). Qualitative Data as an Attractive Nuisance. *Administrative Science Quarterly*, *24*(4), 590–601.

Miller, W. L. (2001). Innovation for business growth. *Research Technology Management*, *44*(5), 26–41.

Moazed, A. (2020). *How Platforms Scale without Increasing Costs*. Applico. https://www.applicoinc.com/blog/how-tech-companies-beat-the-competition-airbnb-vs-hyatt-uber-vs-taxis-amazon-vs-walmart/

Monteiro, G. F. A. (2019). High-growth firms and scale-ups: a review and research agenda. *RAUSP Management Journal*, *54*(1), 96–111. https://doi.org/https://doi.org/10.1108/rausp-03-2018-

0004

Murphy, G. B., Trailer, J. W., & Hill, R. C. (1996). Measuring performance in entrepreneurship research. *Journal of Business Research*, *36*(1), 15–23. https://doi.org/https://doi.org/10.1016/0148-2963(95)00159-X

National Economic Council & Office of Science and Technology Policy. (2015). *A strategy for American innovation*.

Nielsen, C., & Lund, M. (2014). An Introduction to Business Models. In *The Basics of Business Models* (pp. 8–20). Ventus. https://doi.org/10.2139/ssrn.2579454

Nielsen, C., & Lund, M. (2018). The Concept of Business Model Scalability. *Journal of Business Models*, *6*(1), 1–18. https://doi.org/https://doi.org/10.5278/ojs.jbm.v6i1.2235

Onetti, A. (2014). *Scaleups. When does a Startup turn into a Scaleup*. Startup European Partnership. http://startupeuropepartnership.eu/scaleups-when-does-a-startup-turn-into-a-scaleup/

Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation*. John Wiley and Sons.

Osterwalder, A., Pigneur, Y., & Tucci, C. L. (2005). Communications of the Association for Information Systems Clarifying Business Models: Origins, Present, and Future of the Concept CLARIFYING BUSINESS MODELS: ORIGINS, PRESENT, AND FUTURE OF THE CONCEPT. *Communications of the Association for Information Systems*, *16*(16), 1–25. https://doi.org/10.1.1.83.7452

Parker, G. G., Van Alstyne, M. W., & Choudary, S. P. (2016). *Platform Revolution: How Networked Markets Are Transforming the Economy and How to Make Them Work for You*. WW Norton & Company.

Patel, P. C., Fiet, J. O., & Sohl, J. E. (2011). Mitigating the limited scalability of bootstrapping through strategic alliances to enhance new venture growth. *International Small Business Journal*, *29*(5), 421–447.

Pervin, L. A. (1984). *Personality*. Wiley.

Rappa, M. A. (2004). The utility business model and the future of computing services. *IBM Systems Journal*, *43*(1), 32–42.

Remenyi, D., Williams, B., Money, A., & Swartz, E. (1998). *Doing Research in Business and Management: An Introduction to Process and Method*. Sage.

Ries, E. (2011). *No TitleThe lean startup: How today's entrepreneurs use continuous innovation to create radically successful businesses*. Crown Business.

Robinson, K. (1998). An examination of the influence of industry structure on eight alternative measures of new venture performance for high potential independent new ventures. *Journal of Business Venturing*, *14*(2), 165–187.

Robson, C. (2002). *Real World Research* (2nd ed.). Blackwell.

Rowley, J. (2012). Conducting research interviews. *Management Research Review*, *35*(3–4), 260–271.

Sandberg, J. (2005). How Do We Justify Knowledge Produced Within Interpretive Approaches? *Organizational Research Methods*, *8*(1), 41–68.

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Method for Business Students* (5th ed.). Pearson Education Limited.

Schoop, J., Holden, A. J., & Eggers, W. (2018). *Success at scale*.

Seddon, P. B., Lewis, G. P., Freeman, P., & Graeme, S. (2004). The Case for Viewing Business Models as Abstractions of Strategy. *Communications of the Association for Information Systems*, *13*(March), 427–442. https://doi.org/10.17705/1cais.01325

Silverman, D. (2007). *A Very Short, Fairly Interesting and Reasonably Cheap Book about Qualitative Research*. Sage.

Sosna, M., Trevinyo-Rodriguez, R. N., & Velamuri, S. R. (2010). usiness model innovation through trial-and-error learning: the naturehouse case', Long Range Planning. *Long Range Planning*, *43*(2–3), 383–407.

Stampfl, G., Prügl, R., & Osterloh, V. (2013). An explorative model of business model scalability. *International Journal of Product Development*, *18*(3–4), 226–248. https://doi.org/10.1504/IJPD.2013.055014

Sullivan, T. (2016). *Blitzscaling*. Harvard Business Review. https://hbr.org/2016/04/blitzscaling

Teece, D. (1986). Profiting from Technological Innovation: Implications for integration collaboration, licensing and public policy. *Research Policy*, *15*(6), 285–305.

Teece, D. (2010). Business Models, Business Strategy and Innovation. *Long Range Planning*, *43*(2–3), 172–194.

Weinzimmer, L. G., Nystrom, P. C., & Freeman, S. J. (1998). Measuring organizational growth: Issues, consequences and guidelines. *Journal of Management*, *24*(2), 235–262. https://doi.org/10.1016/S0149-2063(99)80061-0

Williamson, O. E. (1991). Strategizing, economizing, and economic organization. *Strategic Management Journal*, *12*(2), 75–94. https://doi.org/https://doi.org/10.1002/smj.4250121007

Wilson, M. (2020). *14 successful companies that started during US recessions*. Business Insider. https://www.businessinsider.com/successful-companies-started-during-past-us-recessions-2020-4?r=US&IR=T

Yin, R. K. (2017). *Case study research and applications: Design and methods*. Sage publications.

Zajko, M. (2017). Challenges of scaling-up process for start-ups. *Balkan Region Conference on Engineering and Business Education*, *3*(1), 62–70. https://doi.org/10.1515/cplbu-2017-0009

Zhang, J. J., Lichtenstein, Y., & Gander, J. (2015). Designing scalable digital business models. *Advances in Strategic Management*, *33*(October 2015), 241–277. https://doi.org/10.1108/S0742-332220150000033006

Zott, C., & Amit, R. (2007). Business Model Design and the Performance of Entrepreneurial Firms. *Organization Science*, *18*(2), 181–199.

Zott, C., Amit, R., & Massa, L. (2011). The business model: recent developments and future research. *Journal of Management*, *37*(4), 1019–1042.