



**CATÓLICA
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**Navigating Liability of Foreignness (LoF) in Small
and Medium Enterprises (SMEs)
Internationalization: A Case Study of the Digital
Mental Health Industry**

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Abstract

Due to globalization and the impact of COVID-19, the digital mental health industry has grown rapidly and is expected to reach a valuation of 19.3 billion dollars by 2028. This thesis examines how small and medium-sized enterprises (SMEs) can successfully navigate expansion into the international digital mental health market while facing the "Liability of Foreignness" (LoF). The study focuses on the innovative approaches of SMEs such as Thrive Global, Sanvello and Happify by Twill, which have played a crucial role in the development of the sector. In the subsequent study, using a qualitative case study methodology, this research explores how these companies adapt their products to global markets, expand and face the challenges arising from Liability of Foreignness (LoF). This research draws on theoretical frameworks such as the Uppsala Internationalization Model, Institutional Theory, Network Theory and the Resource Based View (RBV) to provide insights into the complex dynamics of internationalization, innovation and dealing with cultural, regulatory and operational challenges of SMEs in the field of digital mental health.

Title: Navigating Liability of Foreignness (LoF) of Small and Medium Enterprise (SME) Internationalization: A Case Study of the Digital Mental Health Industry

Author: Kennedy Wenz

Keywords: Digital Mental Health Market; Mental Health; Uppsala Model of Internationalization; Competitive Advantage; The Resource-Based View (RBV); Liability of Foreignness (LoF); International Entrepreneurship; Mental Health Disorders; Antecedents

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Sumário

Devido à globalização e ao impacto da COVID-19, a indústria digital de saúde mental cresceu rapidamente e deverá atingir uma avaliação de 19,3 mil milhões de dólares até 2028. Esta tese examina como as pequenas e médias empresas (PME) podem navegar com sucesso na expansão para o mercado internacional de saúde mental digital, enfrentando a “dificuldade da alienação” (*Liability of Foreignness* LoF). O estudo centra-se nas abordagens inovadoras das PME, como Thrive Global, Sanvello e Happify by Twill, que têm desempenhado um papel crucial no desenvolvimento do sector. No estudo subsequente, utilizando uma metodologia qualitativa de estudo de caso, esta investigação explora como estas empresas adaptam os seus produtos aos mercados globais, expandem-se e enfrentam os desafios decorrentes da *Liability of Foreignness* (LoF). Esta pesquisa baseia-se em estruturas teóricas como o Modelo de Internacionalização de Uppsala, a Teoria Institucional, a Teoria das Redes e a Visão Baseada em Recursos (RBV) para fornecer insights sobre a dinâmica complexa da internacionalização, inovação e tratamento de questões culturais, regulatórias e operacionais das PMEs. desafios no domínio da saúde mental digital.

Título: Navegando a Responsabilidade do Estrangeiro (LoF) da Internacionalização das Pequenas e Médias Empresas (PME): Um Estudo de Caso da Indústria Digital de Saúde Mental

Autor: Kennedy Wenz

Palavras-chave: Mercado Digital de Saúde Mental; Saúde Mental; Modelo de Internacionalização de Uppsala; Vantagem Competitiva; Visão Baseada em Recursos (RBV); Responsabilidade de Estrangeiro (LoF); Empreendedorismo Internacional; Perturbações de Saúde Mental; Antecedentes

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Chapter 1: Introduction

1.1 Background and Problem Statement

As globalization accelerates, small and medium enterprises (SMEs) must negotiate a complex environment full of opportunities and difficulties. The digital mental health market has grown rapidly in recent years, and the COVID-19 pandemic has accelerated the need for digital mental health services (Moreno et al., 2020). Lockdowns, remote work, and social distancing have led many people to turn to digital solutions for mental health support. The international digital mental health market is expected to reach \$19.3 billion by 2028 (Grand et al., 2023) due to growth-driving factors such as the rise in public awareness about mental health after the COVID-19 pandemic. These factors have increased the demand for mental health services worldwide. Technological advancements in mobile and internet technologies have made digital mental health solutions more convenient and effective (Andersson & Titov, 2014).

Moreover, digital mental health services are cost-effective and accessible, especially for those in remote or underserved areas (Luxton, McCann, Bush, Mishkind, & Reger, 2011). Small and medium enterprises (SMEs) are at the heart of the digital mental health market's evolution (World Health Organization, 2023). SMEs in the market are innovative, creating competitively priced solutions that appeal to a wide range of international markets. However, internationalizing into new markets can be challenging, leaving these SMEs in the healthcare sector with a daunting endeavor to expand within.

1.2 Research Questions, Significance, and Outline

In exploring the industry's internationalization strategies, this thesis examines the process of SMEs internationalization and challenges with the Liability of the Foreignness (LoF) in the digital mental health market. The following research questions will guide this investigation: How can SMEs in the digital mental health sector innovate and modify their offerings to cater to global markets? What are the main motivations behind expanding SMEs in this sector into various international markets? What are the main obstacles and difficulties SMEs in the digital mental health sector have with Liability of Foreignness (LoF)?

The internationalization process that SMEs in the digital mental health market are undergoing is thoroughly examined in this thesis. By examining the complex interactions between innovation, cultural proximity, and globalization, this study aims to provide insight into the tactics and systems these businesses employ to survive in a challenging and culturally varied environment.

This thesis will follow a case study on three prosperous SMEs, Thrive Global, Sanvello, and Happify by Twill.

This thesis begins with a literature review introducing the industry and historical context. Following this introduction, the theoretical frameworks that serve as the foundation of this study will be explained, comprising the Uppsala Model of Internationalization, Institutional Theory, Network Theory, and Resource-Based View (RBV) (Johanson & Vahlne, 2009; Barney, 1991; Scott, 2008; Burt, 2005). More theoretical and conceptual perspectives applied include the theory of international entrepreneurship, as developed by researchers like Filatotchev et al. (2009), Knight et al. (2001), and Reuber & Fischer (1997), next to defines a competitive advantage (Root, 1994) and the resource-based view (RBV).

Next, the methodology and an introduction to the research design will be presented. Subsequently, the qualitative case study of the three selected SMEs, Thrive Global, Sanvello, and Happify by Twill, will be delved into. The concluding chapters will examine the analysis and results of the case study, presented with conclusions and links to the works of literature. This thesis aims to answer the stated research questions while decoding the world of SME internationalization and the challenges of Liability of Foreignness (LoF) in the thriving digital mental health market.

Chapter 2: Literature Review, Historical Context, and Theoretical Framework

2.1 Introduction to the Industry and Historical Context

Mental health disorders affect over one-third of the world's population. Many individuals lack access to traditional mental health treatments due to financial scarcity, geographic differences, and the ongoing stigma associated with mental illness (Spadaro et al., 2021). Today, digital mental health startups leverage technology to deliver evidence-based interventions and provide potential solutions to these challenges (Wainberg et al., 2017). This interaction between technology and healthcare first began in the late 1990s and early 2000s with telehealth and e-therapy, marking a pivotal shift in mental healthcare delivery (Luxton, McCann, Bush, Mishkind, & Reger, 2011). Technological advancements, particularly smartphones, internet access, and diverse digital platforms, have revolutionized mental health care, making it more accessible and affordable (Torous & Roberts, 2017). Online counseling and mental health apps have made resources even more readily available and have supported a growing awareness of mental health concerns worldwide.

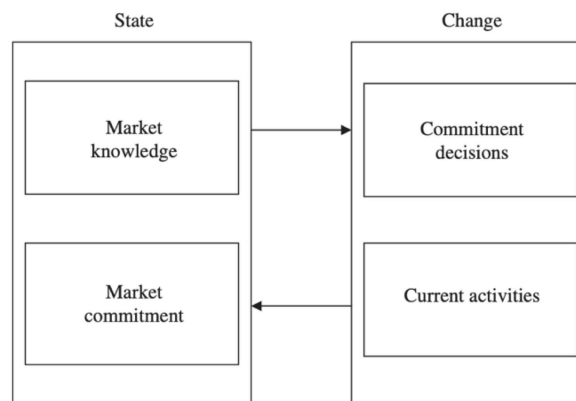
2.2 Topic 1: Theoretical Perspectives on Internationalization

The Uppsala Model of Internationalization

When studying SMEs in the digital mental health market, multiple theoretical perspectives can be applied to internationalization. The Uppsala Model of Internationalization suggests that firms internationalize gradually, starting with low-risk markets and increasing their foreign market commitments as they develop knowledge and experience (Johanson & Vahlne, 1977, p. 23). These SMEs may begin by creating partnerships, conducting pilot programs, or offering limited mental health services in adjacent countries to familiarize themselves with other legal and cultural standards. This tactical choice aligns with the model's suggestion that companies begin in lower-risk markets before gradually growing in response to acquired expertise and market knowledge (Fisher, 2010; White & Rayner, 2014). By employing the Uppsala Model of Internationalization, the business would initially present an exclusive offer to several clients in a foreign market, allowing the company to assess the demand for its services before making a significant investment and recognize any possible barriers.

Figure 1- Uppsala Internationalization Process Model

The primary mechanism of internationalization: State and change aspects



Source: Johanson & Vahlne (1977)

Network Approach to Internationalization

Regarding SMEs expanding into international markets, Johanson and Mattsson's 1988 Network Approach to Internationalization provides a thorough framework highlighting the

intricate process of engaging in foreign markets. SMEs penetrate international networks to search for growth and cooperation, and integration becomes critical as they increase productivity and efficiency. This growth is linked to fortifying global ties by achievement through penetration and integration. Johanson and Mattsson (1988) suggest four different firm settings to extend the approach. These four settings are illustrated in Table 1 below: the Early Starter (EARLY), the Lonely International (LONELY), the Late Starter (LATE), and the International Among Others (INTERNATIONAL).

The Network Approach emphasizes the idea of "psychic distance," contending that SMEs should start their internationalization efforts in nearby countries with fewer disparities rather than in culturally heterogeneous areas (Mathews & Zander, 2007, p. 387). SMEs in digital mental health can partner with local organizations, leverage networks and industry associations to overcome barriers to internationalization, identify new market opportunities, and access resources and knowledge (Mathews & Zander, 2007, p. 387).

**Figure 2 - Internationalization and the network model:
Where do firms fit in the matrix?**

		Degree of internationalisation of the market (production net)	
		Low	High
Degree of internationalisation of the firm	Low	The Early Starter EARLY	The Late Starter LATE
	High	The Lonely International LONELY	The International Among Others INTERNATIONAL

Source: Johanson & Mattsson (1988)

Competitive Advantage and The Resource-Based View (RBV)

According to Root (1994), competitive advantage is the advantage a company possesses over its rivals in terms of cost, innovation, individuality, or other variables that enable it to outperform competitors. Root (1994) defines a competitive advantage as a company's unique advantage. The Resource-Based View (RBV) hypothesis, which stresses leveraging internal organizational resources for competitive success, is frequently used to explain this advantage. Barney's (1991) Resource-Based View (RBV) suggests that a company's competitive advantage comes from its valuable, unique, and irreplaceable resources. In the digital mental health market, SMEs can leverage their distinctive resources and skills, such as exclusive telehealth software, inventive therapeutic approaches, a network of experienced practitioners, or a unique

understanding of mental health treatment practices, to gain a competitive advantage in international markets.

The RBV theory complements Porter's model by providing insight into how internal resources, when aligned, can influence the dynamics described by Porter, enabling companies to respond to competitive forces effectively. Michael Porter's Five Forces paradigm (1996) outlines the competitive dynamics within an industry, considering the influence of competition, potential new entrants, suppliers, customers, and substitute products or services. Barney (1991) suggested that firms can attain this competitive advantage in international markets by leveraging VRIN (Valuable, Rare, Inimitable, and Non-substitutable) resources. SMEs with VRIN resources can stand out in the global marketplace. Wernerfelt (1984) emphasizes the importance of physical, human, and organizational resources in the Resource-Based View (RBV) framework. These dimensions are crucial for implementing strategies that add value to the firm's internationalization capabilities and enable it to outperform competitors.

International Entrepreneurship

The theory of international entrepreneurship, as developed by researchers like Filatotchev et al. (2009), Knight et al. (2001), and Reuber & Fischer (1997), is essential to comprehending the complex dynamics that support the international expansion of small and medium-sized enterprises (SMEs) in the digital mental health market. This theory explores the complex domain of sociocognitive and demographic characteristics of entrepreneurs, providing insight into their propensity and level of involvement in exporting goods and services to overseas markets.

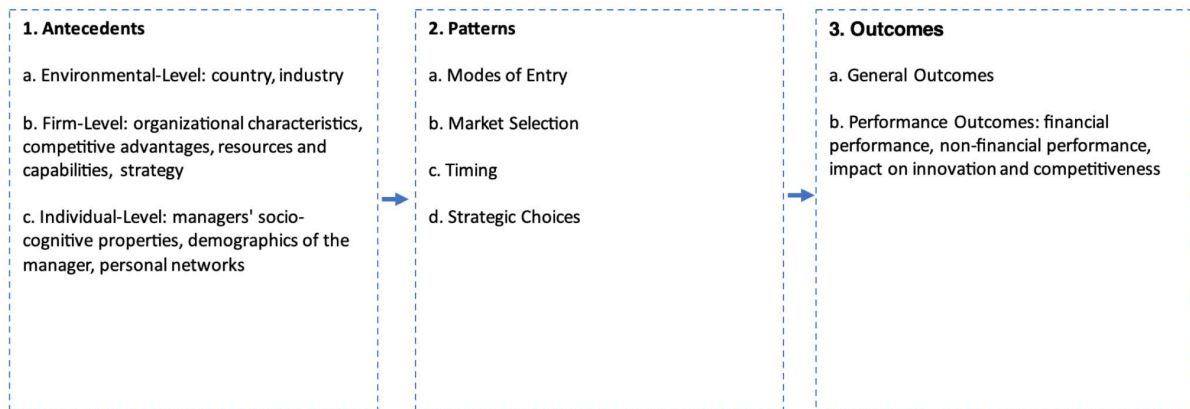
Entrepreneurs possess specific qualities that encourage them to seek opportunities abroad. They have access to a substantial resource base that includes human and social capital, allowing them to handle the complexities of international markets. Individuals with international experience possess a more global perspective that encourages them to explore and take advantage of opportunities abroad. These traits and experiences can determine the trajectory of SMEs in the digital mental health business as they consider internationalization, providing them with the foundation to confidently pursue sustainable growth prospects.

2.3 Topic 2: Patterns of Internationalization

Conceptual Framework: Internationalization of SMEs

A conceptual framework was developed to investigate SMEs' internationalization in the digital mental health market for an integrated and thorough evaluation (Figure 2) (Reis, 2023; Steinhäuser et al., 2021). The framework for SME internationalization was inspired by several authors, including Steinhäuser et al. (2021) and Antoncic & Hisrich (2001), and refined with additional research. The framework focuses on the three most relevant topics: Antecedents, Patterns, and Outcomes. Steinhäuser et al. (2021) provides a three-level framework for SMEs' internationalization. The first level covers antecedents, the second covers internationalization patterns, and the third covers outcomes. Subsequent chapters explore each level in detail.

Figure 3 - Conceptual Framework: Internationalization of SMEs



Source: adapted from Mateus, 2023 with inspiration from Steinhäuser et al. (2021)

Antecedents: Three Levels

This section covers factors affecting a business's decision to expand into foreign markets. The Antecedents are divided into three levels: environmental antecedents, firm antecedents, and individual-level antecedents (Martineau & Pastoriza, 2016). Figure 2 (Reis, 2023; Steinhäuser et al., 2021) shows that the middle-boxed variables are further divided into bottom-level pattern components, including entry modes, market selection, timing, and strategic choices. Lastly, in the third box, general outcomes and performance outcomes can be concluded from the analysis of the succeeding two boxes.

Antecedents: Environmental-level Factors

Antecedents are those prior events that directly affect or facilitate the start, growth, or development of a business's expansion and activities in international markets. These environmental antecedents frequently impact enterprises' strategic choices and actions when they expand internationally. Environmental antecedents can be defined by the factors linked to the decision to internationalize involving external information (Steinhäuser et al., 2021). According to Martineau and Pastoriza (2016), these factors can be separated by country and industry factors. These national or country-specific variables include unique markets, domestic difficulties, and government programs. The first industry factors include competitiveness, industry structure, and significant trends (Mateus, 2023). Concerns related to the home market are the second most frequently investigated environmental-level antecedent. When competitive situations arise in their countries, SMEs seek to expand overseas to reduce their exposure to instability in their country of origin. Businesses typically venture towards foreign markets when demand from their domestic markets declines (Chetty & Hamilton, 1996) or rivalry intensifies (Mariz-Pérez & García-Álvarez, 2009).

Antecedents: Firm-level Factors

Different business structures and organizational capacities are examples of firm-level antecedents in starting the SME internationalization process (Steinhäuser et al., 2021). Several studies performed at the firm level have shown that a particular firm size is required (Martineau & Pastoriza, 2016; Serra et al., 2012). A comprehensive network integrating suppliers, customers, and government agencies must be guaranteed by firm-level factors (Andersson & Florén, 2011; Chetty & Stangl, 2010). In addition, the firm must innovate new products; the "product-innovation capacity" denotes a company's capacity to continually create innovative products or upgrade its existing line (Dhanaraj & Beamish, 2003; Nassimbeni, 2001). An organization must be effective at developing, executing, and managing creative concepts within its products to be competitive in the marketplace, including everything of the abilities, instruments, and procedures involved to encourage and maintain innovation in an organization's range of products (Dhanaraj & Beamish, 2003; Nassimbeni, 2001).

Antecedents: Individual-level Factors

The rationale underlying the individual-level factors are elements associated with entrepreneurship; these influence managers' perceptions of their ability to internationalize and their expectations and openness to opportunities abroad (Steinhäuser et al., 2021). Successful

international participation is frequently related to managerial qualities, particularly the sociocognitive attributes (Acedo et al., 2006; Acedo & Jones, 2007). Export decisions are regularly and significantly affected by the management of SMEs (Ganotakis & Love, 2012), where individual experience and networks significantly impact a firm's capacity to internationalize at this entrepreneurial level when handling individual-level antecedents (Steinhäuser et al., 2021). It has been found that managers' attitudes, such as intolerance for ambiguity, can be one of the main internal impediments to the international development of an SME (Knight, 2001; Westhead et al., 2001). Management with global professional experience can demonstrate more reasonable expectations of the rewards of exporting and could increase prospects for international expansion (Jones & Coviello, 2005; Westhead et al., 2001).

2.4 Topic 3: The Liability of Foreignness

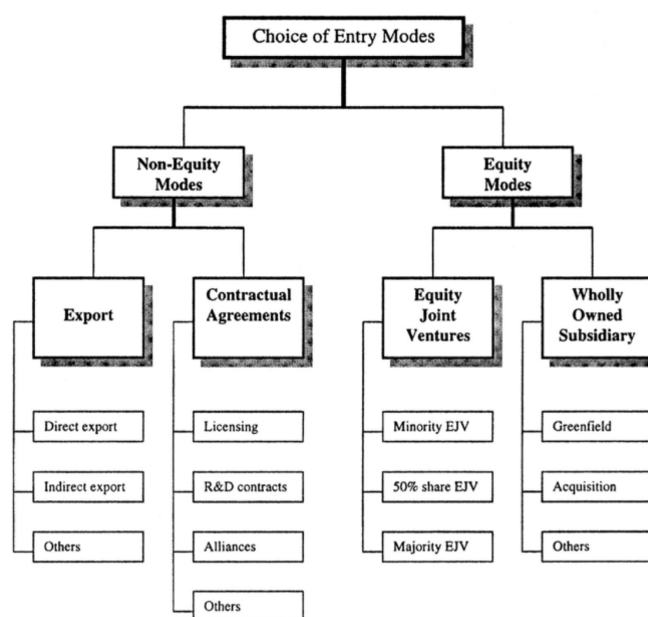
For SMEs to decide to internationalize, as in the digital mental health market, they must acknowledge they are subjected to the Liability of Foreignness (LoF) experience (Hymer, 1976; Zaheer, 1995; Reis, 2023). The inherent disadvantages that foreign companies possess when conducting business in a host nation are known as the Liability of Foreignness (LoF) (Hymer, 1976; Zaheer, 1995). These disadvantages are caused by their absence of familiarity with local institutions, customs, and business practices. Hymer (1976) laid the framework for this idea by emphasizing the higher expenses and dangers of entering international markets. Scholars such as Zaheer (1995) have delved deeper into the LoF and improved it, highlighting its significance for global enterprises' long-term viability and competitiveness in various settings (Reis, 2023).

Three elements can determine or lead to Liability of Foreignness (LoF). The first factor is the need for familiarity with the local setting, for adapting to new circumstances requires extensive time and funding due to this unfamiliarity (Hymer, 1976; Zaheer, 1995; Reis, 2023). The second factor is the need for more established ties between recently developed market branches in and within the local and established circles (Hymer, 1976; Zaheer, 1995; Reis, 2023). Finally, actions taken by the government that may be discriminatory constitute a limiting barrier (Hymer, 1976; Zaheer, 1995; Reis, 2023). Discriminatory government actions, such as offering incentives only to domestic businesses and restricting foreign-owned enterprises, can be limiting (Hymer, 1976; Zaheer, 1995; Reis, 2023).

Internationalization Patterns: Modes of Entry

Two methods for businesses to venture into international markets, equity-based and non-equity-based, have been illustrated by Pan and Tse (2000). The former involves wholly-owned subsidiaries, mergers and acquisitions, partnerships, and minority equity interests, while the latter includes exporting, franchising, preconfigured projects, and joint marketing or research and development collaborations. Companies can expand their operations through various options with differing risk, investment, and control levels.

Figure 4- Internationalization Patterns: Modes of Entry



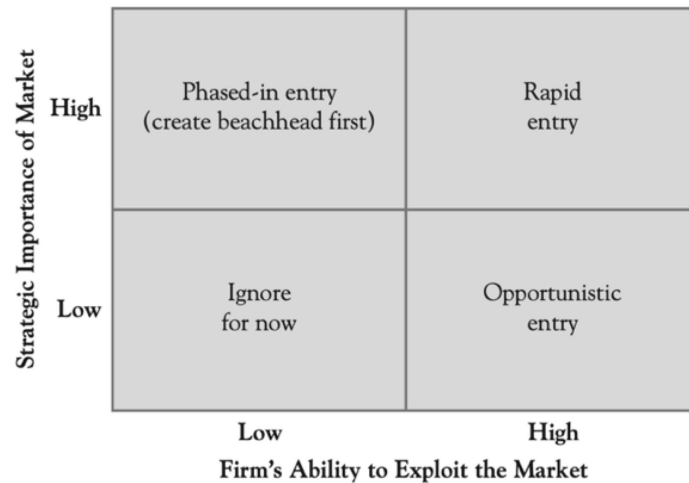
Source: Pan & Tse (2000)

Internationalization Patterns: Market Selection

Market selection is of utmost significance for enterprises that seek to grow internationally because it affects their capacity to grow profitably and sustainably (Sakarya et al., 2007). Once a business has decided to go internationally, it must determine which region or market to invest in, with exploitability and strategic relevance as guidelines (Gupta et al., 2008). Firms face lower entry barriers in nearby markets with similar cultures and languages. Strategic importance and exploitability are key factors determining a foreign market's appeal (Figure 4) (Gupta et al., 2008). A "must enter rapidly" approach is recommended for highly strategic and exploitable markets, while a reactive approach is suitable for less important markets (Gupta et

al., 2008). Prioritizing capability development before entering challenging markets and avoiding non-strategic and difficult-to-exploit markets is advisable.

Figure 5 - Internationalization Patterns: Market Selection



Source: Gupta et al., (2008)

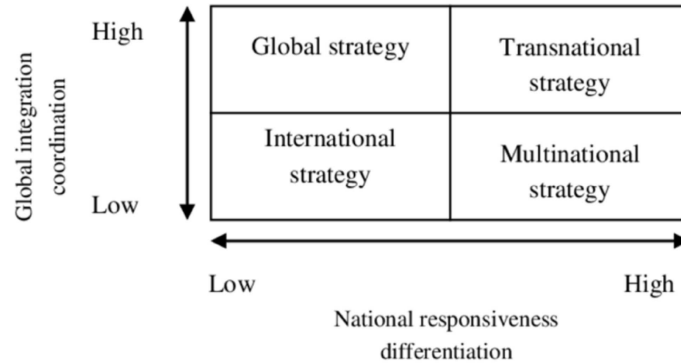
Internationalization Patterns: Timing

Early Internationalization Firms (EIFs) refer to businesses that enter foreign markets within the first three years of existence (Madsen et al., 1997). The focus initially lies on the home market before expanding globally. The global market environment constantly changes and impacts the beginning stages of EIF internationalization (Evans & Wurster, 1999). This development illustrates EIFs' adaptability in adjusting to the shifting global environment. SMEs can have different strategies for internationalization, as demonstrated by the dynamics of Born Global Firms (BGFs) and early internationalization firms (EIFs).

2.5 Strategic Choices in SME Internationalization: Configuration Strategy

Bartlett and Ghoshal (2002) outlined four strategic choices for global operations to help businesses balance local responsiveness and global integration. The choices include the international plan of action for meeting global demands, the multinational approach for tailoring outputs to regional preferences, and the global standardization method for a low-cost strategy worldwide. The transnational strategy is a challenging yet widely adopted method in the competitive global marketplace. It helps secure global market shares by offering valuable products at a competitive price (Hill, 2003).

Figure 6 - Bartlett & Ghoshal Framework



Source: Model, Bartlett & Ghoshal (2002)

2.6 Literature Review Conclusion: Key Barriers and Challenges

This literature review focused on SMEs' reasons behind their expansion, challenges, and strategies to address them. Key factors for success include innovative product adaptation, local partnerships, tech utilization, and government support. SMEs in the online mental health industry face complex challenges. These barriers addressed are multifaceted, encapsulating hurdles such as cultural disparities, language barriers, and stringent regulatory compliance (McDougall & Oviatt, 2000). Cultural differences significantly contribute to the liability of foreignness (LoF) as they encapsulate the challenges firms face when entering markets with diverse social norms, behaviors, and values. The discrepancy between an enterprise's home culture and the host country's cultural environment can exacerbate the LoF, impacting market entry strategies, customer interactions, and, ultimately, the firm's success in the international arena (Eden & Miller, 2004; Root, 1994).

Chapter 3: Methodology

3.1 Methodology

This case study examines the internationalization of SMEs in the digital mental health market using a case study methodology and qualitative analysis. It investigates the intersection of technology and industry demands, analyzing three successful SMEs in the market: Thrive Global, Sanvello, and Happify by Twill. To gain a deeper understanding of the internationalization strategies and challenges encountered by Thrive Global, Sanvello,

and Happify by Twill, an analysis of their responses to changing regulations and cultural factors affecting their internationalization efforts will be examined. The website content, blog posts, industry reports, regulatory frameworks, academic research, and news articles of each business will be incorporated (2024). Existing academic research on internationalization strategies helps draw analytical results with added value.

Selection Criteria

The case study focuses on SMEs in the digital mental health sector, with expertise in global expansion, product adaptation, cultural sensitivity, and regulatory environments. The selection criteria are based on the Uppsala Model of Internationalization, emphasizing incremental and experiential internationalization (Johanson & Vahlne, 1977). The chart in Figure 3.1.1 explains the selection criteria, including innovation and adaptability, catering to diverse international markets, navigating regulatory environments, cultural sensitivity, industry presence, and alignment with the Uppsala Model.

Figure 7 – Selection Criteria for Case Study SMEs in Digital Mental Health

Criteria	Description	Rationale
Innovation and Adaptability	Exemplify cutting-edge solutions and demonstrate the ability to adjust offerings to different markets.	Ensures insights into successful adaptation strategies for the dynamic digital mental health landscape.
Catering to Diverse International Markets.	Proven experience in entering and succeeding in multiple international markets.	Provides understanding of challenges and approaches specific to internationalization in this sector.
Navigating Regulatory Environments	Demonstrated experience navigating diverse regulatory frameworks across different countries.	Offers valuable insights into navigating the complexities of international healthcare regulations.
Cultural Sensitivity	Implement culturally sensitive approaches in their market strategies.	Highlights the importance of cultural adaptation for successful internationalization in mental health.
Industry Presence	Recognized players with significant impact in the digital mental health sector.	Ensures the chosen companies offer relevant and insightful case studies for the industry.
Uppsala Model Alignment	Exhibit characteristics of the Uppsala Model, showcasing incremental and experiential internationalization.	Provides a theoretical framework for analyzing the companies' internationalization journeys and drawing broader conclusions.

Source: Author

3.2 Introduction to the Research Design (Case Study)

The rapidly expanding digital mental health market presents opportunities and challenges for SMEs looking to expand their global reach. Opportunities and challenges that this case study examines are that of Thrive Global, Sanvello, and Happify by Twill. This case study will explore how these companies answered the following research questions: How can SMEs in the digital mental health sector innovate and modify their offerings to cater to global markets? What are the main motivations behind expanding SMEs in this sector into various international markets? What are the main obstacles and difficulties SMEs in the digital mental health sector have with Liability of Foreignness (LoF)?

Chapter 4: Case Study: Online Mental Health Companies

4.1 Introduction to Small Enterprises and Medium Enterprises

With the digital mental health market experiencing explosive growth, SMEs are at the forefront of this surge, representing 99% of all businesses in the EU (European Commission, 2024). According to the European Commission (2024), SMEs must employ fewer than 50 employees and have an annual turnover or total balance sheet of less than €10 million (European Commission, 2024). A medium enterprise must have fewer than 250 employees and an annual turnover of less than €50 million or a total balance sheet of less than €43 million (European Commission, 2024). Pictured below in Figure 4.1.3 are the criteria by which the SMEs are defined, and the three innovative examples of SMEs in the digital mental health sector, Thrive Global, Sanvello, and Happify Health, have been selected. For example, Thrive Global has fewer than 250 employees and an annual turnover of less than €50 million (Asokan, 2023; Thrive Global, 2023). While Sanvello has fewer than 100 employees and an annual turnover of less than €10 million (Asokan, 2023; Sanvello Health Inc., 2023). Lastly, Happify Health (now known as Happify by Twill, 2024) has fewer than 250 employees and an annual turnover of less than €50 million (Asokan, 2023; Happify, 2023).

Figure 8 – Small and medium-sized enterprises (SMEs)

Company by Size Category	Staff Total headcount	Turnover per Year	Or	Balance Sheet Total Assets
Medium-sized	< 250	≤ €50 m		≤ €43 m
Small	< 50	≤ €10 m		≤ €10 m
Micro	< 10	≤ €2 m		≤ €2 m

Source: EU recommendation 2003/361, 2024

4.2 Internationalization Strategy Analysis by Firm: Thrive Global

4.2.1 The Company: Thrive Global and The Product: Thrive

Thrive Global is a health startup founded by Arianna Huffington in 2016. The company launched the Thrive app in 2019, which offers stress management solutions and other well-being resources. In 2020, Thrive Global expanded its focus to include corporate wellness initiatives in partnership with healthcare and educational institutions. The company uses data to develop effective well-being strategies.

Thrive offers personalized well-being journeys that simplify personal growth into manageable daily activities. Its AI-driven platform creates a roadmap that caters to specific needs and preferences, taking a comprehensive approach to enhance sleep, lower stress levels, and promote general wellness. With a focus on relationships, mental toughness, sleep, nutrition, and physical health, Thrive takes a holistic approach to well-being that goes beyond physical health. Thrive's product provides quantifiable results, enabling customers to monitor advancement and evaluate outcomes. Their product also displays its initiatives' efficacy, supplying establishments with significant insights. Thrive's unique value proposition heavily relies on its backed-by-science micro steps, which streamline behavioral changes into manageable, purposeful daily chores to improve adherence and long-term sustainability. It also provides employee well-being programs and tools for academic success while promoting emotional health. Thrive Global uses behavioral technology and scientific knowledge to enable people and organizations to put well-being first via tangible change.

4.2.2 Internationalization Strategies Employed by Thrive Global

Thrive Global has employed diverse internationalization and product innovation techniques to increase international accessibility and awareness (Thrive Global, 2023). Thrive Global has recognized the growing demand for solutions for well-being globally, driven by awareness of stress and burnout in individuals and organizations. This understanding has informed their international expansion strategy, targeting markets with high needs for well-being services and growing acceptance of technology-based solutions. In addition to empowering people, Thrive assists businesses in cultivating a thriving workforce. Its corporate programs, which include tools and resources, aim to allow employees to manage stress, boost productivity, and develop resilience.

Regarding exporting, Thrive Global first entered foreign markets by sending its goods and services to nations that speak English, like Canada and the United Kingdom. Thrive Global localizes its goods and services by interpreting them into the native tongue and including cultural modifications for every market. To provide its goods and services to local governments and enterprises, as well as their staff and residents, Thrive Global forms relationships with these entities.

4.2.3 Thrive Global: Antecedents

Environmental-level

The factors related to internationalizing and utilizing outside information are known as environmental-level antecedents (Steinhäuser et al., 2021). Martineau & Pastoriza (2016) state that they can be divided based on the following and country factors: Industry determinants include competition, industry structure, and main trends; nation components include internal country/market obstacles and government initiatives. Thrive Global has carefully assessed the political, economic, cultural, and legal environments of the markets they enter. They have adapted their messaging and content to resonate with local cultures and have localized their services to reflect the specific needs of different regions. For example, they have partnered with local healthcare providers in China to integrate their services into existing healthcare systems.

Firm-Level

A wide range of firm structures and organizational capacities may serve as antecedents at the firm level to kickstart the SME internationalization process (Steinhäuser et al., 2021). A

specific scale may also be required (Martineau & Pastoriza, 2016; Serra et al., 2012). This also includes the network that connects suppliers, customers, and government organizations (Andersson & Florén, 2011; Chetty & Stangl, 2010). The potential for product innovation is the last to be mentioned (Dhanaraj & Beamish, 2003; Nassimbeni, 2001). Thrive Global has leveraged its strong brand reputation and unique microstep approach to gain a competitive advantage in international markets. They have also invested in developing a robust technology platform that can be easily adapted to different languages and cultures.

Individual-Level

At the individual level, entrepreneur-related factors could affect an employee or manager's outlook on internationalization and openness to new opportunities (Steinhäuser et al., 2021). International participation is frequently a significant predisposing factor in managers' sociocognitive characteristics (Acedo et al., 2006; Acedo & Jones, 2007). According to Westhead et al. (2001) and Knight (2001), one of the primary internal barriers to SME international development is the attitudes of certain managers, such as their intolerance for ambiguity or fear of losing control. Export decisions in SMEs are heavily influenced by management (Ganotakis & Love, 2012). Thrive Global has recognized the importance of cultural sensitivity and has hired local employees with a deep understanding of their markets. They have also invested in training their international teams on cross-cultural communication and negotiation skills.

4.2.4 Liability of Foreignness

The shortage of knowledge in the local context can be used to explain the liability of foreignness, as it takes time and money to adapt to the new situation. Lack of ties to the local network, procedures in recently established branches, and possibly discriminatory government policies (such as incentives awarded only to local businesses) are also factors. Thrive Global has proactively addressed the challenges by partnering with local organizations to access local expertise and resources. They have also invested in building relationships with government officials and regulators to understand the regulatory landscape and navigate potential challenges. Thrive Global has achieved significant success in its international expansion by effectively applying these concepts. They have built a strong presence in several key markets

and continue expanding their operations into new regions; their approach serves as a valuable case study for other companies seeking to enter international markets.

4.3. Internationalization Strategy Analysis by Firm: Sanvello

4.3.1 The Company: Sanvello and The Product: Sanvello

Sanvello is a mental health startup that offers a tailored digital platform to help with stress, anxiety, and depression. It was founded in 2010 and started with a web-based platform before developing an app with mindfulness exercises and social support groups. In 2016, they introduced a freemium business model, and in 2018, AI-driven customization was introduced. Sanvello has worked with businesses and healthcare providers to enhance employee well-being and operates in the mobile app, health, and mental health sectors. The company has headquarters in Minneapolis, Minnesota, and a global reach.

Sanvello, one of its main differentiators, uses technology to offer personalized mental health interventions based on every individual's demands and preferences while fostering a sense of control and autonomy. The product combines mindfulness exercises, goal-setting, and community support with evidence-based cognitive behavioral therapy (CBT). They offer a freemium model, individualized coaching, and an online community to ensure accessibility and affordability. Sanvello also provides professional support and caters to a range of customers, including those seeking self-directed strategies for stress, anxiety, and depression management. Overall, Sanvello empowers users to pursue mental health actively, democratizing mental healthcare for everyone.

4.3.2 Internationalization Strategies Employed by Sanvello

Sanvello employs many internationalization and product innovation tactics and has focused mostly on exports. Initially, Sanvello entered foreign markets by shipping its goods and services to most English-speaking nations, such as the UK and Canada. Sanvello has handled localization. Sanvello translates its offerings into the native tongue and personalizes them to the specific customs of each market. Sanvello has looked for and established alliances, collaborating with nearby businesses, including employers and healthcare facilities, to give its goods and services to its staff members and clients.

The three main components of Sanvello's internationalization strategies are language localization and cultural adaptation, market-specific partnerships and strategies, data-driven

insights, and continuous improvement. Sanvello translates its app interface, instructional materials, and coaching sessions into numerous languages, including Spanish, French, German, and Portuguese, to implement Language Localization and Cultural Adaptation for content localization (Sanvello website, 2024). This guarantees linguistic hurdles for users in various places and ensures accessibility. Regarding cultural sensitivity, Sanvello then adjusts its messaging and content to appeal to regional audiences.

As an example, to ensure relevance and engagement, case studies and examples are customized for cultural contexts (Sanvello news release, 2023); the platform's accessibility considerations embrace inclusive design principles, offering capabilities such as font size modifications and screen reader compatibility that benefit users with impairments from various cultural backgrounds (World Health Organization, 2020). Sanvello adheres to the local healthcare standards and data privacy laws in every area where it operates and conducts business. This fosters trust and ensures adherence to pertinent legal and moral requirements (European Commission, 2016). For instance, to promote its residents' mental health, Sanvello collaborated with the Brazilian Ministry of Health (Sanvello press release, 2022).

Sanvello provides multiple payment choices and pricing structures that correspond to the preferences and purchasing power of the local market. For customers across different economic situations, this improves accessibility and affordability (World Bank, 2023). The third important detail is user input, analytics, data-driven insights, and continuous improvement. Sanvello actively gathers user feedback and examines platform usage data from various geographic locations. This allows them to pinpoint areas needing development, enhance services and content, and modify their methods to meet better their user base's varied needs (Nielsen, 2023).

4.3.3 Sanvello: Antecedents

Environmental-Level

Environmental factors have been linked to the decision to internationalize and how external information is used (Steinhäuser et al., 2021). Martineau & Pastoriza (2016) assert that both can be distinguished according to industry and nation-specific variables. Government efforts and domestic market/country challenges are instances of nation components. Competitiveness, industry structure, and significant trends are instances of industry factors. The second most often investigated environmental-level antecedent is

home market concerns. When industry rivalry emerges at home, SMEs look to expand overseas to reduce their exposure to instability at home. Businesses typically venture into foreign markets when demand from their domestic markets declines (Chetty & Hamilton, 1996) or market competition intensifies (Mariz-Pérez & García-Álvarez, 2009). Sanvello Health has carefully assessed the political, economic, cultural, and legal environments of the markets they enter. They have adapted their content and messaging to resonate with local cultures and have localized their services to reflect the specific needs of different regions. For instance, in Germany, they have incorporated elements of German wellness culture, such as mindfulness and social connection, into their offerings.

Firm-Level

At the firm level, competitive advantage with resources can be included under firm-level antecedents, such as those presented by the Resource-Based View Theory (RBV) (Root 1994). This theory accomplishes the five forces of the paradigm within the RBV by describing how businesses might obtain competitive advantages by focusing on internal company organization (Porter, 1996: Industry competitiveness; potential newcomers, vendors, clients, and replacements). Resources defined as valuable, rare, distinctive, and non-substitutable (VRIN) can employ strategies to acquire an ongoing competitive edge (Barney, 1991). Value-creating strategies are utilized by RBV, employing its organizational, human, and physical resources (Wernerfelt, 1984). Sanvello Health has leveraged its strong brand reputation and established reputation in the digital mental health space to gain a competitive advantage in international markets. They have also invested in developing a robust technology platform easily adapted to different languages and cultures, ensuring seamless user experiences across diverse regions. Sanvello Health has leveraged its strong brand reputation to gain a competitive advantage in international markets. They have also invested in developing a robust technology interface to adapt to different languages and cultures easily, ensuring seamless user experiences across diverse regions.

Individual-Level

At the individual level, entrepreneur-related factors influence a manager's outlook on internationalization and openness to fresh possibilities (Steinhäuser et al., 2021). International involvement is frequently a significant predisposing factor in managers' sociocognitive qualities (Acedo et al., 2006; Acedo & Jones, 2007). Internationalizing relies heavily on the manager's

professional and personal connections (Steinhäuser et al., 2021). Sanvello Health has recognized the importance of cultural sensitivity and has hired local employees with a deep understanding of their markets. They have also invested in training their international teams on cross-cultural communication and negotiation skills, fostering effective collaboration, and adapting their approach to local preferences and norms.

4.3.4 Sanvello: Liability of Foreignness

The liability of foreignness is the additional cost and disadvantage that a foreign company has in international business compared to domestic companies. This disadvantage can be caused by limited access to resources, lack of local knowledge, and higher operating expenses due to distance. Cultural, linguistic, and legal disparities make adapting and establishing credibility in the local market even more difficult. International success depends on understanding tactics like localization, forming local relationships, or utilizing technology.

However, localization, building local relations, and leveraging technology can aid global success. Sanvello Health has tackled these challenges by collaborating with regional organizations and developing connections with regulators and government representatives. This has helped Sanvello achieve noteworthy success in its global expansion. Sanvello has a strong presence in key markets like Germany, Spain, and Brazil and is expanding into new regions. Their approach is a valuable model for companies entering international markets, especially in the digital mental health sector.

4.4. Internationalization Strategy Analysis by Firm: Happify by Twill

4.4.1 The Company: Happify by Twill and The Product: Happify by Twill

Happify by Twill's Therapeutics platform offers a digital toolkit for well-being and facilitates connection through expert-directed communities. Happify by Twill blends therapies supported by research with fascinating forms and evidence-based solutions to match each person's needs with therapy goals. The platform collaborates with employers, health insurance companies, and pharmaceutical firms to seamlessly integrate its products into healthcare ecosystems, leading to a more customized and connected road to mental well-being. Twill offers sequences as their own configurable care experiences. Their experiences are customized care combining evidence-based digital therapeutics and well-being products, care communities, coaching, and third-party services. These customized sequences meet the separate medical and

cultural needs per individual—sequences on a clinical-grade platform that works seamlessly with the customer's existing digital solutions and resources. Twill offered individualized goal-based excursions, and Sequences focused on medical issues like MS and anxiety. Twill creates a unique, precise, and personalized journey for every individual by seamlessly blending various elements.

4.4.2 Internationalization Strategies Employed by Happify by Twill

Happify by Twill uses a range of internationalization and product innovation techniques (Happify, 2023). It expanded its market beyond the US by exporting to English-speaking nations like Australia and the UK. Happify by Twill localizes its goods for each market and forms alliances with nearby businesses, including employers and insurers, to provide its services to customers and employees. Happify emphasizes accessibility, cultural understanding, and strategic partnerships. The strategy is split into three key domains: Globalization for Accessibility and Engagement. This domain includes three main elements: language expansion, cultural adaptation, and customized travel.

Happify offers its app and content in various languages, such as Spanish, French, German, and Portuguese, to promote accessibility and eliminate linguistic barriers. The app's examples and narratives are customized to connect with local contexts, ensuring cultural congruence and user engagement. Additionally, Happify provides tailored "Sequences" - care experiences tailored to specific anxiety and depression - in response to the recognition of varied needs. This customization considers user choices and area health priorities. Happify's partnership with Global Champions has three important aspects: Strategic partnerships and local market understanding, compliance and regulation, and multicultural marketing and awareness, guaranteeing cultural sensitivity while maximizing outreach (Twill news release, 2022).

Happify collaborates with reputable institutions and NGOs to enter the market, complies with healthcare standards and data privacy laws, and modifies marketing initiatives to suit local tastes while ensuring cultural sensitivity. For example, Happify protects user data and has fostered confidence in regional government agencies and healthcare providers (General Data Protection Regulation (GDPR), 2016). Happify analyzes market data to improve its features, content, and localization strategies. It also collects user feedback via surveys and in-app functions to optimize internationalization efforts. By employing A/B testing and iteration, Happify is successfully scaling its reach and impact beyond its US borders.

4.4.3 Happify by Twill: Antecedents

Environmental-Level

Happify by Twill has adapted its content and messaging to resonate with local cultures and has localized its services to reflect the specific needs of different regions, such as partnering with local mental health organizations in China to develop culturally relevant content and programs. They have recognized the growing demand for accessible and personalized mental well-being solutions globally, driven by the increasing prevalence of stress, anxiety, and depression and the desire for self-directed mental health support. This understanding has informed their international expansion strategy, focusing on markets with a high demand for well-being services and where technology-based solutions can significantly address mental health challenges. Organizational issues like trade agreements, rules, and government policies also impact costs and complexity. For instance, strict data protection requirements in a foreign jurisdiction can make it difficult for an SME to offer online mental health services. However, teletherapy platforms and secure video conferencing can facilitate online mental health services across borders.

Firm-Level

Antecedents at the firm level related to the globalization of a mental health SME's internal strengths and shortcomings impact their capacity to thrive in international markets. For example, the capacities and assets of Financial resources, technological expertise, human capital with essential language and cultural competencies, and the capacity to oversee international operations organizational structure, such as a flexible one that can be adjusted to satisfy the needs of many global markets.

Prior abroad experience importing products or participating in international partnerships could provide invaluable knowledge and abilities. International expansion is fueled by gaining new market share or maximizing impact. Happify by Twill has leveraged its innovative gamified approach to well-being and its strong brand reputation in the technology-driven mental health space to gain a competitive advantage in international markets. They have also invested in developing a robust technology platform easily adapted to different languages and cultures, ensuring a consistent and engaging user experience across diverse regions.

Individual-Level

Individual-level antecedents represent key stakeholders' traits and backgrounds that affect the firm's internationalization choices. Important people with an entrepreneurial mindset are willing to take chances, think outside the box, and aggressively seek global opportunities. Mastering international markets, cultures, and business processes is a prerequisite for international managers. Establishing trust with patients and partners in international markets requires cultural sensitivity and empathy or the capacity to comprehend and adjust to diverse cultural circumstances. Happify by Twill has recognized the importance of cultural sensitivity and has hired local employees with a deep understanding of the markets in which they operate. They have also invested in training their international teams on cross-cultural communication and negotiation skills, fostering effective collaboration, and adapting their approach to local preferences and norms.

4.4.4 Happify by Twill: Liability of Foreignness

Happify by Twill has demonstrated a proactive approach to tackling the challenges of operating in foreign markets. Through strategic partnerships with local organizations and investments in building relationships with government officials, Happify by Twill ensures that its services align with local healthcare systems and cultural contexts. As a result, they have achieved remarkable success in expanding their services to key markets such as Brazil, Mexico, and the United Kingdom. Happify by Twill remains committed to developing its operations into new regions, and its approach is a valuable model for companies seeking to enter international markets, particularly in the digital mental well-being sector.

4.5. Summary of Internationalization Strategies: Similarities and Contrasts

The three mental health companies, Thrive, Sanvello, and Happify, use innovative methods, such as cognitive behavioral therapy, mobile app personalization, and AI-driven micro steps, to reach more people across cultures. They aim to grow, partner, and innovate to expand their reach and impact. Their internationalization may be related to the Uppsala Model of internationalization. SMEs in digital mental health must focus on commitment and market awareness to adapt their goods for global markets.

The Uppsala Model of internationalization emphasizes gradual expansion from local to worldwide markets as companies acquire resources and experience (Johanson & Vahlne, 1977). Happify Health, Sanvello, and Thrive Global have modified their platforms and services to

account for users' preferences, regional languages, and cultural contexts. They've also collaborated with local healthcare providers, NGOs, and insurance organizations to boost market penetration and user engagement. Lastly, technological advancements have fueled innovation in each of the three firms.

The Similarity of Services, Strategies, and Outcomes

Sanvello, Happify by Twill, and Thrive Global are three companies that offer online emotional support, therapy, and counseling services for mental health and well-being. They have expanded into international markets to increase their customer base, financial sustainability, and social impact. The global mental health industry is projected to generate over \$19.3 billion by 2028, providing growth opportunities for SMEs. These companies have successfully expanded worldwide using various internationalization and product innovation strategies, including exporting, localization, and partnerships.

Internationalization Strategy Contrasts in Operation

Sanvello, Hapify Health by Twill, and Thrive Global are three companies that offer different wellness services. They may have different strategies for entering foreign markets and adapting their products. Sanvello focuses on stress, anxiety, and depression management, while Happify by Twill uses games to improve resilience and mood. Thrive Global helps manage stress, sleep, and productivity. They cater to different audiences and face challenges related to culture and regulations. Happify collaborates with mental health experts to develop culturally competent treatments, while Thrive Global offers subscription programs for underserved populations.

Chapter 5: Findings, Discussion, and Analysis

5.1 Summary of Key Findings from the Case Study

Opportunities

Developing scalable and adaptive digital interventions that target different mental health disorders and age groups presents opportunities for technology and innovation (Vaidyam, Wisniewski, Halamka, Kashavan, & Torous, 2019). One way to provide customized support is to use AI-powered chatbots and personalized learning algorithms. Collaborating with nearby

tech firms can help address infrastructure-related issues (Vaidyam, Wisniewski, Halamka, Kashavan, & Torous, 2019). Other opportunities, such as Task-Sharing and Community-Based Interventions, exist within the community. Designing interventions that non-specialist healthcare workers can administer with a short training period can be helpful. Working with community health workers and organizations can foster outreach and community trust.

Advocating for mental health and influencing legislation offer another opportunity. To support mental health awareness campaigns, stigma reduction initiatives, and increased funding for mental health services in low- and middle-income countries (LMICs), businesses can work with advocacy groups and legislators (Thornicroft, Mehta, Clement, Evans-Lacko, Doherty, Rose, Koschorke, Shidhaye, O'Reilly, & Henderson, 2016). To promote global research partnerships in data sharing and collaboration, safe platforms for exchanging data should be built (Thornicroft, Mehta, Clement, Evans-Lacko, Doherty, Rose, Koschorke, Shidhaye, O'Reilly, & Henderson, 2016). developing consistent outcome measures and LMIC-relevant data collection techniques to address the unique requirements of various global populations. The industry's ability to reach marginalized people, increase access to high-quality care, and contribute to the advancement of the mental health field in the future will determine its success in this attempt.

Challenges

The market for digital mental health services has increased due to the pandemic. With more than 10,000 apps available, there are potential threats for business owners (Spadaro et al., 2021). Platforms for technology, such as Twill, Happify, and Sanvello, are useful for establishing brands since they are scalable and customizable. Collaborations locally and cultural adaption are essential for global growth. Affordably developing evidence-based therapies that are optimized for mobility delivery is hampered by fragmented systems and resource scarcity. NGOs, governments, and local providers may establish partnerships to obtain funds and streamline implementation. Active communication reduces worries and promotes trust. Being aware of different cultures is crucial for success abroad. Instances are Twill's partnerships with local healthcare and Sanvello's mindfulness in Germany. It necessitates cross-cultural ability to hire and train staff members.

Tailored strategies, such as Happify's "Sequences," consider user preferences. Comprehensive cultural assessments involving regional partners are crucial for successful interventions, such as tackling prejudice and social stigma. Companies must ensure data

security and privacy measures comply with local regulations while supplying content for multilingual and culturally appropriate platforms. Partnerships with community organizations and healthcare professionals are utilized to develop educational programs and targeted anti-stigma campaigns. Encourage people to ask for help using digital storytelling and testimonials that are acceptable to their culture. Navigating the liability of foreignness requires adherence to ethical principles and the General Data Privacy Regulation (GDPR) (Spadaro et al., 2021).

Due to a lack of resources, developing inexpensive, evidence-based interventions suitable for mobile delivery and low internet speed is difficult. It is also important to find local providers to form relationships with to offer blended care models and obtain funding for their implementation. Active communication helps to reduce worries and build trust (Spadaro et al., 2021). Technology and innovation may profit from developing scalable and adaptive digital interventions targeting different mental illnesses and age groups (Vaidyam, Wisniewski, Halamka, Kashavan, & Torous, 2019). Use chatbots with AI capabilities and tailored learning algorithms to provide personalized service. Work with local IT companies to resolve infrastructure issues (Vaidyam, Wisniewski, Halamka, Kashavan, & Torous, 2019).

5.2 Discussion of the Implications in the Context of SME Internationalization

To unravel the implications of SMEs expanding their businesses into new markets, cultural nuances, social customs, regulatory frameworks, market size, and economic indicators must be considered. This is known as cultural sensitivity and is determined through market research. There are four major areas that SMEs should concentrate on when negotiating the intricate external environment of each target market and internal organizational elements based on the successes and failures of Twill, Happify, and Sanvello in their internationalization. These areas include brand development, tech-driven benefits, environmental concerns, and local connections.

Local collaborations can benefit SMEs, including overcoming regulatory obstacles, building trust with local clients, and receiving valuable market research. Working with respectable community organizations can enhance brand reputation, stimulate sustainable development, and build community involvement and trust. Twill's community efforts demonstrate this tactic goes beyond straightforward business deals and demonstrates real

concern for the community. Environmental factors are equally crucial when entering international markets.

SMEs must comply with specific regulatory frameworks and adjust to the local regulatory environment, which may include rules specific to the healthcare industry and data privacy regulations (such as the GDPR in the EU). If these regulations are broken, there might be legal ramifications and a loss of stakeholder trust. Hiring legal professionals who follow compliance requirements and know local laws can reduce these potential hazards. Furthermore, incorporating sustainable practices into worldwide operations appeals to environmentally conscious customers and aligns with global trends.

Happify, Sanvello, and Twill successfully leveraged existing platforms like mobile apps and AI personalization to attain scale and accessibility. SMEs can also consider technologically driven strategies to overcome resource limitations and engage with a global audience. Utilizing technology can also make localization operations more efficient and culturally adaptable. Sanvello's adaptation of content and interface to different languages and norms demonstrates this. SMEs can improve customer experience and trust by collaborating with local language specialists and using machine translation techniques for culturally appropriate communication.

Finally, building a strong brand identity can give SMEs in the digital mental health market a competitive advantage. To maintain their reputation and brand identity, SMEs should invest in targeted marketing and customer service. Twill, Happify, and Sanvello analyze two important strategic domains with insight: leveraging technology to build an international brand and cultivating cross-cultural competency within the company. In brand building and communication, SMEs can build brand awareness and interact with potential customers worldwide through social media platforms and targeted online advertising.

5.3 Navigating Liability of Foreignness: Balancing Opportunity and Challenges

Navigating the liability of foreignness can be a challenge for many SMEs breaking borders; the liability of foreignness can be stated as the incapacity to adjust to the local context, which demands time and money to change; it is the liability of foresight (Reis,

2023). Economic Disparities and changes in market structure, economic stability, and currency exchange rate fluctuations can impact international businesses' profitability and operational effectiveness (Sullivan & Bauerschmidt, 1990). Transportation, communication, and coordination expenses between the parent company and overseas subsidiaries might increase due to geographic distance (Ghemawat, 2001). Political Risks are another factor to be encountered when entering new markets. There might be a lot of risks associated with changes in the political environment, including government regulations, trade restrictions, and administrative roadblocks (Henisz, 2000).

The three companies of Thrive Global, Sanvello, and Happify by Twill have shown that building trust and avoiding legal problems requires adhering to local data protection laws (GDPR) and ethical norms (European Commission, 2016; Twill website, 2023; Happify website 2023; Sanvello website, 2023). The Environment of Regulation It can be costly and time-consuming to navigate another country's legal and administrative processes. Businesses frequently struggle to comply with local laws, rules, and standards, which might differ greatly from those in their home nation (Rodriguez, Uhlenbruck, & Eden, 2005).

Adjustment can be difficult when there are no established links to the local network and procedures inside recently established branches. Often, the government has taken actions that might be considered discriminatory (e.g., incentives available only to local companies) (Reis, 2023). Cultural differences between the firm's home and host countries are one of the main causes of LoF. Variations in language, corporate procedures, customer behavior, and social conventions can result in misunderstandings and inefficiencies (Hofstede, 2001).

According to Twill, Happify, and Sanvello, proactive communication decreases these concerns inside recently established branches and promotes confidence with local stakeholders (Twill website, 2023; Happify website, 2023; Sanvello website, 2023). Although expanding into international markets presents SMEs with exciting opportunities, the established risk of the liability of foreignness (LoF) (Zaheer, 1995) can illustrate how institutional complexity, cultural disparities, and a lack of market experience give foreign businesses a natural competitive edge over domestic competitors (Hymer, 1960).

Small and medium-sized businesses (SMEs) must navigate a complex regulatory landscape to succeed in a distant or rapidly developing international market. Compliance with local data privacy rules, such as the European Union's General Data Protection Regulation (GDPR), is essential to maintaining stakeholder and customer trust. Noncompliance could lead to significant fines and a loss of confidence in the firm from initial supporters. Upholding these inclusive, ethical standards is crucial to building community trust and adhering to international best practices.

SMEs should prioritize this open communication to encounter cultural sensitivity training and smoothly conduct thorough market research. Due to their lack of local presence and understanding of the market, foreign companies may find it difficult to establish credibility and trust among local suppliers, partners, and customers (Kostova & Zaheer, 1999). SMEs expanding internationally should consult legal and compliance specialists and seek advice from governmental organizations and trade associations to ensure compliance with local regulations before making steep advancements. Cultural intelligence is also key to modifying marketing, communication, and product offers to fit the local cultural setting and foster stronger relationships.

5.4 Future Research Directions and Limitations

Further research needs to be conducted on the long-term effects of internationalization and the involvement of technology and individual-level elements in efficient communication (Spadaro et al., 2021). Technology helps multicultural teams in internationalized SMEs to interact and collaborate more easily (Twill website, 2023; Happify website, 2023; Sanvello website, 2023). More investigation is needed to determine how technology might improve team dynamics, bridge cultural gaps, and encourage information exchange throughout various groups. (Websites of Happify (2023), Twill (2023), and Sanvello (2023)).

Further exploration could involve investigating culturally sensitive communication platforms, virtual collaboration tools, and AI-powered translation solutions for multicultural teams. Secondly, more research on cost-effective strategies for resource-constrained SMEs

to manage foreignness liability and navigate international complexities is crucial (Twill website, 2023; Sanvello website, 2023). For small and large firms that want to thrive globally, developing strong measures to assess the efficacy of cultural adaptation techniques would be beneficial (Nielsen, 2023). This would enable SMEs to assess the return on investment of their cultural adaptation initiatives and improve the efficacy of their plans. The industry's comprehension would only be enhanced by longitudinal studies that track SMEs over protracted periods and consider variables, including industry-specific problems, market maturity, and cultural context (Kotler & Keller, 2016; Spadaro et al., 2021).

5.5 Conclusions

To conclude this case study, it has been determined that SMEs in the digital mental health sector innovate and modify their offerings to cater to global markets through strategic innovation. With product customization for many cultural settings and the resolution of legal and accessibility challenges, SMEs are considerably boosting mental health awareness and accessibility globally. The main motivations behind expanding SMEs in this sector into various international markets compromise the mission statements of each SME striving to pave the way for accessible and affordable mental health care for everyone, regardless of location or financial status. SMEs are looking next into the potential effects of cutting-edge technologies like blockchain, virtual reality, and artificial intelligence.

In addition to the implications of cultural appropriation and data privacy on the global landscape of digital mental health, cultural sensitivity is an ethical issue when providing mental health care in different cultural settings. The main obstacle and difficulties SMEs in the digital mental health sector have with Liability of Foreignness (LoF) are cultural variations, as they embody the obstacles businesses encounter when entering markets with differing social norms, behaviors, and values. This requires adjustments in business practices and communication tactics (Zaheer, 1995). The contrast between a company's native culture and the cultural milieu of the destination country can intensify the LoF, affecting market entry strategies, customer engagements, and, ultimately, the company's triumph in the global arena (Eden & Miller, 2004).

Small and medium enterprises (SMEs) are at the heart of the digital mental health market's evolution (World Health Organization, 2023) as innovative firms, creating competitively priced solutions that appeal to a wide range of international markets, even with the challenges of internationalizing into new markets this daunting endeavor can reap advantageous rewards. This study has added to earlier research bodies of knowledge on the internationalization literature by identifying essential criteria for success in overcoming internationalization barriers as an SME in the digital mental health sector and tactics to counter-cultural sensitivity in the liability of foreignness (LoF). Thrive Global, Sanvello, and Happify by Twill illustrate how SMEs might thrive in the global digital mental health business, although a larger longitudinal study must be conducted (2024).

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