St. Petersburg State University
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Master in International Management

MITIGATION OF LIABILITY OF FOREIGNNESS THROUGH GLOBAL VALUE CHAIN CONFIGURATION: CASE OF RUSSIAN INTERNET COMPANIES

Master thesis by 2nd year student
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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«Mitigation of Liability of Foreignness through Global Value Chain Configuration: The Case of Internet Companies with Russian Origin»

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АННОТАЦИЯ

Автор	Викторов Дмитрий Николаевич
Название магистерской диссертации	Преодоление фактора «бремени иностранца» при помощи развития глобальной цепочки ценности: исследование интернет компаний российского происхождения
Факультет	Высшая школа менеджмента
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Год	2016
Научный руководитель	Панибратов Андрей Юрьевич
Описание цели, задач и основных результатов	Целью этой работы является исследование причин, драйверов и путей преодоления так называемого «бремени иностранца», с которым сталкивается большинство компаний, выходящих на зарубежный рынок и, в частности, российские интернет компании. В рамках работы было также проведено общее исследование интернационализации российских интернет компаний, выявлены конкурентные преимущества, основное пути выхода на рынок и секторальный спрос на товары и услуги российских интернет компаний. В исследовании было задано три вопроса касательно теоретического сочетания двух теорий, корреляции раннего срока интернационализации с дальнейшим успехом на международных рынках и основных причин выхода российских компаний на зарубежные рынки. Исследование дало полные ответы на поставленные вопросы. Также было получено много дополнительной информации по смежным вопросам, которая также по возможности отражена в работе.
Ключевые слова	Интернет компании, бремя иностранца, интернационализация, цепочка создания ценности.

ABSTRACT

Master Student's Name	Viktorov Dmitrii Nikolaevich
Master Thesis Title	Mitigation of liability of foreignness through global value chain internationalization: case of Russian internet companies
Faculty	Graduate school of management
Major Subject	General management
Year	2016
Academic Advisor’s Name	Andrei Yu. Panibratov
Description of the goal, tasks and main results	The aim of this work is to reveal the reasons, most important drivers and ways to mitigate LOF faced by Russian Internet companies. Prove or reject the assumption that LOF is mitigated through GVC configuration. Another aim of this work is just to do general observations concerning Russian Internet companies on foreign markets. It includes sources of their competitiveness, form of market entry, sectoral demand for their goods and services etc. Also this study is concentrating of three research questions concerning reasons why Russian Internet companies internationalize, theoretical usage of global value chain configuration for mitigation of liability of foreignness and correlation between earliness of internationalization and further success on foreign markets. The research is based on multiple case study approach: the set of in-depth interviews and alternative form interviews was held with top-managers, founders and insiders from Russian Internet companies. Sample of cases was extended from average number in other researches to increase reliability and sufficiency of the data and assumptions. The research fully answered to stated questions research questions and revealed some more interesting and important data which is also included in this study.
Keywords	Internet company, liability of foreignness, internationalization, global value chain.

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Thesis writing process in never easy work as soon as you desire to explore something or write in outstanding way. It would be especially hard if I faced this work alone, without proper guidance and support.

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Lastly, I would like to mark vital influence of the environment of GSOM. This place is amazing, it actually provoked me to step out of mediocrity in academics and make an attempt to do serious research, to enter unexplored fields of theory and collect outstanding data.

Truth, like gold, is to be obtained not by its growth,
but by washing away from it all that is not gold.
Leo Tolstoy

CONTENTS

INTRODUCTION

The topic of internationalization of Russian internet companies is quite important nowadays. Russian market fuzzies and doesn't have enough demand for some of the goods and services produced by internet companies. More, the market is incomplete for sych companies in terms of legislation, governmental support and general understanding.

Foreign markets, especially in developed countries are ready to pay for goods and services of Russian companies in case if they are of an excellent quality and cheaper price. In majority of cases they are. Furthermore, foreign markets already got used to work with internet products and services, government supports such companies even in case the are foreign, investment climate is great and there is progressive legislation on such markets for internet companies. So it is possible to claim that Russian Internet companies are both unconciously pushed from Russian market and pulled by foreign markets.

It is logical to suggest that foreign markets are not familiar for majority of Russian Internet companies even despite the fact that Internet industry is one of the most open and worldwide. When companies internationalize they always face liability of foreignness in certain form and Internet companies are not an exception. Shortly, liability of foreignness is set of obstacles, risks and costs which company faces on foreign markets due to its country of origin and general foreign origin.

Liability of foreignness causes a lot of problems and sometimes doesn't even let company survive on foreign market. It is usually impossible to get rid of this liabilioty because it is very hard to make the company reborn. Still, it is always possible to mitigate liability of foreignness and even to insignificant level. This is the question which will be precisely studied in this research.

Mitiagation of liabiulity of foreignness is not very well studied and one of the addumptions that academics make is that liability of foreignness can be mitigated through configuration of global value chain of the company. It is supposed that liability of foreignness can be devided on several parts and each can be dedicated to particular category of global value chain. This possible junction of the theory will be precisely studied after deep review of both theories and the discovery will be done.

After theoretical study the need for additional theory appears – it becomes clear that earliness of internationalization has some particular impact on the success of further internationalization. For this reason additional theory of born-globals is added to theoretical chapter and then recalled during discussion as statistics proves the assumption concerning mentioned correlation.

The research goes through multiple case study approach with solid sample – due to persistence of the research, it happened to be possible to attract 31 company to this research and the data collected is really valuable. It is possible to generalize collected knowledge after all because main cuase of insufficiency – limited sample –is eliminated. Forms of data collection were in-depth interviews and alternative interviews conducted in the form of online questionnaire.

In the end of the thesis I make some interesting assumptions in form of discussion, oveview statistical data which was collected during statistical research and reveal additional interesting information concerning Russian Internet companies and their internationalization which was also found during the research.

1. THEORETICAL BACKGROUND

1.1 Theoretical framework description

The aim of this chapter is to define and analyze theoretical paradigm for the study. During this analysis research gaps should be determined to fulfill them further with the help of empirical research. The paramount of this chapter is comprehensive theoretical overview which consists of the different research streams concerning internationalization of internet companies. After objective comparison and analysis the research gaps are stated.

As the aim of the study is to find out how Russian internet companies use global value chain reconfiguration to mitigate liability of foreignness, in this chapter I cover all theories and review literature on main related topics. Describing separately, these topics are - liability of foreignness, global value chain and emerging economy (as emerging economy is shared country of origin for all companies studied in this work). Also there is supportive theoretical subchapter that defines the concept of born-global companies. This concept is needed as one of the assumptions of this research is that earliness of internationalization affects flexibility of global value chain for configuration and reconfiguration, and born-global companies are pure example of early-stage internationalization. As for emerging economy explanation, this theory is significant for this work as all internationalizing companies have host-country and home country as peculiar variables for other theories. In our case all companies have the same home-country - Russian Federation and this is general influencing factor for all of them to this or that extent. Research becomes much clearer when one of variables is pre-set and is stable for all the sample during the study.

These theories are linked together to illustrate possible solutions, determine exact research gap and direction of research, develop suitable research methods and justify or reject the proposal of global value chain reconfiguration for liability of foreignness mitigation.

Liability of foreignness theory is dominating in this theoretical chapter as it is not very well studied but is very important to highlight. More, specific structuration is demanded as mitigation process seeks for clear symptoms to work with.

Lastly, this work is supposed to leave a wide space for further researches as liability of foreignness itself and its linkage with global value chain theory is fresh, promising and trending study approach.

1.2 Emerging economy

The origin, where companies studied in this work internationalize from Russian Federation, which is emerging economy. Internationalization of any kind of companies from emerging markets differs a lot with internationalization of the similar companies from the developed markets. (Gaur and Kumar, 2010) Hence, theory and concept of emerging economy should be also reviewed in this chapter to give an image of background where companies are internationalizing from.

The main specialties of emerging economies which distinguishes them from developed ones are: underdeveloped institutions; resource-constrained firms; underdeveloped but rapidly developing product markets; certain technological lag (Li et al., 2013, 817).

It is not really easy to name full list of the emerging countries as the set of members is always disputable and a lot of variations can be justified. The least argued list of emerging countries, agreed by Financial Times Stock Exchange (FTSE)Standard & Poor (S&P), Morgan Stanley Composite Idex (MSCI), includes 19 countries believed to be emerging. These countries are: Brazil, China, Indonesia, Philippines, India, Taiwan, Malaysia, Thailand, Mexico, Peru, Egypt, South Africa, Poland, Turkey, Morocco, Russia, Hungary, Chile and Czech Republic. For more precise classification, emerging countries are usually divided in four geographical groups:

- Asia - India, Indonesia, Malaysia, Phillippines, Taiwan, China, Thailand
- Europe - Hungary, Poland, Turkey, Russia, Czech Republic
- Latin America - Brazil, Mexico, Peru, Chile
- Africa and Middle East: Morrocco, South Africa, Egypt

The amount of companies internationalizing nowadays from domestic emerging markets to foreign ones is growing (Gaur et al., 2014). They usually have shortage of traditional resources to expand and use network-based non-traditional resources that they reach related industrial and institutional environment. Generally these companies can start internationalization through foreign direct investments or direct export.

At the nature of emerging markets is quite changing and differentiated, researchers tend to apply multi-theoretical methods. For instance, resource-based, industry-based and institution-based approaches were integrated by Yamakawa et al. (2008) to properly study internationalization of companies from emerging markets. At the same time Gaur et al. (2014) concentrated on institution-based and resource-based approaches claiming that companies that are more internationally experienced, or affiliated with particular business groups, or have some marketing channels and networking abroad, or simply have more technological resources usually broaden their internationalization activities from export to foreign direct investment.

But even despite the fact how emerging economies are described, it is obvious that their influence on global market is rapidly increasing simultaneously with their development process. First of all because, roughly saying, 80% of world population are spread in emerging economies, 75% of all lands also belong to them (which is two times more than land occupied by developed countries) (Dimson et al., 2010). Also these countries contribute half of the global GDP, maintain nearly half of all exports and half of global energy consumption (Marr & Reynard, 2009). These factors cannot leave emerging economies neglected.

I want to especially stress GDP growth rates in emerging economies. Specification of the majority of them is that their GDP is growing fast, much faster than GDP of developed countries. There is very comprehensive diagram available (PriceWaterhouseCoopers, 2015) that illustrates this dynamics eloquently.

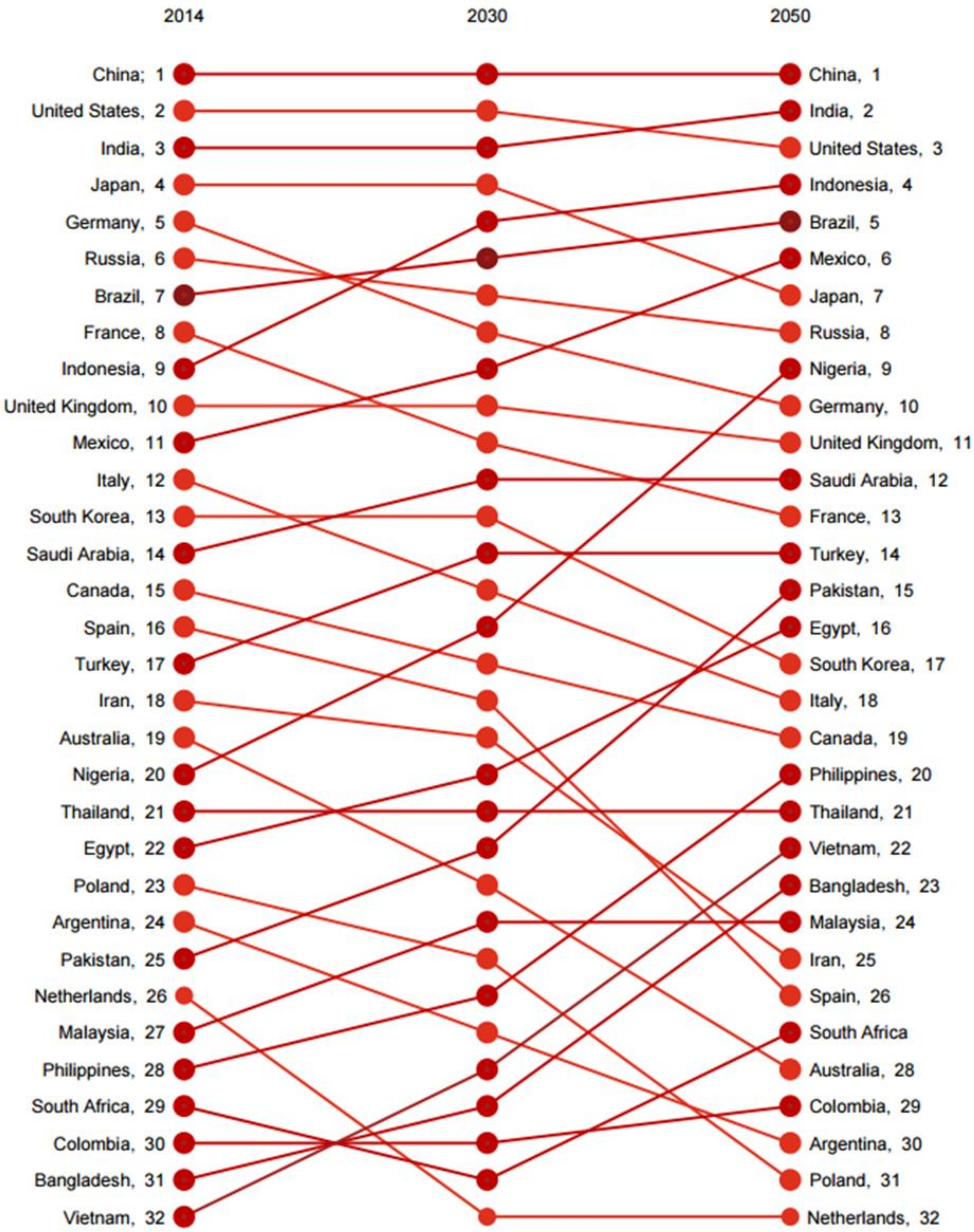

Figure 1. Countries growth projections. Source:IMF estimates for 2015, PwC projections for 2030 and 2050

This diagram mirrors the predictions of the future growth or decay of countries according to their GDP and PPP (purchasing power parity). Countries are mixed all together, developed and emerging, and ranked according to variables mentioned above. There are three checkpoints of their forecasted positions - position in 2014, future position in 2030 and future position in

2040. It is clearly seen that, according to predictions, majority of emerging countries and especially BRICS (except Russia and South Africa) are very likely to grow rapidly and outpace a lot of developed economies which generally incline to go down in the ranking. More, in 2050 global economy will be led by two emerging countries - China and India. Also some developed countries like France and UK will lose positions in top 10. Still this diagram displays predictions which are based on current data, trends and world order, which leaves huge space for speculations. Global economy is very changing and hard to predict, especially when talking about emerging economies. Still. these countries are especially interesting for investors due to high possible return and perspectives of development (Dimson et al., 2010).

Still, investors always weight possible risk of investments and previously emerging economies were associated with both high returns and high risks. But last decade risks gap between emerging economies and developed ones is believed to be permanently narrowing. (Dimson et al., 2010). Also it is important to mention that emerging countries are much less indebted than developed ones. Also growing middle class and purchasing power of population make these countries attractive for foreign direct investments as indicators of future fruitfulness (Country Indebtedness An Update, 2011).

1.3 International companies in Russian Internet industry

It is important to provide some concise outline of Russian Internet industry, where companies operate. The stress will be made on internationalization reasons and details. It is important for better understanding of the sample.

Russian IT industry and particularly internet companies are strongly inclining to internationalize outside of Russia and CIS nowadays (Panibratov 2015). They are literally pushed to do so as there is much more demand and much higher prices for goods and services abroad than in Russia.

Majority of companies try to avoid competition with industry big players like Google, Facebook etc. and tend to focus on uncovered narrow niches which are still very promising (Panibratov 2015). This strategy is quite obvious but still it is important to mark that Russian Internet companies which aim to internationalize try to reach some kind of blue ocean instead of head-to-head competition.

During last years there was increased government support for IT market conducted in Russia. Special support was provided to IT companies which work with particular spheres – education, scientific research, government operations etc. This support will obviously increase share of IT companies in Russian GDP and probably help industry to progress (RF Government 2012). Consequently, number of Russian IT and Internet companies which decide to internationalize also is likely to grow.

The recent few years are characterized by increasing government support for Russian IT market development and internalization of IT aided products and services into other industries, including education, scientific research, government operations, and others. It is also aiming to significantly increase the share of high-tech industries in the country gross domestic product (GDP) (RF Government 2012).

The easiest internationalization destination for Russian Internet companies were CIS countries due to several reasons. CIS markets are similar to Russian, usually there is no language barrier and COO of Russian companies plays positive role there.

Concerning COO effect in general, usually it is quite low. In case of IT companies and particularly internet companies, COO sometimes plays positive role. Russian IT specialists are perceived as highly-skilled professionals, known for outstanding work quality and reliability (Panibratov 2015). This is very important fact for developed markets where procedures of legitimization, trust, moral and quality standards are very high. Staff usually is very well educated but at the same time is ready to work for lower salary. Russian companies which provide particular service usually keep their development offices in Russia.

To even emphasis their reliability and openness sometimes Russian Internet companies open nominal headquarters in developed countries. This action significantly improves their image. Sometimes companies even acquire existing firms or develop some kind of partnerships for the same reason.

All in all, Russian Internet companies are very competitive among similar companies from other emerging countries due to very high quality of goods and services and, at the same time, cheap price. More, Russian companies are much closer in different senses to clients and partners from developed countries than companies from Asia or other emerging parts of the world. Also Russian Internet companies are very competitive even among companies from developed countries, but usually in particular and sometimes narrow niches. Russian Internet companies have an inclination to internationalize because there is much more demand for their services abroad, higher prices and sometimes more stable environment. Also the easiness of delivery and operating of intangible goods and services play significant role in their decision to internationalize.

1.4 Liability concepts

Companies which aim to internationalize may encounter some liabilities, for instance liability of smallness, newness and foreignness (Zahra 2005). There is even wider set of liability concepts which were developed by revision of internationalization theories, for instance liability of outsidership (Johanson&Vahlne 2009). I would like to explain those of them which are relevant for this study in current circumstances.

One of the most obvious and general liabilities is liability of newness. It was first formulated in 1965 and stated that companies constantly encounter the liability of newness when entering foreign market, especially if it is done for a first time (Stinchcombe 1965). Usually they are unable to compete with the old market players because old ones already have strong positions on the market and newcomers may lack resources and generally have high risk of failure due to various reasons.

When the company enters new country in terms of internationalization it always faces prevailing competitive environment there which differs from the domestic situation. Also new resources are always demanded for internationalization and the company does not always assess the scale of the demand objectively. Even if the firm has this particular amount of demanded resources it may be problematic to transfer them to the target country. But if the industry conditions and environment are similar on the domestic and foreign market and the company is going to have similar suppliers, customers and compete in a similar way in the similar environment, the liability of newness can be reduced (Cuervo-Cazurra et al. 2007, 718)

There is also the liability of smallness which can be faced while entering foreign market. It correlates with liability of newness as usually first attempts of internationalization are done by young companies of a small or medium scale and it’s hard for them to compete with well-established players on the unfamiliar market (Freeman et al. 1983, 692). But still liability of smallness decreases when the company grows to certain scale and liability of newness always exists when the company enters new market independently from the scale of the company. What is also important to stress, the company may reduce the liability of smallness for some markets by being already established company or simply after some time of growing on the new market, but still other foreign markets will be too saturated with competition and companies there will be much more huge and powerful so the liability of smallness increases again for this particular market. Hence, the liability of smallness can be diversified (Freeman et al. 1983, 692).

Liability of foreignness states that the company entering new market will face additional social and tacit costs which are not faced by domestic companies (Denk et al. 2012, 323). Liability of foreignness – or LOF – appears during the earliest period of internationalization when the company just enters the market but may last for a long time. There are three kinds of LOF distinguished – relational hazards, unfamiliarity hazards and discrimination hazards. (Denk et al. 2012)

Relational hazards appear due to “higher organizational costs for internal and external transaction” (Denk et al. 2012. 323). So the reason is that there are always cultural differences existing during internationalization and it is hard to manage overseas employees and deal with foreign companies. Unfamiliarity hazards refer to subjective market and internationalization process assessment, lack of knowledge about the target country, its culture and environment, disinformation. As for discrimination hazards – they appear when the company is not welcome on the market and is badly treated by local authorities, competitors and other stakeholders. Sometimes it happens due to paternalistic political situation in the country (Denk et al. 2012. 323).

But LOF is more entry-related liability and companies face it for a certain period of time when first social and economic costs appear. Over time LOF may be significantly reduced or vanish. So the company usually suffers "little or no liability of foreignness when its existing operations, either in home country or in other countries, are in institutional environments that are similar to the one in the new host country". LOF is the most undisputable and sensitive liability for internationalizing companies and in this study it will be studied more precisely (Cuervo-Cazurra et al. 2007, 719).

1.4.1 Categories of liability of foreignness

There is solid and ultimate categorization of costs which appear due to LOF. The list was developed by Zaheer (1995).

1. Costs which are an outcome of geographical and spatial distances. It includes travel expenses, control and monitoring, transportation.
2. Learning costs which appear when the company is not really connected to local networks hence its predictions and risks assessment can be quite inaccurate or accurate but costly.
3. Costs that appear due to challenging legitimization process.
4. Some costs which appear in particular situations of restrictions, for instance restrictions of some technologies transfer to particular countries (for instance, trade between Israel and Islamic countries).

(Zaheer 1995)

On the basis of this categorization some scholars (Eden and Miller 2001) offered another one, more direct and responsive for structured analysis. It focuses on hazards for entering company:

1. Unfamiliarity hazards. These hazards occur because the information gathered by the company before or after internationalization can be outdated, irrelevant or inadequate which

leads to incorrect assessment and misunderstanding. This concept also embraces language, cultural, political and economic problems (Eden and Miller 2004).

2. Relational hazards.This type of hazards refers to internal and external relations. Basically it includes firm-t-firm communications and relationships, relationships with distributors, different kinds of partnerships, local authorities relationships, management of foreign employees, linkage to local networks, general cultural distances etc. (Eden and Miller 2004).

3. Discrimination hazards. They usually include all kinds of resistance coming from the environment –negative treatment from the side of local stakeholders, paternalistic and protectionist issues, consumer ethnocentricity and general prejudices concerning the country where the company comes from, culture or company itself (Zimmermann 2008).

1.4.2 Liability of Foreignness drivers

Studying LOF concept it is important to analyze drivers which stimulate appearance and existence of this particular liability. As LOF concept is categorized, each driver affects some particular category of LOF.

Still, drivers vary not only depending on the category of LOF they are linked to. The form and significance of the driver also may change a lot according to how highly are domestic and target market developed, what is the industry and other factors (Gaur, Kumar and Sarathy 2011). So LOF itself varies a lot from country to country and from company to company. What company faces is always some variation of LOF.

To start with, all LOF drivers can be dedicated to one of these groups: firm-based and environment-based drivers (Gaur, Kumar and Sarathy 2011). First group refers to drivers linked with company characteristics, for instance corporate structure, firm-specific resources, ownership structure, corporate culture, learning capabilities etc. As for the second group, it embraces all the drivers that are originated by the environment which company enters or is coming from. So it can also be divided by two categories. Still in this study the domestic environment is fixed for all the companies (Russian Federation), sonly foreign market environmental drivers will be highlighted.

1.4.3 Drivers by LOF categories

The majority of researchers refer to LOF as to monolith concept and simply accompany it by the possible sources of appearance. But they rarely make an attempt to structure the concept internally (Denk, Kaufmann and Roesch 2012). To a certain extent it is a lack as some drivers appear and bring additional costs in some or one particular LOF category, so it should be treated also categorically.

General drivers

Some drivers are general and can influence all the categories simultaneously. These are usually drivers connected with distances – cultural, institutional, spatial etc. (Eden and Miller 2011). To make an illustration, I can use cultural distance. First, external and internal relations will be harder to maintain as the company will have to invest into some preparation, traditions and language study, understanding interpersonal relations and ethics – that all are relational hazards. Secondly, it may be again language problem if local authorities oblige all the foreign companies to translate documentation in local language or promote paternalistic prejudice – it refers to discrimination hazard. Thirdly, even on the pre-entry stage, it is much harder for the company to collect important information about the market and much easier to make a mistake or let some misunderstanding happen – this is pure unfamiliarity hazard.

Economic stress also affects general level of LOF (Zimmermann 2008). According to this scholar, any appreciable economic turbulence makes local stakeholders review and reassess their relationship with foreign player on the local market.

Talking about company related drivers like corporate structure, ownership structure, learning capabilities, management system and capabilities, size of the company, affiliation to different business groups etc. (Garg and Delios 2007). We can have a look on learning capabilities to check the effect. It is quite clear that high learning capabilities can rapidly help the company to reduce level of LOF by reducing the strength of various negative factors (Goodall and Roberts 2003). It is quite clear that this driver can also affect LOF level negatively if the level of itself is low – the company may face quite high costs due to relational, unfamiliarity and discrimination hazards at once. And vice versa.

Unfamiliarity hazard drivers

One of the main unfamiliarity hazards drivers is lack of specific knowledge about local business practices and structure of institutions (Elango 2009). International experience is also important driver related to this category and it also refers to low learning capabilities (Asmussen, Pedersen and Dhanaraji 2009).Sometimes it is also misleading bringing short-term results to the company and making management feel overconfident. Still long-term attempt is needed to gain stable and significant goals (Asmussen, Pedersen and Dhanaraji 2009).

Third driver leading to unfamiliarity hazards is lack of knowledge and linkage to local networks. It is believed that being an outsider the company pays higher price for information which otherwise could be free, lacks market understanding and different kinds of support. Many authors agree on this clear fact (Zaheer and Mosakowski 1997), (Eden and Miller 2004), (Garg and Delios 2007).

Relational hazard drivers

The first driver for this category is lack of trust. It may refer to relationships with different stakeholders, from suppliers to authorities and buyers (Zimmermann 2008).Another small but significant driver in this category is geographical distance between countries. First of all it increases costs for trips and employees transportation and secondly can spoil internal relations and communication system of the company (Elango 2009).

Ownership and corporate structure can also be drivers for this category. They influence on how the new overseas branch or asset will be embedded in overal structure of ownership, corporate management etc. Type and form of overseas subsidiary can vary a lot but tendency is usually similar. The more independent is the subsidiary, the faster is adaptation period and lower is interaction with the head office. Also independent subsidiaries of any type are generally more succesful thatn tightly controlled in internationalization. But sometimes it is quite costly for the head office to release them. Still it is possible to claim that providing subsidiaries with higher level of independence in the beginning or choosing right form of subsidiary can help the company mitigate LOF appreciably (Nachum 2003).

Discrimination hazard drivers

Drivers related to this category usually appear as some kind of conflict between the entering company and the entered environment. Usually it happens due to some variation of paternalistic or nationalistic conditions existing in the target country and due to them entering company not treated well, ignored or even pushed by local suppliers, consumers, authorities etc. (Newburry 2012). This is usually conveyd in the form of some particular conditions and restriction on process of subsidiary registration, obligation to attract local shareholders, expecially complicated burocratic relations, unfair competition, unfair consultants and subcontractors selection, limited access to resource base, increased fees and taxes for foreign firms and their subsidiaries, prejudice from the customers side etc. (Perkowski 2012). Also it is quite hard for the company to legitimate some particular corporate or ownership structure at some markets, even if they don’t have paternalistic or nationalistic internal tendencies. The difference and distance may make the company automatically discriminated simply because people will avoid dealing with something that is unfamiliar to them and they cannot understand. Also it happens when the company fails to deliver the competitive advantage to new market, because it doesn’t manage to change or adopt it to new market. (Kostova and Zaheer 1999).

LOF category	LOF drivers
All hazards	1) Distance between home and host countries; 2) Cultural sensitivity; 3) Economic development and stress of host market; 4) Firm characteristics; 5) Industry characteristics.
Unfamiliarity hazards	1) Lack of international experience; 2) Lack of embeddedness in networks; 3) Lack of specific host-market knowledge.
Relational hazards	1) Network integration level; 2) Lack of trust; 3) Corporate culture differences.
Discrimination hazards	1) Negative nationalistic tendencies; 2) Lack of local legitimacy; 3) Limited access to resources; 4) External conformity pressures.

Table 1. Drivers of LOF emergency. Source: O. Barshai "LOF drivers by category"

1.4.4 Company-specific drivers

As it was mentioned, LOF drivers can also be classified as company-specific and environment-specific. Company-specific drivers are thiose drivers which are linked to the company and its activity both on domestic and foreign markets.

They can be easily identified within previous observations. For instance, common characteristics that all companies have are size and age of the company. They may describe experience, stability, financial and human resources of the company, and also on which stage of development decision to internationalize was done (Zaheer 1995). Still, these characteristics can be peculiar for different sectors, especially for IT and Internet sectors.

Ownership structure also matter a lot as company-specific driver. This is the factor influencing smoothiness and efficiency of intgration of new overseas subsidiary to whole company structure. But this factor can also have both negative and positive effect in each particular case. Affiliation of the company can also be included to company-specific drivers. Affiliation to the business group, for instance, increases chances to survive for the company as it initially has more support of different kinds an is usually better prepared and precieved. (Delios 2007)

Also learning capabilities, management structure and capabilities, internationalization experience and corporate culture can be referred to company-specific drivers.

1.4.5 Environment-specific drivers

This group includes all possible drivers from political, institutional, cultural, technological, social, economic and other areas of market factors. These drivers can also be controversial and peculiar as company-specific drivers are, so in each particular case it is important to understand current features of the driver. Still environment-specific factors can also be splited on two group linked to their origins – home-country and host-country (Terpstra and Sarathy 2000).

Host country origins of LOF

Host country origins of LOF usually start from the level of industry development. High level of industry development in host country can mitigate some drivers of LOF like suspicious attention to company profile and problems with firm-specific capabilities (Yu and Kim 2010).

Also level of internationalization of local economy matters. It is believed that the higher is the level of internationalization and the higher is number of companies which already succesfully entered the market and prevailed LOF to this or that extent, the lower is LOF for newcomer. It is quite logical as the environment is becoming softer for entry after several succesful penetrations. Suppliers are being prepared, legetimization process gets more or less standartized, local companies are not so suspicious to partnerships and generally local networkds are ready for collaboration (Nachum 2010).

Another important driver is level of competition between local companies in this industry and number of that companies. When the competition is high it means that resource and customers acquisition will be harder for the company but the industry is more likely to be well-developed and ready for entry; when the compaetition is low or it is even blue ocean on the market, it may mean that the industry is underdeveloped and despite all the advantages of pioneer the entry may be fruitless for this moment (Eden and Molot 2002).

Home country origins of LOF

Drivers related to this category can also be named drivers of country of origin ot, shortly COO. Country of origin is usually supposed to be the country where the origin of company is, where branding of the company comes from and where headquarters is situated (Johansson, Douglas and Nonaka 1985). This is the first country which comes to the mind of customer who hears the name of the company. But of course manufacturing process doesn’t have to be situated exactly in this country and this quite common practice. It is quite obvious that COO factor affects a lot of different drivers from geographical to psuchological extents and has general influence on all LOF (Moeller et al. 2013).

Basically, the company represents the country itself – its culture, institutional development, values etc. So sometimes some of them are better to be hidden to increase competitiveness of the company. It is also important for Russian IT companies as Russian Federation doesn't represent any special positive features on the global market, so COO can be a kind of burden for internationalizing Russian Internet companies. That is why it is important to start getting rid of COO influence for Russian company right from the inception, if it's main market is abroad.

But country of origin effect is also peculiar. For the same country COO can negatively affect image of some products and have highly positive effect on other. For instance, the best tea producers are supposed to be situated in China and are highly appreciated all over the world, but other food and beverages producers from China are famous for very low and even dangerous quality of their products. This effect is called "product-country image" and exists all over the world for all kinds of products which are linked to COO in minds of humanity (Knight, Holdsworth and Mather 2007).

But of course COO effect tends to be very subjective and shows inclination of human mind to generalize without analyzing the object. Every image exists for some time due to the trend in different societies, sometimes just on the experience of dealing with one company or one product from the particular country. Sometimes COO effect overpowers the image of product and sometimes the product of very high quality and cheap price stays underestimated due to COO effect. This effect is very hard to be changed, but is the company or its subsidiary does it, it may get shole new market free from LOF (Newburry 2012). The example could be again Chinese producers – it is famous paradigm that everything made in China is of low quality, but this image builds a barrier for producers of high quality products, which already exist in China for long time, to enter new markets.

1.4.6 Outcomes of LOF

According to Denk, Kaufmann and Roesch (2012) outcomes of LOF can be divided in three groups:

1. Business impact – this is general effect the liability of foreignness has on subsidiary functionality, negative, neutral or positive results and other business issues.

2. Impact on internal processes. This category literally includes all issues concerning internal company processes during internationalization. Usually it affects some specific features of the company, for instance, competitive advantage. It may also negatively affect knowledge transfer (Schmidt and Sofka 2009).

3. External relations impact. This group of outcomes refers to relations with all the external stakeholders both on foreign and domestic markets, brand image of the comopany, willingness of potential emplyees to work for the company's subsidiary, relationships with potential partners (Newburry 2012). But the effect is not always negative – everything depends on the culture and general situation on the foreign market. Sometimes locals are inclining to work and partner with foreign company becqause it is pervieved to be more stable, profitable or simply prestigious (Kronborg and Thomsen 2009)

Still, even taking into account this classification, it isquite hard to develop precise measurement model, as all cases have particular industry specifications, company specifications, different goals and different circumstances (Zimmermann 2008).

1.4.7 Mitigation of LOF

Mitigation approaches can widely vary in case of liabilit of foreignness and it's hard to classify them. One of the methods is to group them by the timeline stage when particular mitigation approach should be implemented. Groups can be splitted representively to time periods.

First group includes all actions wich can be undertook on pre-entry stage. It may be precise market research which helps to minimize unfamiliarity hazards or labguage and culture courses for the employees who will be moved to the subsidiary on new market.

Second group includes methods connected with the entry stage. It may refer to succesful timing choice, p[roper positioning of the compony while entering the market, entry mode etc. For instance, some companies use some kind of "world-class" positioning by adapting quality, legitimacy and design of the products to universal requirments (Johansson, Ronkainen and Czinkota 1994). As for timing, this method is disputable and should be assessed by each company individually. Some scholars claim that turbulent times in economy of the country may spoil penetration process due to stressful situation on the market. On the other hand, stressful situation on the market may serve interests of the company perfectly, as local stakeholders are reassessing current players strictly and inclinations for change are very high (Zimmermann 2008).

All other methods and approaches which company can use after preparation and market entry are dedicated to the third group. The company can try spreading massively or concentrate on particular locations which are most promising. It is quite wise for the company to try getting as much possible customers as possible by being present in different geographical locations inside the country. These pilot sub-subsidiaries will help to get reliable information about the market which couldn't be reached before and let the company be visible without spending too much of resources (Elango 2009). Another possbile move can be abstract effort made on legitimization and admission both from institutions and from the customers. Succesful implementation of this stepcan be unique opportunity to gain special competitive advantage over other competitors exactly for this market (Zimmermann 2008).

It is quite important to remember that some approaches can affect level of LOF positively and negatively at the same time and in this case it is important to weight two outcomes to understand if the action worth it. For instance, when the company starts market entry with joint-venture agreement with some local company it certainely avoids or mitigates unfamiliarity hazards by using knowledge, experience and facilities of the partner; also company avoids discrimination hazards as it starts being protected by local partner and interests of the entering company are becoming shared by the partner on local market. Still, while these two categories of hazards are mitigated, relational hazards increase. If the entering company signs joint venture agreement with local company, it loses positions in negotiations and independent decision making. Also it may be challenging to do new partnerships on the market when it will be needed as existing partner will be a barrier for it. (Denk, Kaufmann and Roesch 2012).

This hazard is like a wall – it protects a lot but still it doesn't let the company go through particular line. But sometimes this kind of trade-off of hazards can be fruitfull or simply inavaidable for particular markets and industries. For instance – for China. It is nearly impossible to eliminate all the hazards at once, but when this kind of trade-off happens, it is important to predict approximate bottom-line(Denk, Kaufmann and Roesch 2012).

It is also impossible to develop some exact quantitative approach to measure mitigation strategy as rational or irrational. For each case there are too manyparameters starting from resourcse base, industry specifications, domestic market specifications, foreign market specifications, type of partnership, entry mode etc. Also, the set of these parameters will be different in each case and some of them would not take part in analysis (Elango 2009).

1.5 Characteristic of born-global companies

The concept of born-global companies is quite modern theory but very trending one. Companies which are born global are usually those which are planning and implementing internationalization right from inception or short time after the inception. Sometimes such companies do not even start operations on domestic market focusing strictly on foreign markets. This is especially common case within technological companies and is very important phenomena for this research as configuration of global value chain is usually set during the inception of the company. So, theoretically supposing, mitigation of liability of foreignness through global value chain configuration and reconfiguration is easier for born-global companies as their global value chain is still not so ossified or even is developed especially for internationalization, taking LOF into account.

Despite the fact that concept of born-global companies is quite simple, it is important to highlight some characteristics of such companies so it will be easier to apply them later for the research goals. Main characteristics of born-global companies are:

1. *High activity on the foreign markets right after foundation or short time after.* Companies which are born global usually start exporting their goods or services right after the foundation or in the next couple of years. Export usually has significant share in the revenue of such company. A lot of them use different patterns to make internationalization process faster by taking foreign direct investment or setup partnership abroad. Usually the company decides to internationalize due to its nature, type, niche, value chain and the industry it is operating in. For instance, technology companies and especially IT are even pushed by its nature to internationalize to particular extent as the industry itself forces companies to do so (Jones et al. 2011). Scholars also claim that being "born-global", "born-local" or "late-global" highly depends on the decisions made during the foundation process (Moen 2002). Also there are claims that founder himself and his vision affects company's internationalization inclinations (Gabrielsson and Pelkonen 2008).
2. *International vision of management team, international orientation of the company.* Of course not only the founder affects inclinations and possibilities of the company, but also whole management team. For real born-global company management there are no borders in strategy. The mindset of such management should be tending to take risks, try new markets, innovate and be ready for tough competition with existing local companies. Scholars claim that management should be creative, resourceful and have enough knowledge to deal with such challenging and dynamic processes and the founder cannot be able to do it alone (Loane et al. 2007).
3. *Superior products.* Products of born-global companies are usually cutting-esge and industry-leading. This is a must for such company as its product should exploit to this

or that extent, by being new, being much better or simply by being outstanding. This is a part of the strategy (Cavusgil and Knight 2009).

4. *Narrow but advanced niche specialization.* One of matters of the success of born-global companies is narrow specialization on very specific demands of customers on the global markets. Usually it refers to ICT (information and communication technology) companies which are sometimes finding even empty niches or niches which are very easy for acquisition due to breakthrough decision, vision and competences that they have (Cavusgil and Knight 2009).
5. *Limited access to financial and other resources.* This is quite logical as if the company is born-global it should be also a new-born, so usually companies don't have such easy access to financial, tangible, administrative or human resources, as mature established companies have. Despite the fact that huge multinationals are usually supposed to dominate in the global international trade, born-global companies go alternative way and usually reaches alternative goals.
6. *Usage of independent distributors on foreign markets. This* feature is mainlya consequence of previous one. Majority of born-global companies, especially during early stage of development, tend to internationalize through direct international sales through local distributors on foreign markets, or through leveraging the resources from foreign facilitators. Shipments are usually also organized by such facilitators. Usage of facilitators and distributors on the foreign market makes the company able to be more flexible in entry and withdrawal initiatives which are very important and sometimes even critical during internationalization. Some born-global companies of higher experience of especially attractive model attract foreign direct investments and set up joint-ventures (or other alliances) with foreign players – these two ways to internationalize are usually making born-global company rocketing in its development and reaching some share of the markets rapidly (Cavusgil and Knight 2009).
7. *Differentiation strategies.* Born-global companies tend to use differentiation strategies due to the situation on the global markets. It is important to customize and make the product very distinctive as the demand usually dictates so. Also, the niches with such demand are usually not very attractive for giants but are quite accessible and significant for smaller born-globals. This strategy is a great source of opportunities, at least for the beginning (Cavusgil and Knight 2009).

After highlighting main characteristics of born-global companies it is important to make some conclusion for further research. First of all, it is important to mention that born-global companies are mostly technological companies as for companies of other profiles it is a bit harder to follow these characteristics and strategies. Therefore, it is quite obvious that configuration of value chain for the company with possible international appetites should be oriented on internationalization as early as possible. Furthermore, it seems that liability of foreignness is much softer to deal with for early-internationalized companies. This is an assumption that is provoked by mentioned characteristics. Further this assumption will be linked to LOF and GVC theories, crowned with the strict test during empirical part.

1.6 Global value chain

1.6.1 Concept overview

Global value chain is originated from value chain concept. Value chain concept was developed to analyze and describe international trade; the concept embraces "the full range of activities that are required to bring a product from its conception, through its design, its sourced raw materials and intermediate inputs, its marketing, its distribution and its support to the final consumer" (Global Value Chains Initiative 2016). When those activities are geographically spread across the borders, the term global values chain (GVC) appears. Plain interpretation of this concept is following – all the people and processes involved in the production of good or service around the world are global value chain.

The concept appeared in 1994and described joining the value chain as the natural process of upgrading. It meant functional upgrading, upgrading of the product, process design etc. The appearance of the concept was kind of response for World Bank report concerning East Asia Miracle (Gereffi1994). Still, the process of upgrading doesn't touch all links of the global supply chain, as some authors claim. Usually headquarters maintain all design, branding, know-hows, core skills and marketing restricting their transfer to subsidiaries or partners not to let them on global markets and compete (Humphrey and Schmitz 2000). Still, for the company which is internationalizing, this is definitely upgrading process.

Summing up, GVC approach aims to analyze structure of governance of the company through its value chains. So GVC governance itself is the way how the company rules all the internal network and external networks to do international operations.

1.6.2 Global value chain governance

Global value chains also differ significantly from one another. The main difference comes from the type of governance of the supply chain. Scholars identify five main patterns of supply chain governance (Gary Gereffi, John Humphrey, and Timothy Sturgeon 2005). Those five main patterns are:

1. Markets – it's the plainest type of global value chain governance. The mechanism of governance here is the price. Parties of the GVS buy and sell to and from each other just to get profit out of it without any other kind of interaction. There are no complex linkages as no special information and features are exchanged.

2. Modular value chains – these are already network kind global value chain where suppliers specify goods or services according to customer needs. Supplier maintains full responsibility and doesn't disclose any information concerning production and other processes. Still there is significant information flow concerning coherent realms between parties and interaction is usually complex. The interaction can increase after successful partnership and become very close, so a lot of information would be shared and collaboration would be tight.

3. Relational value chains – as it is stated in the name, this global value chain governance is built on relationship between supplier and customer. Of course it is network-oriented, as previous one. Both parties are interdependent in this situation; there are a lot of social, reputational, cultural, spatial and other issues which serve as anchors of this relationship. Interaction is very dense in this case and parties usually know value chains of each other very well, all the information is open and circulates permanently. Still, despite all the advantages, it is very hard for the company to escape from this chain in case if wants to switch to new markets, new partnerships or simply go through innovation process. It is possible, but usually costly and slow.

4. Captive value chains – one more type of network style governance pattern. This is the situation when numerous of suppliers try to stick to one big buyer and become unilaterally dependent. It is very hard and costly for small company to switch from huge buyer, so it becomes captured to some extent. The leading huge company controls and monitors processes very strictly but at the same time doesn't share much information with "captives". Usually there are a lot of specifications and unique rules dictated by the leading company, so power balance is asymmetric.

5. Hierarchy – simple form of governance when foreign subsidiary, supplier, buyer or other type of party is vertically integrated into one company; all transactions are kept inside one company. Everything is done under managerial control in the close system of one company.

Simply saying, all possible types of governance relate to one of two kinds of action during internationalization process – keeping operation in one company or collaboration with other companies.

1.6.3 Framework for global value chain configuration

Usually the company reconfigures the value chain to create or strengthen its competitive advantage. Of course configuration of global value chain depends on the strategy that the company uses and its vision. But the global company should always be able to overlook all potential opportunities and be flexible in relocating all activities quickly, responsing to changes in the environment or occurance of opportunities. As configuration of global value chain is more or less mechanic action, it is easier to illustrate possible variations all together. Following scheme which illustrates possible variations of elements of the global value chain depending on the dominance of local or global considerations.

As for categories of global value chain, we can extract following groups of activities, interpreted from Porter's classic value chain model, that are usually configured during internationalization – manufacturing, procurement, research and development, finance, human resources, information systems management, logistics and marketing& sales. All these categories are described in the following table according to their configuration possibilities.

Configuration of each category can go from centralization of activity to more spread approach of globalization. The level of globalization or centralization is not good nor bad issue for the company but always depends on the situation and should be used as the gearbox. It doesn't mean general strategic vision of the company but refers more to level of independence of foreign branches and unification. Action described in the table illustrate configuration strictly for internationalization activities of the company. Configuration of marketing is described separately as it is a bit more intangible part of global value chain.

Name of category	**Centralization**	**Transition**	**Globalization**
Manufacturing	Assembly, minor operations	Integrated manufacturing facilities	Plant development, manufacturing of key components, complete development

Procurement	Centralized procurement, united planning and supply systems	Mixture of headqurters and local procurement, independence in choosing minor local sources of procurement	Independent responsible procurement
R&D	Full in-house control over research and development	Participation of branches in minor research and development processes, independent research projects	Tight cooperation in research and development, equal possibilities and facilitation, independent policy of the branch
Finance	Financial dependence from headquarters, full control over financial operations	Independent minor financial operations	Independent financial operations, complex capital structure, independent accounting
HR	Recruiting locals as lower level employees	Trainings, qualification promotion, recruiting locals as middle-level employees	Top-level employees hiring, compensation system, international rotations
Information systems management	Identification of local information needs, localization	Adaptation of the software and information systems	Supply of specialized unique hardware and software, independent information policy

Logistics	Full control of headquarters	Local logistics, warehousing	Access to global logistics, active participation and key position

*Table 2.*Categories of Global Value Chane.Sourcse: CEO Jack Welch - Financial Times, 1997

It is very important that all variations of configuration are possible for the company. The company's value chain should work as stable mechanism ready to switch and adopt, otherwise globalization can be quite challenging.

As for marketing configuration inside the global value chain, it can also be categorized. The categories are following – pricing, distribution, advertising and positioning, product development and market research. These categories can be configured all together or separately in order to achieve particular goal.

Name of category	Centralization	Transition	Globalization
Price	Price setting according to research, done by headquarters	Independent price setting according to local needs but in frames of headquarters guidelines	Local independent price setting according to current situation; responsive changes
Distribution	Channels selection, strict guidelines	Cooperation in channels selection, cooperation with local distributors	Independent distribution through the branch, choice of local partners, general policy guidelines
Positioning and advertising	Universal positioning and advertising, minor localization, choice of media	General theme, switch of brand name	New vision and positioning, independent brand and advertising agency choice
Product development	Localization of the product	Framework building, possible variations	Design, prototype and content redevelopment
Market research	Research design and content production, turn-key tool, control over research	Research design determination, goals setting, general recommendations, independent content	Independent research design, goals setting, general policy, possibility to handle local researches for local needs of the branch

*Table 3.*Categories of Marketing category of Global Value Chain. Source: CEO Jack Welch - Financial Times, 1997

As we can see from the tables, all of the configurations are quite neutral and equivalent for the company according to possible benefits. Configuration process should be a response to the external factors during internationalization. But it is important to mark that configuration should be done very attentively as some categories are dependent on specifics of the company or domestic environment and sometimes shouldn't be configured even when it seems promising for overseas operations.

1.7 Research gap

As literature review has shown, theory of liability of foreignness is very topical and significant for internationalization studies. Especially the question of mitigation of LOF. There is a clear answer what the liability of foreignness, but there is no clear answer concerning how the liability of foreignness is actually possible to be mitigated and what are techniques of this mitigation.

My assumption is that liability of foreignness can be mitigated through global value chain configuration - this possibility is absolutely unstudied. The assumption comes from the observation that drivers of liability of foreignness have some echo or even fit into some categories of global value chain as theoretical concept. That categories can be configured depending on level of centralization or globalization of particular operations, which is quite usual activity but not always well-planned and reasoned.

Configuration in these categories also doesn't work equivalently for different companies. Global value chain tend to stabilize and ossify after some time due to intensiveness of operations and company development. So another sub-assumption is that the earlier the company includes internationalization in its value chain, the easier it is to configure GVC for LOF mitigation and reconfigure it for particular markets entry in the future. This connection of earliness of internationalization and global value chain configuration is also unstudied, but the linkage seems to be very possible. Here I apply born-global companies theory which represents that companies which internationalized early or even in the moment of inception.

To narrow the research and make it more reliable, I concentrate the focus on Russian internet companies. So abstractly it will be an analysis of IT companies which work in the field of online products and services, united by the country of origin, which is emerging market. Host-countries are not limited at all, so they can be both emerging and developing markets, it makes the research more representative.

Also internet companies are particularly interesting to study as internationalization should be the essential part of their business. Even so-called born-local companies after certain stage of development face importance of internationalization in some form - to meet expectations of investors, protect market from foreign invasion etc. More, global value chain of internet companies is quite different from traditional one. For instance logistics of internet products and services is immediate and done online. Nothing physical is usually shipped, despite the case on online shops. Such companies are much more flexible and fast - it's not such a big deal for them usually to replace the office from one country to another, exit the market or make a research. That is great for configuration of GVC.

The research gap in case of this research is the junction between LOF and GVC theories, applied to internet countries from emerging market. The junction itself is represented in the following table, where LOF drivers are dedicated to GVC categories according to their conjugation during configuration. All of categories of GVC were used. GVC theory is, roughly saying, wider than LOF theory, but affection of latter is possible through configuration of all categories of GVC. Marketing category in this table is minimized to its concept as conjunction between its sub-categories and particular LOF drivers is obvious. Precise description of these subcategories can be found in this chapter.

Of course drivers are quite abstract but still the logic of the precedent of linkage allows to distribute them in this form. Some of the drivers are distributed to more than one category due to variety of precedents. All in all, the table is simplified illustration of very complex instrument which contains different connections and patterns - like strings, hammers and bells. And the duty of the manager is to be able to play it by implementation of right configurations to affect right liabilities of foreignness in beneficial manner.

GVC category	Connected LOF drivers
Manufacturing	Economic development and stress of host market Firm characteristics Industry characteristics Lack of trust Negative nationalistic tendencies Limited access to resources Externalconformitypressures
Procurement	Network integration level Corporate culture differences Limited access to resources Firm characteristics Economic development and stress of the host market Distance between home and host country
R&D	Cultural sensitivity Firm characteristics Industry characteristics Lack of international experience Lack of embeddedness in networks Lack of specific host-market knowledge Lack of trust Corporate culture differences Lack of local legitimacy External conformity pressure
Finance	Distance between home and host countries Economic development and stress of host market Network integration level Lack of trust Lack of local legitimacy Limited access to resources

HR	Lack of trust Corporate culture differences Network integration level Lack of specific host market knowledge Lack of international experience External conformity pressure Negative nationalistic tendencies Cultural sensitivity
Informationsystems management	Distance between home and host countries Cultural sensitivity Firm characteristics Industry characteristics Lack of trust Lack of local legitimacy
Marketing	Cultural sensitivity Economic development and stress of host market Lack of trust Corporate culture differences Negative nationalistic tendencies Lack of local legitimacy External conformitypressure

*Table 4.*Correlation between GVC categories and LOF drivers

So, in empirical part of this study I will check two assumptions:

1. LOF mitigation is possible through GVC configuration according to developed paradigm of junction
2. Born-global and early-internationalized internet companies are much more capable in LOF mitigation than those which internationalize late

2. METHODOLOGY

This chapter is dedicated to methodology description. In this thesis I use multiple case research study strategy. The main aim of this strategy is to prove or reject assumption that was developed out of the theoretical review.

During the chapter I will justify methodology and describe data collection processes which are questionnaire and interviews. Also I will explain case selection and data analysis. Then I will explain credibility of the research and point out limitations of it. Only after all this preparation it will be possible to start next chapter concerning empirical study which will be held according to this methodology.

2.1 Researchframework

After some analysis I decided to use Eisenhardt (1989) propositions to form research design for this work. Still, some parts of design proposed by Eisenhardt are neglected as this work doesn't aim to enfold literature and reaching closure. It is pointless for this study at least because there is not enough literature around the topic.

Also, there is another approach followed by me in this research. This approach claims that solid multiple case study method can serve researcher in three different ways – it can inspire when connecting different propositions to make contribution for some focused well-studied field; to bring consolidated theoretical contribution with the help of the wide set of cases; to motivate new research question developing for specific field (Siggelkow 2007).

In this research multiple case study definitely is used for making consolidate theoretical contribution. Not only because of the format of this paper but also because the aim of this work is to test assumption concerning junction of several theories and make space for further research.

The research design is following:

Steps	Activity	Applicability on this research
1. Getting started	Definition of research question	Is it possible for internet companies originated from emerging economy to mitigate liability of foreignness through global value chain reconfiguration; does earliness of internationalization affect flexibility of GVC

		reconfiguration?
2. Cases selection	Specified population	Maximum possible number of companies from the set of 40 established internet companies with Russian origins being internationalized to different extent
3. Instruments and protocols crafting	Multiple data collection methods	Selective in-depth interviews combined with the on-line survey and possible secondary data
4. Field entering	Flexible and opportunistic data collection methods	Spontaneous additional questions during the interview, based on new significant facts; inside information; interviewing different parties of GVC
5. Data analyzing	Within-case analysis and cross-case pattern search	Comprehensive individual analysis of each particular case; comprehensive analysis of all cases in one context; patterns determination; united analysis of on-line survey results; linkage between on-line survey results and interviews results

6. Challenges shaping and data enfolding	Interactive tabulation of evidence for each construct; Search evidence for why behind relationships; comparison with similar literature	Representation of results of all data analyzing methods in interactive way; challenges identification; linkage with theoretical framework developed in chapter 1; possible assumptions, practical and theoretical contribution description

*Table 5.*Multiple case study theory building process.Source: Eisenhardt 1989

2.2 Multiple case study approach specifications

Despite the fact that multiple case study is quite obvious approach and is being just a plural variation of simple case study, it is important to mark several features which make it more valuable than single case study. Also it is necessary to highlight average practice of this approach according to the volume.

First of all, multiple case analysis mitigates some of the disadvantages of general case study – lack of generalization hence insignificance for science and theory, subjectivity, inapplicability etc. Secondly, multiple case analysis increases sufficiency of the data simultaneously with the increase of number of cases. But it happens only when the criteria of sample choice are strictly followed (Cooper & Schindler, 2006).

As for the scale of multiple choice analysis, scholars claim that on average the sufficient amount of cases for the research is somewhere between 4 and 15 cases for one research (Cooper & Schindler, 2006). This number is enough, but increase of the number of cases has positive result on overall research. Still, the number cannot be infinite in case of qualitative research, as it is nearly impossible to objectively measure and make cross analysis of, for instance several hundreds of cases in one context.

In this part I also would like to make a concise apologia concerning disputable parts of methodology I have chosen. One particular issue can be perceived as speculative and I state that it is absolutely acceptable and even efficient. This apologia is important to avoid misunderstanding because from classic point of view it may seem that methodology is a little bit out of order and methods are too modern and unusual.

So, it is important to justify such great amount of cases described in this work. It is well known that such scholars like Eisenhardt recommend to use around 4-15 cases for multiple case study approach. Nevertheless, they generally agree with other scholars like Yin (2012) that “the more cases (or experiments), the greater confidence or certainty in a study’s findings; and the fewer the cases (or experiments), the less confidence or certainty.”

This statement is significant for my research as I aimed not just to follow general guidelines for multiple case study approach with all its limitations and shortcomings, but to eliminate these limitations and shortcomings by increasing the number of cases. This increase made the data more sufficient and reliable, at the same time saving all advantages of multiple case study – deep understanding of the particular subjects, vast amount of additional important information etc.

As the work has not only managerial implication but also theoretical aims, great number of cases was unavoidable because there was an importance to generalize gain knowledge and make it suitable and acceptable to use junction of theories in future researches. Also, the field is very scarcely studied, so it was vital to make as wide and deep diving into the topic as possible. I believe that methods worked well and my persistence helped to collect this great amount of cases each of which is unique and well-studied.

2.3 Research object and data collection description

This research is based on qualitative approach. So, the paramount of it could be probability, non-probability or purposeful sample. Scholars define four types of purposeful sampling which are: sampling of contrasting cases; snowaball sampling; maximum variation sampling; convenience sampling (Hardon et al. 2001). Snowball sampling is supposed to be the most efficient and broad method. But for this paper it was more convenient to choose contrasting cases method as it is more suitable for studying problematic issues and their causes (Hardon et al. 2001).

Also, despite statistical reasons, there were some theoretical reasons in case selection process. This is called theoretical sampling and was used due to the reason that the aim of this research is not just to conduct qualitative research concerning internationalization of Russian internet companies, but also to prove or reject the theoretical assumption which was described in chapter 1 (Eisenhardt 1989).

As this research focuses on liability of foreignness mitigation through global value chain configuration of internet companies with Russian origins, I had to stick to the companies which follow certain criteria. It aimed to make the research follow the topic and make it more focused and reliable. After analyzing different models, I stopped at short set of most general but at the same time exact list of criteria for cases selection process. It is important to mark that criteria for case selection are crucial as there is vast amount of IT and Internet companies nowadays in Russian Federation and not all of them are suitable for the serious research.

So, there are criteria developed by me for selection of the cases:

- Country of origin/Founder(s): Russia/Russian(s)
- Not founded as a branch or subsidiary of any foreign company
- Is engaged in international operations to any extent (direct export, JV etc.) and has significant experience for the research
- Industry profile: internet companies (any IT company which focuses on or produces goods or services for internet industry)

There could also be one more criterion such as the share of foreign markets in overall profit or revenue of the company, but it was decided not to focus on it and exclude it from the questionnaire because for majority of companies this information is confidential and cannot be disclosed.

As for the tools of research, there were two alternative ways. First of all, chosen company was receiving personalized email from me with an invitation to take part in the interview. It also stated that there is an alternative way for busy representatives who prefer to fill questionnaire which repeated the interview guide. The majority of respondents were choosing questionnaire. Probably, this alternative was one of the reasons of such successful harvest of the responded companies.

Tools their selves looked in following way. There was a broad guide for interview which covers all possible questions concerning the company, its global value chain, internationalization experience and experience concerning liability of foreignness. Still, the guide doesn’t oblige researcher and interviewee to follow the set and sequence – there can be more improvised questions concerning particular interesting field that the interviewee may suddenly start disclosing. The researcher should be capable to manage interview to get as much data crucial for the research as possible, not just to fill certain cells of model.

Questionnaire was developed by me as an alternative version of the interview with maximum possible questions to include. It turned into 19 differentiated questions, which perfectly suited respondents and built up sufficient statistical picture. The guide for an interview and the questionnaire form can be found in the appendices.

After the criteria list was set, the question of source for the names of companies appeared. I was advised by my supervisor to use RusSoft database, which pretends to be an open source list of all Russian internet and software development companies. Why I use this term “pretends” – during the research I understood that the list is incomplete and that some companies mentioned in it do not exist anymore.

Still, I would recommend usage of RusSfot database to researchers but I would also recommend doing it strictly according to the criteria developed beforehand. That’s what I did and finally could manage to get enough sufficient data and enough companies to address the questionnaire.

Still, the majority of Russian internet companies which can be defined as born-global or early-internationalized are not a part of RusSoft list. While looking through more than 500 companies which are part of RusSoft list I understood that majority of it do not suite the criteria set. Some of them didn’t have any internationalization experience or it was miserable; some of them didn’t seem to be working already; some didn’t have any connection with internet industry or at least related industries. More, the response rate was not very high. So, after all I decided to widen the research and try to find more companies in other sources.

First of all I made a split of the term internet company to several spheres, which are especially topical for internet industry:

- Game development companies related to internet
- Web-development companies
- Mobile application development companies
- Hosting services companies
- Online retailers
- Torrent trackers
- Internet-related software developers
- Internet-related security companies
- Social networks and other entertainment companies

After it I went through the list trying to find not Russian source of companies by these categories but foreign one. It solved the problem of my criteria list immediately – foreign sources automatically gave me data only on internationalized Russian internet companies. So for each category I found lists of recommended and most respectable companies (this feature also wasn’t offered by RusSoft) and started contacting them. Surprisingly, the response rate happened to be much higher than from RusSoft except some specific categories like torrent trackers (which are not very open by their definition) and online retailers (they had either poor international experience or no will to disclose data).

So, systematically going through all these categories and still trying some RusSoft companies, I have sent couple of hundred emails. After each response I was upgrading my email letter, trying to make it as influencing as possible. Also I tried to make each email personal, so the person on the other end could feel that his company was actually strictly selected and that his or her answer really matters for the research. I tried to find and contact as many Russian internet companies as possible and choose only best ones to make the data consist of really sufficient facts. But there were also two more reasons why I decided to broaden scale of targeted companies infinitely.

First of all, as it was already mentioned, this multiple case study also serves to theoretical needs, so the data should be as pervasive as possible. However there are not so many internet companies in Russia that can be named well-established and even less which can be named internationalized. So I can claim that this study embraces if not majority but at least a good if not the best part of internationalized Russian internet companies of all possible scales, ages, profiles and forms.

Another reason for embracing as much companies as possible was the risk of neglect of disability to answer of some of the respondents. The problems usually lie in the field of no possibility to disclose commercial secrets, shame for the results or, oppositely, no desire to share secret of success with other internet companies. Some companies claimed that they are too special and do not fit into the frames of the research.

Also there was always humane factor involved. I understood that sometimes the response depends on the middle managers who receive my letters and decide whether to bother executives or not. I recommend writing really polite and informal emails for this reason, while making a research. This plain approach definitely increases the rate of response and some representatives were even getting interested in the research, trying to advice something, connect with other companies.

All in all, I managed to get the response of more than 20 companies instead of theoretically targeted maximum of 15. This maximum is described in multiple-case approach explanation and I'm ready repeat the citation that: generally, when multiple case-study method is being applied, the analysis is performed on 4 to 15 cases (Cooper & Schindler, 2006). Same source claims that there is clear dependence between the increase of number of cases in multiple case study and increase of generalization of knowledge gained, reliability of data and mitigation of possible limitations.

As for respondents of the questionnaire and interview were either executives of the company, its founders or employees who are close to international business of the company, have enough responsibilities and complete competence in company's global value chain and related facts. It was important for higher quality of information and homogeneity of data collected, so it could be compared.

Another important advantage of this strict rule for respondents was that these valuable respondents, especially during interviews, didn’t mind to go deeper to some sensitive details and drive the interview to unexpected directions. Not all this additional information was relevant for the research but still it was precious for market understanding and fresh view on the theory.

2.4 Limitations of the research strategy

However there are some limitations of chosen research methodology. Due to positivistic thinking, some scholars claimed that case study is quite limited approach to make a research. Their position is that case study lacks the ability to make generalization of study results and conclusions (Mariotti, Zanni, Salati, 2012).

Also they claim that the lower is number of cases studied, the weaker is the research from scientific point of view due to lack of internal validity and possibility to expand findings to other case studies. But from this claim comes the conclusion that the higher is the number of cases studied, the more reliable research and its results are (Yin, 2009). Still, with any amount of data point each case study remains unique (Ruddin, 2006).

There is also an opinion that “qualitative findings lack an agreed-upon significance level” (Pratt, 2009). It means that level of control measures is quite low in case study, so it cannot be applied to wide variety of cases in order to make results more precise and general. This is quite positivistic logic and is defective in its nature, of course.

Since there is possibility to conduct multiple case study with generalized variety of control measures, interpretivist approach can be applied to analysis of the results. More, it even seems that the problem of acceptance of seriousness of case studies is mainly caused by dominance of positivistic approach among researchers.

There is another of this research strategy. It is quite difficult to formulate selection criteria. Also there are limitations appearing during the conduction of research study.

First of all this limitation happens because of some obstacles of interview conduction. Prospect interviewees do not always have time to dedicate it to the interview properly. But as information has to be reliable (otherwise it is useless) I need to target these hardly reachable managers and experts.

In order not to lose this valuable information it is important to organize some recording (if possible and agreed). Also, interviews should be semi-structured so there is at least some scenario and direction where interview goes. Still there shouldn’t be any ossification as the interviewee may suddenly discover some unexpected but very valuable information which also should be taken into account and may even affect the direction of interview.

Furthermore, there is general obstacle both in questionnaire and interviews conduction – questions formulation. To get really significant data the researcher needs to formulate questions in a very understandable and humane way. But in the research itself the demanded information is highly specific and theoretical. So there is a problem of translation from the low level of theoretical "mechanical" language to high level language with is closer to human mind and everyday business operations. This translation process and process of retranslation are very sensitive operations and set some limit for the research. Also the theory itself should be accurately grounded, otherwise it may be damaged and the theoretical paramount of the study will be not so reliable.

3. RESULTS OF EMPIRICAL STUDY

In this chapter I will highlight findings which were done during my research through methodology described in previous chapter. First of all I built joint table of all cases all together, so it could be possible to observe whole picture.

Then each case will be described separately with more precise data. After this broader description cross-case analysis will be conducted and it will finally lead to the last chapter of this research – discussion, managerial implications and theoretical contribution.

3.1 List of companies interviewed

Company name and sector	Nbr. of employees	Nbr. of foreign markets	Main foreign markets	HQ	Founded	Internationalized
Aviasales / Jetradar (tickets aggregator)	150	>16	South-East Asia region, European region	Phuket, Thailand	2008	2009
GoLogo (multi-sided platform; mobile application)	8	2	Russia and China	Beijing, China	2014	2014
Brainy Studio LLC (game dev.)	4	10	Europe, USA	Perm, Russia	2013	2014
Eagle Dynamics (flight simulators; Oracle products)	90	>10	USA	Moscow, Russia	1991	1999
WB—Tech (complex web-services)	11	>10	Europe, Russia	Moscow, Russia	2011	2012
Novorado (web-design, web-consultancy, EDA software)	10	>10	USA, Russia	Moscow, Russia	2005	2006
RAIDIX (data storage)	51	>10	Europe, Russia, Asia, USA	St.-Petersburg, Russia	2009	2011

UNIGINE (3D engine for virtual reality dev., imitations, game dev. etc.)	40	>10	USA, Europe	Tomsk, Russia	2005	2005
Caspowa (websites speeding)	5	>10	Europe, USA	Moscow, Russia	2012	2012
Touch Instinct (mobile apps dev., web dev.)	40	>10	Europe	St.-Petersburg, Russia	2011	2012
Vitamin Group (web dev., web design)	25	<5	Russia	Perm, Russia	2005	2010
Planemo Studio (game dev., localization services)	5	>10	Europe, USA, Russia	St.-Petersburg, Russia	2011	2011
Live Typing (mobile apps dev., web services)	40-50	>10	Europe, USA	Moscow, Russia	2010	2012
Crystalnix (mobile apps dev.)	30	>10	Europe, USA, China	Omsk, Russia	2008	2008
[Hidden name] (mobile app dev.)	25	>10	Europe, Asia, USA, Australia	Moscow, Russia	2009	2009

Realtime Board (web service, application)	34	1	USA	Las Vegas, USA	2012	2012
Omega-R (mobile applications dev.,web branding, web dev.)	30	>10	USA, Europe, Russia	New York, USA	2012	2012
First Games Interactive (game dev.)	8	<5	Russia, Europe	Moscow, Russia	2010	2013
e-Legion	30	>10	USA, Europe, Russia	Moscow, Russia	2005	2005
Wrike (managemen t application service provider)	350	>20	Global	Mountain View, USA	2006	2006
Veeam (backup services, data storage, replication solutions)	>2500	>50	Global	Baar, Switzerla nd	2006	2006
Cloudberry (backup, data storage)	40	>50	Global	Aliso Viejo, USA	2008	2008
Hell’O Baby (lifestyle mobile application)	8	<5	USA	USA	2014	2014
Luka	13	>10	USA	SF, USA	2014	2014

(lifestyle mobile application)						
Embria (web advertising)	>800	World-wide	Global	SPB, Russia	2008	2008
[No-name response] (online payment systems)	130	>10	CIS, Europe, USA	Riga, Latvia	2007	2011

*Table 6.*Brief cases introduction

3.2 Case description

In this subchapter I will briefly introduce the findings made during the survey and interviews for each particular case. These are concise reports which interpret and announce empirical findings to justify cross-case analysis after this subchapter and provide the reader with full picture of research and company profiles. Also these reports serve as additional information to the joint table which couldn't include some particular features an data got in interviews or in questionnaire.

Aviasales / Jetradar

Aviasales is relatively young Russian internet company but already legendary one. It is famous for its corporate culture, high quality service and is supposed to have one of the best teams among Russian internet companies.Aviasales is metasearch engine for plane tickets (mostly known as aggregator). After founding in 2007 the company got high popularity in Russia, developed very useful mobile applications for iOS and Android and got huge investment from iTech Capital fund.

When the company got first investments, the board of directors decided to start internationalization process as the company accumulated enough resources and the product became competitive even in global scale. Also the company needed to move its R&D department and financial streams to more favorable locations than Russian Federation. So, R&D department and even headquarters were moved to Thailand and for financial streams centralization the company was found in Honking. The production team stayed in St.-Petersburg. After all main forces were moved to Thailand the company decided to start internationalization from this market. Thailand happened to have quite high liability of foreignness for Russian company but this liability was mitigated. First of all the company picked new name for Asian market –

Jetradar, as Aviasales was a bit hard for local languages and didn't sound good. Also the company re-published its applications, so now it's providing the same service with different names both on Russian and Asian markets. The company managed to mitigate LOF by radical reconfiguration of its value chain which included restructuration of the company, mimicry, hiring local employees, deep localization of the products etc. Nowadays the company is eagerly looking forward for further internationalization.

Surprisingly, representative of the company marked that country of origin (Russia) had very positive effect on perception of Aviasales abroad. Still, the company mimicries and divides its products on domestic-oriented and foreign-oriented.

Brainy Studio LLC

This company is small but successful so called indie game development studio. With headquarters in Perm, Russia, soon after founding it participated in international competition held jointly by Microsoft and Aalto University of Helsinki called Imagine Cup. The company won in "Games" category which brought it not only some financial resources from even organizers but also some kind of fame and reputation abroad. The latter influenced vast increase of downloads and the company became quite profitable. Also it shifted operations and nowadays concentrated strictly on foreign markets, especially European and American.

Their games are also quite popular in Russia but the company doesn't invest any resources in this popularity, it actually comes from foreign influence. Brainy Studio LLC doesn't mimicry or restructure its value chain a lot despite marketing, production and finance. The company localizes its products individually, starting from simple translation to English and ending up with complete localization to local language, changes in interface and even game system. Nowadays company strongly inclines to internationalize further and still stays indie developer with only 4 employees (which, it claims, is quite enough).

Eagle Dynamics

Eagle is also game development studio but much bigger than Brainy. The company has 90 employees and foreign branches. The company is already 25 years old which makes it one of the oldest IT companies in Russia. As CEO of the company, Igor Tishin, claimed in the interview the company was even pushed to internationalize as in Russia it couldn't get proper investments or even bank loans, the government didn't support innovative companies and IT sector at all and the situation was very turbulent. The ridiculous fact from his point of view was that the banks couldn't manage to analyze intangible assets of the company which was quite successful and fast-growing and rejected to deal with such unusual customer. So Mr. Tishin moved its operations abroad, particularly to USA and concentrated on development of sophisticated flight simulators and some Oracle-based products.

Eagle Dynamics gave up attempts to work on Russian market and is concentrating on foreign ones. Igor Tishin particularly marked two factors – that the company plans further internationalization and that all the decisions in the company are strictly centralized and done by him, so branches do not have much independence. The company doesn't make much effort to localize its products; it just translates them to English and pretends to be American company. Lastly, CEO of Eagle Dynamics stressed that the company was facing some discrimination on the early stages of internationalization and still faces them. Russian origin has negative impact on company's perception on some of the foreign markets.

GoLogo

GoLogo is Russian-Chinese company founded in 2015. It operates mobile application which is multi-sided platform for drivers and advertising companies which specialize on on-car advertisement. The approach is very easy – the driver can find interesting offer with particular price duration of advertisement and other conditions and deal with it.

As the founder of the company lived both in Russia and China, the company was founded as international from the moment of its inception with headquarters in China. Despite the fact that founder of the company lived in China for many years, there was still high liability of foreignness on the market. The founder claimed that it is usual for China, as foreign companies are often being discriminated there. Customers prefer to deal with Chinese products and officials suppose foreign companies unable to understand rules of the market.

Chinese market is very promising – there are numerous of prospect users and it is very beneficial. But legislation process is quite hard – such advertisement and business are not very well described by officials, hence the edge between legal and illegal is too hazy. Still, advertising market in China growth 20% a year, so the company aims to stay on the market and enjoy this growth. Also it plans to enter other nearby Asian markets and continue expansion in Russia.

There is interesting example how the company dealt with incompleteness of legal system. In Chinese big cities it is forbidden to sell advertising for posting on personal cars, but it's not forbidden for drivers to put stickers of the brands they are loyal to. So the company possesses its services in this manner, but drivers still get their money through application. Also, to mitigate liability of foreignness, company had to partner with local company for distribution of its product and legal solutions. The founder claims it is unavoidable for foreign company in China.

WB—Tech

WB—Tech is web-development company which develops websites for Russian and foreign customers. It was founded just couple of years ago and just started internationalization. Despite the fact that it doesn't have much experience on international market, the company already has some fresh and interesting experience. For instance, it clearly stated that the most appropriate way for it to internationalize is to open foreign branch in the target country as the representative office. WB—Tech cares a lot about it as its most vulnerable category of global value chain are actually sales. The main markets for the company are Europe, USA and several Arabic countries.

The company also stated that it had to configure global value chain while entering new market. In addition to new company development, it hired some local employees, changed it financial streams system. Some work was done in order to fit international standards and values of reliable internet company. These efforts brought some results – the company stated that it never faced any uncertainty during market entry as everything was perfectly planned and organized. Also the company stated that all decision making processes are strictly centralized and foreign branches are not allowed to play independently, so they are just a shield. Lastly, WB—Tech claimed that for Internet company internationalization is essential process and sooner or later it will have to internationalize. So better sooner than later, from this company's point of view.

Novorado LLC

Novorado LLC is Moscow-based EDA (electronic design automation) company. With only 18 employees it has reached success and recognition on Western markets since its foundation in 2005. Main products of the company are EDA applications, maintenance of these applications, consultancy, security of networks, server systems etc. The company was founded as born-global with representative office in San Jose, CA.

Global value chain of the company was initially oriented to foreign markets. San Jose office holds all operations and administration while all development processes are held in several offices in Russia (Moscow, Obninsk and Nizhniy Novgorod). It was stressed in the survey that this company faced some negative effects provoked by COO and still tries to make COO as invisible as possible. Obviously, most company concentrates on foreign customers and strongly inclines to keep this course further. Russian customers are not so interesting for the company, especially now, when they cannot manage to pay the same price for services as foreign customers do. What is interesting, the main drivers of becoming born-global in 2005 were foreign investments from USA which gave the company opportunity to develop rapidly and soon find first foreign customers.

RAIDIX

Raidix is famous Russian data storage company. Before internationalization, the company worked in Russian market for 2 years, but still can be referred to born-global companies. After 2 years the company moved its headquarters to Switzerland and nowadays pretends to be purely European. COO was hidden at right time when the company was not yet associated with Russia. Still, all the development and data storage centers are situated in Russia as it is much cheaper and efficient.

Despite the fact that HQ of Radix is situated in Switzerland the company still feels vulnerable in several categories of GVC. Most vulnerable categories are: marketing, human resources and R&D. The company still keeps Russian team at the top-management and still struggles to adopt decisions and actions to European style. So marketing is a big issue due to this reason. As for HR, the company really lacks trust with its employees. As data storage is quite sensitive field and the access to it should be highly secured, the company needs enough specialists to do it according to European criteria. R&D refers to the same problem but also has another side which refers to unfair competition. More, R&D lacks specialists as majority of Russian scientists in this field aim to work abroad. Now the company is deciding about internationalization of this particular link of its value chain. Lastly, company marked that due to specifics of its field (data storage) it has several ossified links in GVC which makes it less flexible on foreign markets. These links mainly refer to tangible assets – huge data centers which cannot be moved out of Russia due to low costs and high efficiency.

UNIGINE

UNIGINE Corp. is international software development company with 50 employees and offices in Tomsk, Russia and San-Francisco, CA. This company was founded by several graduates of State University of Tomsk in 2005 and started international operations right away. UNIGINE develops quite sophisticated products; main categories are cross-platform middleware and games. Company didn't get any foreign investments and uses only Russian resource base. As all previous companies, UNIGINE claimed that foreign markets are much more interesting than Russian and company tries to focus on them only.

This company, as the previous one, again marked vulnerability of HR and marketing categories of its global value chain, for the same reasons. The company aims to solve them by giving more independence to its San-Francisco office so it could operate marketing according to local tastes. Also the company plans to internationalize further and move away from Russian market simultaneously as it still faces some discrimination and wrong perception due to COO factor.

Caspowa

Main product of this company is cloud-based mechanism which optimizes back-end of websites and lets them be faster. The company was developed as international one despite the fact that it didn't open any offices abroad. Russian market is not interesting for this company as it is simply not so important for Russian companies to make their web-sites work more efficient. Company moved to international markets by making alliances and partnerships with local players. It makes company very agile and able to configure its value chain loosely. Still, absence of foreign branches makes finance category of value chain more vulnerable. Same thing happens with marketing and human resources, so probably company will soon move to other country.

Caspowa never tried to mimicry as, from its point of view, soon or late COO is always revealed. Also it is supposed to be senseless as servers of the company and other tangible assets are stick to Russia and Belarus due to optimization of costs. This is paramount of the competitive advantage for the company, so even if the company finally moves to other country, it will need to keep some facilities and development office in Russian and Belarus.

Touch Instinct

Touch Instinct is mobile application development studio with huge (for this industry) staff of 40 employees from Saint-Petersburg, Russia. This case is particularly interesting as it is kind of outlier.

The company didn’t open any foreign branches and doesn’t even plan to despite the fact that it is quite successful and foreign-markets-oriented. It internationalized after 1 year of work on Russian market after realizing that foreign markets are much more attractive and profitable. The company claims that its COO affects business of the company only positively – in mobile application development, Russian programmers are highly valued as they are surprisingly much better qualified and efficient than American or European. So the staff of the company works as some kind of advertisement. At the same time, Russian programmers are much cheaper than foreign ones so the company is in very favorable situation now.

From the point of view of the management of the company, it is impossible to work both on foreign and Russian markets and pretend to be foreign country. So it is possible to have position of either purely Russian or purely foreign. Nowadays company faces some problems with finance and legislation in its value chain, so it plans to eventually jump abroad. For this reason mimicry will be used and now company plans this move precisely. Most likely it will choose some respectable foreign location with favorable taxation climate and developed banking system to smooth its financial streams. That will be the moment when the company will announce itself to be purely international and hide its development center in Russia.

Vitamin Group

Vitamin Groupis group of companies with offices in Perm and Moscow, Russia. It offers nearly all possible digital solutions – from web-development and eCommerce projects to mobile applications development for all possible platforms. Regular staff of the company is middle-sized but temporary staff is much bigger. The company operated according to the model of outsourcing – there is a vide net of freelancers and small freelance teams in Russia which are connected to Vitamin Group. This model is one the competitive advantages of Vitamin Group as temporary staff is much cheaper workforce but sometimes more effective than regular. Also this wide model lets company accept any order for any project, basically it can do anything. That makes value chain very flexible.

Still, the company fastened links of this model for 5 years before it made first international steps. This is only one company among the sample which pointed out problem with logistics in its value chain – when dealing with temporary staff the control is very loose and it's possible that delays appear. Anyway, the company is very successful and plans to internationalize further – the model works well and there are a lot of recommendations on foreign forums and other thematic web-sites to choose this company for its high quality services and openness.

Planemo Studio

This company is tiny mobile game development studio. It doesn't even have an office but still produces quite successful products. The main distribution channels of mobile games (and only one - for iOS) are mobile application stores like AppStore by Apple and Google Play by Google. It was not hard to set up such company as international right from the beginning – mobile application stores let developers reach foreign market immediately after proper localization.

Planemo developed dozen off applications for iOS platform and slightly localized them for foreign auditory. That was basically everything it needed, so lack of foreign offices doesn't bother the company a lot. Also, financial streams are very clear as Apple does all the transactions and control payments, so development companies get their revenue constantly in the end of each month. So, value chain of the company is built on AppStore system and is very agile. Anyhow there are problems with marketing as there is no particular approach for so-called ASO (application store optimization) by analogy with SEO (search engine optimization). That's why marketing is very vulnerable link in the value chain for Planemo and it still tries to develop efficient marketing system, basically through social networks. It is also important that in AppStore it is very easy to mimicry and Planemo Studio avoids possible negative COO effects easily.

Live Typing

Live Typing company is one of the most recommended to work with on western forums and other platforms. Started as group of freelancers hunting for foreign orders, it then was incorporated to participate in one huge project on domestic market. After 2 years, when the project was done, the company used its old foreign connections and started expansion abroad as developer of web-sites and application for all kinds of Apple products and mobile applications for Android.

Company stressed that, according to its experience it is impossible to do remote expansion on USA market. It is important to be local there and this is the reason why the company opened its representative office there. After it happened, cases of discrimination reduced. Live typing representative also marked that the most vulnerable categories of its GVC are marketing and logistics. Logistics is very special – as the company concentrates on US market and a lot of work should be done during working hours in USA, development centers in Russia should work very late, literally at night. It is quite sensitive for the company but very complex to solve. So this kind of logistics is not very good for value chain. As for localization – company does it universally for all products and web-site, simultaneously acting as Russian company and as American. Still the company claims that COO is impossible to hide but American customers do appreciate when the company acts more like American than Russian and tries to be closer to customers culturally. That is why American branch of the company is relatively independent in decision making. It is particularly interesting that company develops applications for such legendary companies as Samsung, Vogue, PepsiCo etc.

Crystalnix

This is born-global company with headquarters in Wellington, New Zealand and development center in Omsk, Russia. Right from the beginning, the model was like it is now – customers are dealing with Wellington office and all the development is cheaply done in Russia. Nowadays the company prospers due to this plain competitive advantage. Crystalnix claims to specialize on consumer-centric mobile applications for business.

Still, even taking into account foreign office COO affects company negatively and liability of foreignness is constant. Company tries to solve this problem by hiring local employees to look more localized but still HR is very problematic category of GVC of the company. Company claimed that mimicry is essential part of its business and without it it is impossible to deal with some markets. So the company strongly inclines to mimicry as complete as possible and focuses only on foreign markets.

RealtimeBoard

RealtimeBoard is former part of Vitamin Group described previously in this subchapter. It was the project started by several employees from Moscow office of the group which later departed from Vitamin and founded their own company with headquarters in Las Vegas, Nevada. Now the company is totally independent and developed with 30 employees based in headquarters.The product which RealtimeBoard offers is basically usual whiteboard people got used to but moved virtual and online. The product is versatile and plain collaboration tool for teams which work in digital environment. It is used for remote collaboration, visual planning, organizing etc. Right from the inception it was developed for foreign markets and then localized to Russian language just in addition.

Russian origin was hidden at the beginning, so the company is perceived as purely American and doesn't face any discrimination. Still, as founders and top management of the company are Russians, marketing category of GVC stays vulnerable. Same thing happens with human resources. There is suggestion that for full mimicry the time is needed and eventually RealtimeBoard will be purely American company. The company also claims that it is not interested in entering new markets right now as it focuses only on US and partly on Russian market, as it has possible distribution channels through Vitamin Group.

Omega-R

Omega-R is mobile application development company with 30 employees, which is quite solid scale for the industry. The company was founded as international and focused on international markets. Headquarters of the company are situated in New York, USA and development center in Yoshkar-Ola, Russia.

The company mostly concentrates on US market and develops applications both as own project and on special orders from other companies. Main profiles are – enterprise, e-commerce, gaming, education and utilities. Omega-R doesn't plan to internationalize further as US market is saturated enough nowadays for this type of products. It has already produced more than 100 applications, so the company is quite experienced and deserved its high reputation. Despite the fact that it focuses on US market, the company did never try to mimicry as it is senseless for mobile applications developer (as described in previous cases). This is the case of classic born-global company which overcame major part of liability of foreignness even before it faced it by proper GVC configuration.

First Games Interactive

Small mobile application development studio with 8 employees, located in Zelenograd, Moscow.It specializes on Android mobile games for young players and children. The company didn't manage to internationalize on early stages and did it only after 3 years working on Russian market. As the company claimed, it was hard to do internationalization as Russian origins of the company and absence of foreign offices had negative impact on perception. Still, nowadays company concentrates on foreign markets and tries to adopt to them. On Google Play majority of the customers are foreigners but the company wants to increase their amount by strengthening of its marketing which is now the most vulnerable category of its value chain. This case is an example how the company got stuck on Russian market and how hard it is to deal with foreign markets after this period.

This is the only one company in my research that, from my point of view, is perishing and soon or late will disappear. It seems that management of the company is not very sophisticated and the best scenario for the company is to keep customers on Russian and foreign markets to collect resources for further steps. Anyhow, products of the company have quite high quality and with proper marketing and possession they could be successful.

e-Legion

This company is big 10-years old mobile applications developer from Saint-Petersburg, Russia. Company doesn't have any own projects and works with customers both from Russian and foreign markets simultaneously. Company has high reputation and respectable clients like IKEA, BMW, Raiffeisen Bank, VGTRK and even Yandex. Company is known to have strong team of developers but still doesn't have any foreign branches. Company's representative claimed that it is enough to work with foreign clients through alliances and partnerships. By developing networks, company can attract orders from abroad having competitive advantages like higher quality, lower price

Company claims that Russian origins never affected company and it never tried to hide it. Still, "russianness" of the company makes it feel uncomfortable with logistics and marketing which are vulnerable for the company. E-Legion aims to improve these GVC categories as it seriously inclines to further internationalization.But it is also interesting that company stated that Russian market is equally interesting for it as foreign markets are.

Embria

This company kindly agreed to dedicate more time to this research and that's why I have a lot of information about it. This is one of the most interesting cases.Founded in 2007 by team of private investors (who were at the same time diverse specialists), the company grew up to truly international holding which includes nearly dozen of branch companies with more than 800 employees. Holding specializes on online advertisement in all variations – from web-sites to mobile applications. Still, as it was emphasized by company's representative each company is kind of independent business which focuses on particular segment of the market.

Holding headquarters are situated in Saint-Petersburg, Russia and branches are in London, Dublin and Helsinki. In the nearest future company is opening representative office in Miami. This office will be very important as company's main market is USA. Michael (Embria's top manager) claimed that USA market is the most saturated concerning traffic, users have higher ability and willingness to pay and are more active than on any other market in the world. Still, Michael insisted that this is not market entry operation but just facilitation, as Embria doesn't see any new markets in the world. For this company the market is single – World Wide Web. So company enters all the markets where traffic is demanded or, oppositely, oversupplied.

The business of internet advertising is like stock exchange trading – buying and selling volumes of traffic all around the world.

Still, there are some specifics of working with partners from some countries like Arabic countries or India – cultural differences are very long but still it is manageable. Michael mentioned couple of cases of discrimination when web-site owners declined to work with company with Russian origins, but it happened just few times and was negligible. Sometimes COO effect was even positive as some people are very interested in Russia. It is important that partners of Embria (website owners) are usually not companies but single persons and it makes relations more informal and relaxed. So liability of foreignness usually is mitigated greatly due to this specific feature of the industry. At the same time this factor is the reason of the main vulnerability of Embria's global value chain – human resources. It is quite easier for senior employees of the company to depart and start his or her own advertising company by attracting some of Embria's partners due to closeness of personal relations. There were several cases of this "separatism" and they always had significant effect for the business. Michael claimed that each lost partner did cost company several thousands of dollars per day. Another vulnerable category of GVC of Embria is finance. The company should regularly make payments to its partners all around the world and it would be quite complex to do from Russia due to low level of banks development. So all financial operations are centralized abroad and this category of GVC is basically secured. Still, sometimes there are sensitive cases in Muslim countries like Qatar or Saudi Arabia, where all inwards foreign transactions should be checked and approved that they are not support for terrorism or other illegal activity.

As for mimicry, company never tries it due to several reasons. First of all, it seems to be senseless as the origin will anyway be found. Secondly, the company is already famous and quite respected abroad. Lastly, as it was already mentioned, COO effect in case of Embria is very peculiar and is more positive than negative.

[Name of company hidden by NDA] Online payment systems

This company asked not to disclose its name because the field it's operating in is quite sensitive and highly competitive. Same with my contact in the company – he or she insisted on staying anonymous. But I can assure the reader that this is one of the leading Russian companies which provide services of online payment systems abroad. With 130 employees it operates from Russia and spreads its operations all around CIS and abroad. The company was founded and international because there always was more space on international markets for such products. So international market is much more important for the company than Russian, bur Russian is still important.

Short time ago company had its headquarters in Los-Angeles, CA. Other foreign branches were spread in CIS and Europe. Still, after political turbulence caused by Crimea annexation company struggled a lot due to discrimination both from Russian and foreign regulators, again due to sensitive nature of its business. There were a lot of accusations in money laundry and other speculative activities, but the company never participated in any of them. After facing discrimination and some legal limitation on foreign market the company had to configure its global value chain a lot. First of all it formally moved from Russia to Riga, Latvia and claimed that they are not Russian company but "online payment systems company from Eastern Europe". Still, the main office stayed in Russia. So, it is pure example of mimicry. Also its decided to operate in CIS through its Kiev branch which was claimed to be independent Ukrainian company. That was very important because in some countries like Ukraine or Georgia Russian companies are perceived skeptically. Still, these markets are important for the company.

The most vulnerable categories of company's global value chain are HR and marketing simply because company concentrates on employing Russians and there are not a lot of specialists on the market. Also there are problems with confidentiality among employees working with foreign companies. Marketing is always a huge problem for the company as it's very hard for it to adopt it to foreign market properly – there are too many markets.

Cloudberry

This was one of the most interesting cases. Cloudberry is the company which offers cloud-based backup for companies. Shortly, they store the data of its customers in the cloud and develop tools to manage this data. Due to specifics of its business the company has quite closed structure and doesn't disclose any information. But I managed to find one insider, who worked at the company and abandoned it recently. He was ready to answer my questions and gave really in-depth interview about the company.

Founded in 2009 as just a project, the company rapidly grew up and now is successful cloud backup company. All investments for the company come from Russia. Right from the inception the company concentrated only on foreign markets as cloud backup systems are not demanded in Russia at all. Market is simply not ready. More than 80% of company's revenue is generated on American market, around 10% by European, around 5% by Asian markets and the rest is dedicated to CIS and Russian occasional customers. The company has formal headquarters in California which serve just as a representative office. Still, all the production, administration and other departments are based in Saint-Petersburg, Russia. The interviewee claimed that company often uses double mimicry – for foreign customers it pretends to be American company with support branches in Eastern Europe and for Russian government it is purely American company with unimportant development branch in Saint-Petersburg.

Interviewee claimed that mimicry is important and essential part of the business of the company – confidential data storage. For this business trust is crucial and company should have flawless image and better not connected with Russia at all.

However company reported to face several liability of foreignness problems due to COO. When relationships with the customer become closer, it is hard to mimicry further and sometimes COO is revealed. This way company lost some clients and was refused on several markets. Anyway it was not too destructive for the company. Majority of customers just want high quality services for good price. And Cloudberry can offer both. The most vulnerable categories of global value chain are human resources and production. Human resources are sometimes “too Russian” and not trained well to deal with foreign clients. Production is vulnerable because data storage is very complex process and very mistake can lead to hazardous consequences for the reputation of the company and its finance. There were a lot of accidents in these categories while dealing with foreign markets but company manages them more or less successfully. What is interesting, servers of the company are located in USA and are provided by Amazon S3, so actually Cloudberry works just as facilitator, but very masterful. Company participates in international conferences, partners with leading universities all around the world, sells its products through other companies by licensing them, arranges webinars and alliances with bloggers. So, direct export is not the only one form of market entry and distribution for Cloudberry.

Lastly, it is interesting to overview localization processes. Company does localization strictly on demand. For instance, if there’s Chinese customer who wants the product to be translated not only in English but only in Chinese and change interface to some extent, it is possible for additional payment. More, all localization work is also done by customer party – the company gets all scripts and sketches from Cloudberry and can translate or change them ho it wishes. After it they send materials back Cloudberry with additional payment for implementation and cloudberry customizes the product for them. Also there’s special system of requests which measure the number of requests from customers. For example if requests for Portuguese language localization reach certain level, the company does universal localization to offer future customers and save money on duplicating same localization many times. Same thing happens with interface localization.

Nowadays the company is truly successful born-global company with Russian origins, famous abroad and very demanded.

Hell’O baby

The company is operating mobile application for iOS, Android and other platforms. The application was developed for families to collect and store all possible data and media concerning their children starting from birth. The company is startup founded in 2014 with 8 full-time employees. As it was started as international and always focused on international markets, the company was founded in USA. In Russia there's only a representative branch of the company. USA market is so important simply because users there incline to use such apps and are ready to pay for premium accounts. More, there is much more traffic there.

The company claims that it didn't face any discrimination abroad due to its Russian COO and that basically it is a myth. There is one explanation about it. As company was founded as international, operates through AppStore and other application stores, it overcame some types of liability of foreignness right at the beginning. Still, the company also claimed that this is more applicable for small young companies than for big and too Russia. In some European countries like Finland, UK and Italy there are even special programs for young Russian companies which can get a lot of support of any kind from state without too heavy burden of obligations. But companies which were operating in Russia for several years and didn't enter foreign markets early don't have so many advantages in internationalization.

But company still faced liability of foreignness on Asian markets. It plans to enter Chinese market by the end of 2016 and reports about a lot of liabilities in legal, economic, social and other fields. Company is going to configure its global value chain for this entry. Lastly, the founder of the company claimed that the company prefers to enter the market through partnerships and alliances – it appeared to be most successful approach. So Hell'O baby is great example of how company mitigated liability of foreignness by earliness of internationalization and proper global value chain configuration.

Luka

Luka is very young company which operates same-name mobile application. The project was founded in 2014 by Russian team of tech-specialists and entrepreneurs. There are 13 team members and they are still 100% Russian. Right from the inception the team aimed to reach USA market as it is most favorable for their product and the most profitable. The product of the company is Luka application which is a messenger for connecting users with so-called bots – robotic type of small applications that run automated tasks.

Luka chose to start in USA and applied for membership in legendary accelerator from California called Y-Combinator as one of the options for entry. Suddenly the company passed all the interviews and got selected for winter batch of accelerator. The team came to California, finished the accelerator and got $120000 seed investment from Y-Combinator. After that the company prospered and rapidly developed from minimum viable product to working application. What is interesting, founder who gave me an interview claimed that COO factor didn't play any negative role during this stage of internationalization. More, Russian origins even played positive role and made Y-Combinator board interested in the company. Russian internet projects are highly valued in Silicon Valley and discrimination of Russian internet companies in USA seems to be a myth. The only one problem was HR movement from Russia to California, as for this movement they needed special visas and the procedure took quite long time during which the company couldn't be active enough.

After seed round company prospered. During one year it became quite popular with a lot of downloads and active users (exact amount was asked to be not disclosed) not only in the US but also in Japan, China, Malaysia and Europe. A lot of investment proposal were coming from Asia. The company was already perceived not simply as Russian company moved to US but as purely Californian born-global company. The growth and further internationalization were organic. As the application is delivered through application stores, there are no borders and no particular market entries. When the app was becoming popular in particular country it was due to some publication of bloggers and websites (for instance, Product Hunt) or simply viral effect. Recently Luka secured A-round investment leaded by famous fund Sherpa capital which was estimated as $4.54 million. Now the application is focused on USA market but the money will be used also for further internationalization. Localization process is not

Veeam

Veeam is huge backup, disaster recovery and virtualization management software company. It is not very well known in Russia because it is focused only on international markets. Such services are not demanded in Russia at all as it was already described in case of Cloudberry. As the interviewee (one of the top-management members) claimed, Russian market generates less than 1% of all company's revenue. Founded by two Russian students (RadmirTumashev and Andrey Baronov) in the USA in 2006, it was international right from the beginning. In 10years company rocketed and now has 33 foreign branches all around the world, in every region. Company employs more than 2500 employees. Headquarters of the company are situated in Baar, Switzerland.

First two offices were opened in Ohio, USA and Saint-Petersburg, Russia. Main development forces are still situated in Saint-Petersburg. Nowadays company plans to move them to Eastern Europe and already moved them partly. This happens because sometimes foreign customers are confused by COO of the company even despite the fact it never was Russian company de juro. Still customers prefer that the company they are working with keeps its development and production outside of such turbulent country as Russia is. But development by Russian team is one of the competitive advantages of the company as Russian programmers are very efficient but very cheap. High quality of development made Veeam one of the world leaders in the industry with such customers as Ministries of Defense of USA and France, huge banks and organization, 70% of Fortune 500 list of companies etc.

New markets are not specially selected by the company, usually customers reach Veeam by their selves. Main markets are located in North America, Europe, Australia and Asia. Localization process is quite simple – company translates its products in different languages on demand. As for interface – it is never adopted as company doesn't see any economic reasons for it. Sometimes company is facing a lot of problems with marketing, especially in Asia, Arabic countries, Africa and Latin America. Cultural distance is too long and a lot of misunderstanding happens sometimes. But generally Veeam successfully configures its global value chain and avoids problems. Also smart configuration of it helped a lot the company to mitigate LOF and reach significant market share. This is very successful example of big Internet company with long success story of international experience.

3.3 Generalized results of empirical study

As an ultimate version of results illustration I decided to form this table. Consequently, the table represents the category of liability of foreignness that company faced and global value chain categories which were configured in order to mitigate liability of foreignness faced. Data concerning these two factors is described particularly for each company which took part in the research.

Company name	**LOF category**	**GVC categories configured**
Aviasales/Jetradar	Uncertainty hazards; general hazards	Configuration of marketing, HR, finance, manufacturing categories
GoLogo	Unfamiliarity hazards; relational hazards; discrimination hazards	Marketing, manufacturing, HR
Brainy Studio LLC	Unfamiliarity hazards; relational hazards	Marketing, manufacturing
Eagle dynamics	Unfamiliarity hazards; relational hazards; discrimination hazards	Marketing, manufacturing, HR, finance
WB – Tech	Unfamiliarity hazards; relational hazards	Marketing, HR, finance, R&D, manufacturing

Novorado	Unfamiliarity hazards; relational hazards; discrimination hazards	Marketing, HR
RAIDIX	Unfamiliarity hazards; discrimination hazards	Marketing; HR, R&D,
UNIGINE	Unfamiliarity hazards; discrimination hazards	Marketing, HR
Caspowa	Unfamiliarity hazards; discrimination hazards	Marketing, HR, finance
Touch instinct	Unfamiliarity hazards	Finance, HR
Vitamin Group	Unfamiliarity hazards; relational hazards	Marketing, logistics
Planemo Studio	Relational hazards	Information systems, HR, marketing
Live Typing	Unfamiliarity hazards; relational hazards; discrimination hazards	Procurement, logistics, marketing
Crystalnix	Relational hazards; discrimination hazards	HR, logistics
[Name is hidden due to confidentiality reasons]	All types of hazards	Marketing, procurement, R&D, HR
Realtimeboard	Relational hazards	Marketing, HR
Omega-R	Unfamiliarity hazards; relational hazards	Marketing, finance
First Games Interactive	Unfamiliarity hazards; relational hazards, discrimination hazards	Marketing
e-Legion	Unfamiliarity hazards	Logistics, marketing
Wrike	No significant hazards faced	No configuration needed
Veeam	Relational hazards; discrimination hazards	HR, marketing, finance, R&D
Embria	Unfamiliarity hazards; relational hazards	Marketing, HR, finance, logistics, procurement

Cloudberry	Unfamiliarity hazards; relational hazards; discrimination hazards	Marketing, finance, manufacturing, R&D
Hell’O Baby	Unfamiliarity hazards	Marketing, R&D
Luka	No significant hazards faced	No configuration needed
[Name is hidden due to confidentiality reasons]	Unfamiliarity hazards; relational hazards; discrimination hazards	Marketing, HR, logistics, finance

Table 7. Generalized results of empirical study

The table clearly shows the results of the study and their correlation with theoretical part of this work. It is possible to mark several obvious tendencies in results – for instance, the most frequently faced liability of foreignness category is “unfamiliarity hazards” category and the most frequently configured global value chain category is marketing. Still, these results leave wide room and enough base of information for future researches.

For example, all these cases can be grouped into clusters according to age, scale, profile, location, structure or any other feature. It will help to organize several clusters with generalized but very precise information inside, so the research will be able to apply multiple case study properly.

Still, in this work there is no need to cluster all cases as the point was to get as reliable general result as possible. This approach is justified by claims of some scholars. For instance, Yin (2012) states that “the more cases (or experiments), the greater confidence or certainty in a study’s findings; and the fewer the cases (or experiments), the less confidence or certainty.” Here I just repeat this statement to secure and describe my position concerning greater amount of cases than it is recommended by Eisenhardt. Broader information concerning this method can be found in second chapter of this research concerning methodology.

3.4 Cross -case analysis and general results

Aim of this subchapter is to sum up all huge amount of data described previously in joint table and separately and find out similarities, differences, trends and probably common approaches of LOF mitigation and GVC configuration.

Cross analysis cannot be done too precisely in this case as for this I would have to compare each case with each of other cases in it would take around 870 comparisons and similar amount of pages. I tried to find out most interesting trends and features with the help of primitive statistical tools and data analysis here I will highlight only the most interesting of them and quite shortly.

First of all, the research has shown that majority of Russian internet companies are becoming international right from the moment of inception or within 2-3 years. On the diagram, the option “other” did let interviewees express their thoughts and mark data which was not available as an option. Majority of those who used “other” also marked that their companies internationalized in first 1-2 years or were international right at the moment of inception. They just wanted to add some comments to it. So it is possible to sum up that at least 85% percent of Russian internet companies internationalize very early.

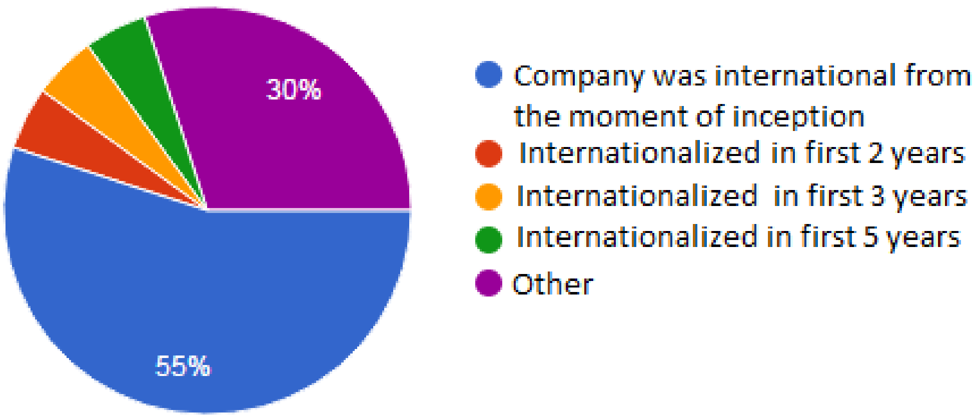

Figure 2. Age of internationalization of sample companies

What is interesting those approximately 15% of companies which claimed that they internationalized later than 3 years suffered a lot during the internationalization due to LOF issues, as they reported. A lot of them stated that they are regularly facing discrimination, it is hard for them to configure structure of the company according to new markets, they usually miss the data and are stick to Russian market even if it is much less profitable. So the conclusion of this particular observation gives a hint that the earlier internet company internationalizes, the easier are new market entries for it.

Another important observation is the choice of companies when they were asked to mark the most vulnerable categories of their value chain. Companies were offered particular framework where they could choose one or several categories or explain their choice and mark other categories in the option “other”:

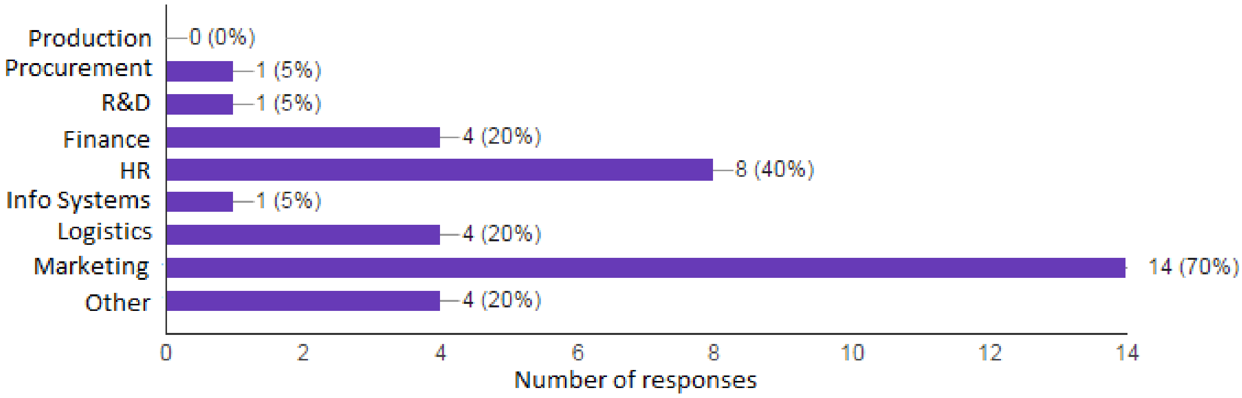

*Figure 3.*Most vulnerable categories of GVC according to respondents

It is clear that the most vulnerable categories of GVC for Russian internet companies are marketing and human resources. In category "other" majority of respondents put also marketing and describes it further. It is quite clear because marketing is supposed to be the most LOF-affected category of GVC for any company because during internationalization it is quite hard to measure all variables of successful marketing in different cultural, political, economical and other environments. Human resources are also important category of GVC which is affected by some LOF drivers. Lack of trust, corporate culture differences, lack of connections into networks, lack of particular specialists like translators – all this refers to human resource category of GVC.

Consequent question after previous one was about changes in global value chain of companies during internationalization in order to overcome liability of foreignness. It was just my personal assumption that companies do so, because theoretically it sounds clear and the junction was found. But the result impressed me a lot. It absolutely proved that the theoretical junction exists and companies practice mitigation of LOF by GVC configuration. Interview proved this fact when interviewees were unconsciously linking LOF driver categories to GVC categories exactly like it's done in the first chapter of this thesis.

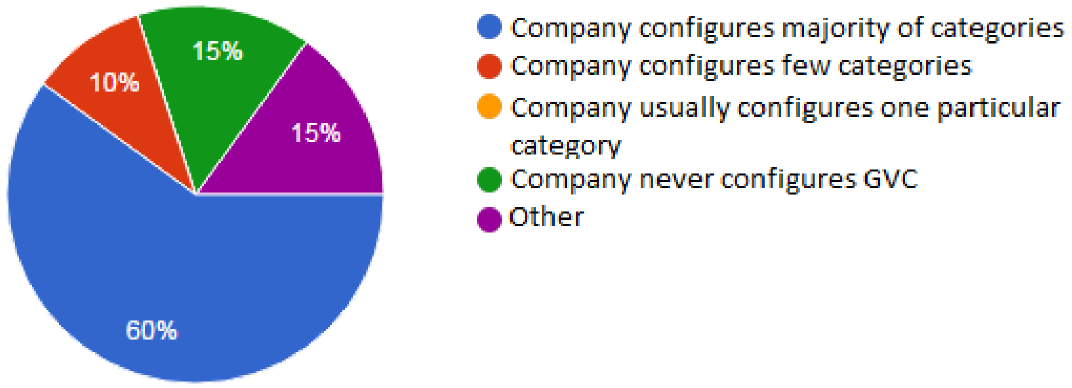

*Figure 4.*Practice of GVC configuration during internationalization

Majority of companies – 60% – claimed that they do configure majority of categories during internationalization; 10% marked that they do configurations in some of the categories and 15% chose "other" to express similar thing. And only other 15% of companies claimed that they never configure GVC for LOF mitigation. So it proves again that Internet companies are quite agile.

Another important observation was if companies are planning further internationalization and entering new markets or planning to stay on already conquered markets. The difference between these two options happened to be dramatic:

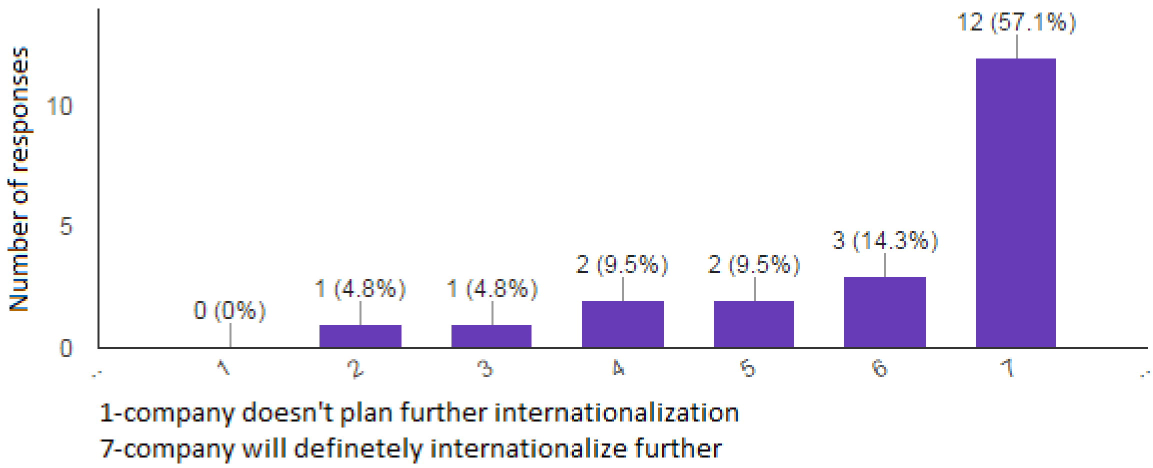

Figure5. Inclination for future internationalization

Absolute majority of respondents claimed that the company is going to internationalize further. More, the tendency of answers is clearly growing rising inclination to internationalize. So this is very important fact for this research.

Companies were also asked to highlight their experience with mimicry. Mimicry is an approach of LOF mitigation when company reconfigures global value chain completely to pretend to be local company for particular market or at least to look like universally global. It is usually needed to hide COO, avoid discrimination of foreigners on the market and simply to gain some positive effect from company image.

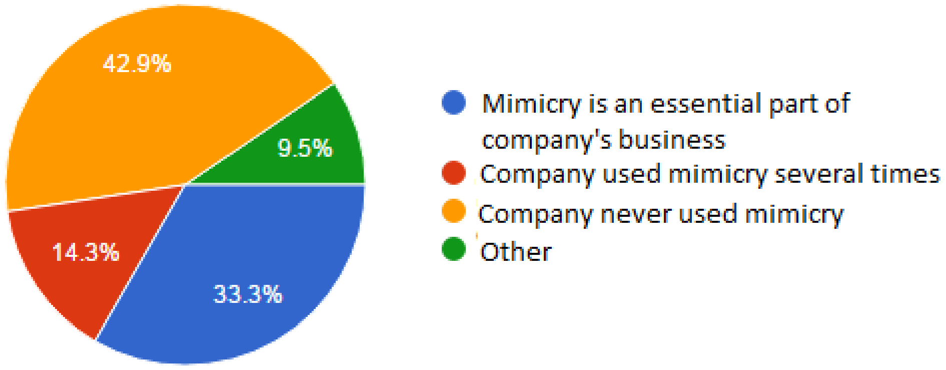

*Figure 6.*Inclination to use mimicry

Interesting fact – majority of companies used the mimicry but still nearly half of them didn't and in the interviews also claimed that it is senseless for them.

All in all, I should claim that several trends were found during the research and despite the fact that companies are very different in scale, profile, location of offices and even values, the data is quite homogeneous and is applicable for generalization of this knowledge.

4. DISCUSSION OF FINDINGS

The aim of this master thesis was to embrace significant sample of Russian Internet companies with internationalization experience and analyze them concerning liability of foreignness mitigation through global value chain configuration. More, it was important to check the assumption that global value chain even affects liability of foreignness – if it wasn't proved, whole the study would be worthless.

It was also important to reveal the reasons, most important drivers and ways to mitigate LOF faced by Russian Internet companies. Out of theoretical research and literature review, following research questions were formed:

Q1: Why do Russian Internet companies expand internationally?

Q2: How does earliness of first internationalization correlate with success of the company on international markets?

Q3: How Russian companies configure GVC to mitigate LOF? Do they even configure it to mitigate LOF?

All of these questions got their answers during the research which are:

Q1: Foreign market is much more profitable and promising for Russian internet companies. There are a lot of governmental programs and accelerators which support Russian internet companies during internationalization. In Russia there are not a lot of attractive programs like these, Russian market is not very profitable and some internet products are not even demanded here.

Q2: Earliness of first internationalization is crucial for Internet company according to this research. Companies which internationalized during first 3 years gained success on international markets much easier than those who worked on Russian markets first for several years.

As the junction of LOF and GVC theories was proved, this phenomenon is easy to explain. Internet companies are usually rapidly growing which means that their GVC also growth very fast. When the company is getting older its GVC ossifies which means that further configurations of some categories of it are very complex. Hence, it is harder for the company to mitigate LOF during internationalization with such ossified GVC. That is why the earlier company configures its GVC for internationalization and mitigation of foreignness, the easier process of internationalization will be in the future and the stronger will be competitive advantages of company on international markets.

Q3: As it was marked in previous two research question and in the study in general – yes, Russian internet companies try to mitigate liability of foreignness through global value chain configuration. And yes, it is possible and used. Still companies not always understand that the junction between these two natures exist and understanding it takes some time and costs.

Out of these research questions and answers and all its entity it is finally possible to make several managerial implications and try to define theoretical contributions.

4.1 Theoretical contribution and room for further researchers

As it was already highlighted in the beginning of this chapter, this study was initially based on the assumption that correlation between global value chain configuration and liability of foreignness actually exists. The assumption stated that if global value chain is mitigated in particular way, it is possible for the company to mitigate liability of foreignness. This junction has never been highlighted before in any studies, probably because theories seemed to be not very similar.

Still, this correlation is possible and it is huge theoretical contribution which deserves further study, probably more focused one, for instance sectorial. The junction can be illustrated by following abstract picture where both theories cross:

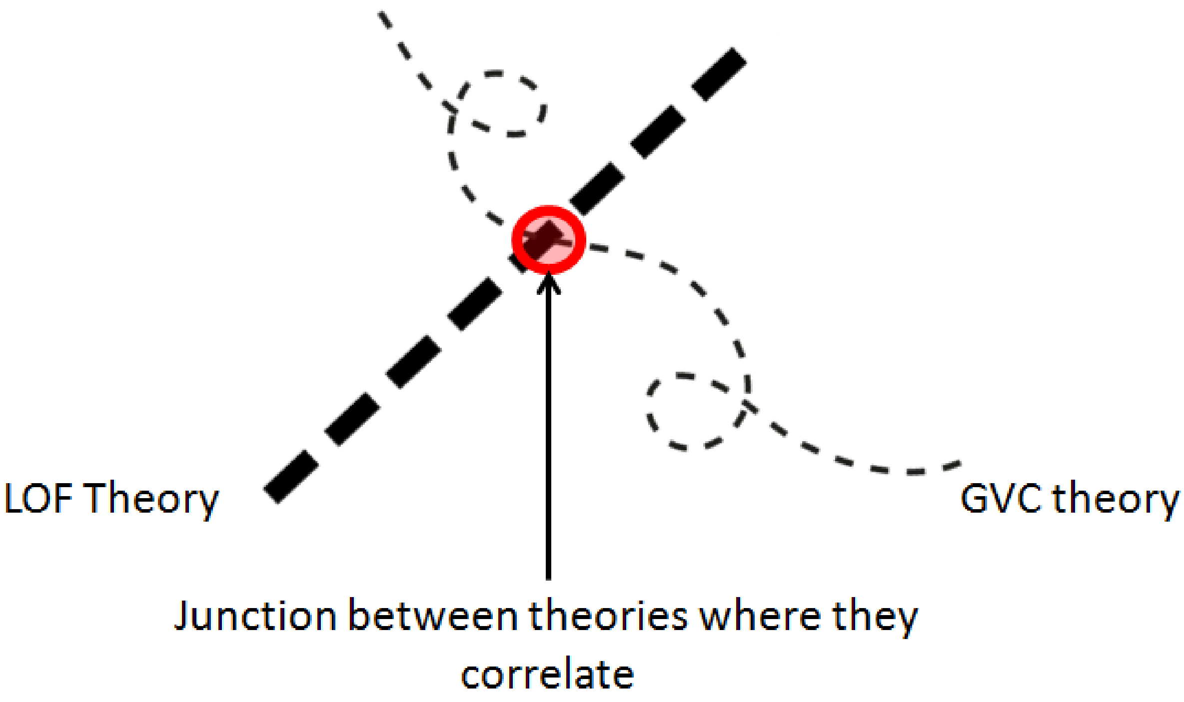

*Figure 7.*Junction of Global Value Chain and Liability of Foreignness theories

More, the study also revealed particular features of so-called born-global companies. As it was already mentioned, the earlier internet companies internationalized, the more successful they were in further internationalization. Early internationalized companies in this study were those which were either international from the inception or entered foreign markets in first 2-3 years of their existence. If we take a glance on born-global company criteria, it is exactly the company which internationalizes in first 2-3 years after foundation. Just to mention again – it happens because their global value chain is still not formed and ossified, so they can easily configure it.

In case of Russian internet companies it is possible to claim that born-globals have particular advantage on the market. This phenomenon also deserves deeper and more focused research (as for this study it's not so relevant). This is another important theoretical contribution of this study.

4.2 Managerial implication

As for managerial implications, there are a lot of results. First of all, the junction described in theoretical chapters of this study is highly applicable on practice. The table in the end of first chapter of this research, which matches categories of drivers of liability of foreignness with categories of global value chain they correlate with, can be excellently used on practice as plain guide for companies which desire to internationalize.

Still, this junction should be translated to more humane terms as in the table language is too theoretical probably. Probably the junction should also be better studied as this research just makes a discovery and marks possible correlations. I'm sure that deeper research will find managerial application for mitigation of each of the liability of foreignness drivers with accuracy of piano.

Another managerial implication of this research is its information and value for government, institutions and ministries. Nowadays in Russia the government tries to support IT and Internet, recognizing what a valuable and developing sphere it is. Still, a lot of interviewees of this research claimed having a lot of problems doing business in Russia. Numerous of limitations, incomplete legislation, lack of resources, bad investment climate, no governmental support – these are just few reasons.

In case the government really wants to help Russian internet companies which always need to internationalize due to their nature, the state could offer them help in mitigation of liability of foreignness. More, Russian state could use several advantages of Russian Federation and organize technological hubs which already organically emerge in Saint-Petersburg, Moscow and several Siberian cities.

A lot of Russian internet companies claim that they are comfortable here at home so government could also use this fact and attract them back from abroad together with foreign branches of other companies with foreign origins. Of course this study is not complete paramount for such actions and some additional research should be also conducted. Still this study is a good soil for fruitful research on this topic.

CONCLUSION

To conclude, I should say that this study gave me a lot of insights concerning internet industry in particularly Russian internet companies.

The assumption that liability of foreignness can be mitigated by global value chain configuration turned to be true and became great paramount for very interesting and accurate research.

During the study I also conducted some general observations on the industry and this kind of companies, which will probably help me in my future researches. I tried to insert these observations to this paper where they were applicable.

All stated research questions were answered fully with the help of multiple case study with extended sample size. The sample size was extended to 31 company in order to increase level of sufficiency and validity of data and also to decrease number of limitations for applicability and generalization.

It is possible to claim that the data collected is sufficient enough for certain generalization of knowledge due to high number of cases and depth of the interviews. It is mentioned in chapter 2 of this study that some scholars claim that 14 companies is an average sample for generalization of knowledge.

It is also important to mention that the theory diving was really deep. To find out the junction, apply to practical example and to explain it demanded a serious theoretical submersion to theory which language and terms are far not similar with normal humane and regular business language. So it took me some time and savvy to collect the data, as respondent were all business people, not academics. So as a tribute to young researchers and other readers of this research I want to share particular skill. Theory is a low level language fully understandable only for theorists, author and academics. When the interviewee is a business person the researcher needs to translate this low level language to high humane language. Be careful in this procedure – there is a threat to lose some knowledge during translation to high level and back to low theoretical level.

All in all, the research was successful and more fruitful than expected and sets broad horizons for new researches in the future.

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APPENDICES

Interview guide in English

Section 1: questions about the company

1. What were the circumstances when the company was found?
2. How many employees did the company have in the beginning?
3. How quickly did the company grow? Why?
4. Please, estimate current success of the company.
5. How early did the company start internationalization?
6. Which market is more important for the company, domestic or foreign? Was it so right from inception?

Section 2: questions about internationalization and liability of foreignness

1. Why did the company decide to internationalize?
2. How did company choose target locations? What were specifics?
3. What was the condition of economy during the entry?
4. Which problems you faced during to market entry? Which of them appeared before/during/after the entry?
   a) How did you manage them?
   b) Were you successful in managing them?
5. What is the influence of the country of origin of the company on the local stakeholders?
6. What cultural, legal or other problems did the company face?
7. Did your company face any discrimination during any of market entries? Protectionism?
8. Which entry mode is better for the company in your opinion (direct export, JV, FDI)
9. Do you plan further internationalization?

Section 3:questions about global value chain of the company

1. How is your international company structure organized?
2. What is level of independence of foreign branches?
3. How were you choosing entry modes? What is the form of collaboration with local companies?
4. What are the most vulnerable categories of global business (value chain) of the company? Why?
5. Was it easy to reconfigure particular parts of global value chain when it was needed? How often does company need to reconfigure it?

6. Was it possible to solve problems which appeared during market entry through reconfiguration of the business? If yes, how exactly?
7. Does company use domestic resource base?
8. Is decision making process of the company centralized?

Section 4: additional questions concerning mitigation

1. Did the company mimicry during internationalization? Why?
2. Which localization strategies does the company use?
3. Is it usual for the company to set whole new value chain on the new market?

Alternative form of interview guide, translated from Russian

Section 1:

1. Did your company internationalize within first two years of existence?

    Yes/No

2. How many employees did the company have at the beginning?
    a) Less than 10
    b) 10-20
    c) More than 20
3. Is international market more important for the company than Russian?

    1-2-3-4-5

Section 2:

1. From your point of view, is it essential for Internet company to internationalize?

    1-5

2. Was it generally challenging of smooth for the company to enter new markets?

    Yes/No

3. Did COO have some effect on the company image?

    Yes/No

4. Did the company face any discrimination during market entry?

    Yes/No

5. Was situation on the host market turbulent during the entry?

    1-2-3-4-5

6. Which entry mode was preferable for the company?
    a) Direct export/ export through distributors
    b) Joint Venture
    c) Foreign direct investment
7. Does company plan to enter new markets in the nearest future?

    Yes/No

Section 3

1. Does company have foreign offices?

   Yes/No

2. Is decision making process centralized in the headquarters or branches are quite independent?
   a) Centralized
   b) Branches are relatively independent
   c) There are no branches
3. Does the company usually look for possibility of collaboration with local players?
   a) Yes, it was very fruitful
   b) Yes, but it wasn't successful
   c) No
4. What are the most vulnerable categories of company's global value chain, from your point of view? (mark as many as needed)
   a) Manufacturing
   b) Procurement
   c) R&D
   d) Finance
   e) HR
   f) Information management systems
   g) Logistics
   h) Marketing
5. Does the company reconfigure global value chain entering particular market?

   Yes/No

6. Does the company usually use domestic resource base for internationalization?

   Yes/No

7. Does the company usually mimicry when entering foreign market to hide COO?

   Yes/No

8. In which way company usually localizes its products?
   a) Translation
   b) Translation and interface optimization
   c) Completelocalization