Obtaining international results through partnerships: evidence from Russian MNEs in the IT sector [*]

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The paper discusses the internationalisation specifics and results of Russian MNEs in the IT sector. The strategies of these firms are focused more on the acquisition of customers than of technologies when expanding abroad. As the technological sophistication of Russian companies and foreign firms in the high-tech sector is about equal (if compared to natural resource-based enterprises), our findings indicate that partnership-oriented strategy provides Russian firms with a better chance of obtaining positive results when expanding abroad. IT companies from Russia are relatively less influenced by their home government, being shaped more by economic than political factors in their international expansion Hence, we argue that they seem to be more marketing-oriented in their international expansion than their natural resource-based counterparts.

Der Artikel diskutiert die Besonderheiten und die Ergebnisse von russischen MNEs im IT-Sektor. Die Strategien dieser Firmen fokussieren stärker auf die Kundengewinnung als auf Technologien, wenn sie international expandieren. Da die Spezialisierung von russischen und internationalen Firmen im High-Tech-Sektor ungefähr gleich ist (verglichen mit Unternehmen im Sektor der natürlichen Ressourcen), zeigen unsere Ergebnisse, dass eine auf Partnerschaften fokussierte Strategie russischen Unternehmen eine höhere Chance bietet positive Ergebnisse im internationalen Geschäft zu erzielen. IT-Firmen in Russland werden relativ wenig von der Regierung beeinflusst, sie werden bei der Expansion mehr von wirtschaftlichen als politischen Faktoren beeinflusst. Entsprechend argumentieren wir, dass IT-Firmen bei der internationalen Expansion eine stärkeren Fokus auf Marketing legen, als die Unternehmen im Sektor der natürlichen Ressourcen.

Key words: emerging MNEs, service sector, Russia, IT firms, partnership (JEL: L80)

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1. Introduction

The internationalisation of firms from emerging markets has increasingly come to the attention of academics and practitioners during recent decades. Meanwhile the number of these firms has been growing rapidly. This process became obvious in the early 2000s. Multinational enterprises (MNEs) from India, China, Russia and Brazil have been the leading players in the process. Researchers expect this trend to continue because tariffs and knowledge barriers are being reduced and markets, globally, are becoming more integrated (Aulakh 2000).

Scholars have attempted to analyse the internationalisation strategies, the choice of entry modes and the sources of competitive advantage of companies from emerging markets and have tried to compare them to developed market MNEs (Collinson/Rugman 2007; Luo/Tung 2007; Demirbag et al. 2009). While the focus of previous research was the internationalisation of manufacturing firms, service companies, and in particular IT firms, have received significantly less attention. As a consequence, theoretical and empirical knowledge about the internationalisation of service sector firms is still limited and the analysis of factors influencing the results of internationalisation has not yet been conducted in sufficient depth (Pauwels/Ruyter 2005). The recent increase in the international operations of service sector companies is an important characteristic of emerging economies, and the growth rate of these operations has been documented as being even higher than those of manufacturing sector firms (Braga 1996; Svetlicic/Rojec 2003). Service firms from emerging markets and particularly from Russia are increasing their efforts to integrate into the global economy and have already started exporting abroad (Panibratov 2012). Cardone-Riportella and Cazorla-Papis (2001) have suggested a set of drivers for the considerable growth of the service sector, such as increasingly intense competition within domestic markets, profit margin pressure and the opportunity to develop business in foreign markets.

The existing studies of IT firms have been conducted using mostly empirical evidence from Indian and Chinese firms (Narayanan/Bhat 2009), meanwhile other contexts are still under-researched. The IT sector in Russia plays an important role in the Russian economy and is worth of $15 billion. The value of exports from this sector has been estimated to be $2.75 billion in 2009, despite the crisis, and in 2010 the total net value of IT products and services increased by 23.4%. In the Russian context, IT service renders itself as a particularly interesting focus for research into international competitiveness, as the majority of studies have been conducted in analysing the overall competitiveness of Russian firms (Kalotay/Sulstarova 2010) and those firms in the natural-resource sector (Panibratov/Verba 2011).

In this paper, we aim to fill this gap by investigating the role of partnership and its effects on the internationalisation of Russian IT firms. Having recognised the positive impact of recent trends of technological development on the rise of the international activities of service sector companies (Vandermerwe/Chadwick 1989), our paper focuses on how partnership as an international strategy correlates with the specifics of IT firms. We analyse what particular characteristics of service firms define the actual choice of a given strategy, and how home-country specifics and domestic market characteristics explain the international results of Russian IT companies.

Our analysis is based on three research questions, namely: 1) How does partnership as an entry mode correlate to the service firm specifics in the IT industry? 2) What important characteristics of the Russian IT firm define partnership as the entry mode selected? 3) How do home-country specifics and domestic market characteristics explain the international results of Russian IT companies?

2. Internationalisation of service companies and IT firms' perspective

Internationalisation refers to the process whereby a company moves from operating solely in its domestic market to additionally operating in international markets (Andersen 1993; Buckley/Casson 1998). Some researchers argue that theories developed to explain the internationalisation of manufacturing sectors are applicable to services (Boddewyn et al. 1986; Katrishen/Scordis 1998), while other scholars have questioned this direct applicability (Johanson/Valhne 1990). Majkgård and Sharma (1998) suppose that hard services in which production and consumption are decoupled and soft services (e.g. IT) for which production and consumption occur simultaneously differ in their internationalisation processes. Hard services can be internationalised in the same way as manufacturing industries; soft services cannot. Hence, IT services should follow different strategies (Erramilli 1990; Ekeledo/Sivakumar 1998).

The fact that service companies from emerging markets are capable of growth and internationalisation has tended to be ignored (Pauwels/Ruyter 2005). Companies looking to expand internationally have access to many different strategies, with potential modes of entry ranging from exporting to establishing a subsidiary in foreign markets. Many scholars believe that companies internationalise in order to increase their market share (Johanson/Vahlne 1977; Loustarinen 1980; Cavusgil 1980). This requires a strong commitment to take up opportunities as they arise together with a justifiable investment and an appropriate level of commitment on behalf of the managers (Johanson/Vahlne 1990; Oystein/ Servais 2002). Modes of entry requiring greater involvement in foreign locations are viewed as instruments that can generate useful knowledge of internationalisation itself and the foreign market: for example, a better

understanding of language, habits, culture, foreign market behaviour and the functioning of the market (Johanson/Vahlne 1977). Besides the fact that many companies choose other modes of operations, the incremental expansion model dominates the theoretical literature of how companies implement internationalisation.

Erramilli (1990) says that soft services' producers face difficulties with exporting because this requires a separation of producer and consumer, and therefore they are limited to the choice of contractual relationship, licensing, and foreign direct investment (joint venture or wholly owned subsidiary) and franchising. These strategies require substantial resource and managerial commitment and do not allow the company to benefit from the experience accumulated through a more gradual approach (Carman/Lengeard 1980).

Aharoni (1999) suggests that there are three ways of providing services abroad: 1) supplying the service from operations based in the host country to customers located abroad, 2) supplying the services from operations based in the host country to indigenous customers, and 3) foreign customers receive services in the home country of the service provider (in the case of tourism).

According to Javalgi and Martin (2007) the resource-based view (RBV) of the firm has emerged as a framework for examining suitable competitive advantage in the areas of service marketing and management. The authors state that the degree of control influences the choice of entry decision. Control determines risks, the success of strategic goals, the degree of intangibility of services and the ultimate performance of the company.

Javalgi and Martin (2007) suggest a framework that can be adopted by the IT company, which is an obvious example of a service firm. Important elements in this framework are company-level resources, management characteristics, firm characteristics including competitive and international advantages, the degree of involvement/risk and, finally, host-country factors. Firm-level resources, management and firm characteristics allow the company to generate unique competitive and international advantages, which can then generate returns. Company-related resources and characteristics lead to the choice of strategy given consideration by host-country factors, which also affect the decision of entry mode.

Sanchez-Peinado and Pla-Barber (2006) found that cultural distance did not significantly influence the choice of entry mode made by service firms. They found, nevertheless, a negative relationship between international experience and the choice of higher control when operating abroad, partially supporting Erramilli's results. Erramilli (1990) concluded that service firms tended to use more integrated (higher control) entry modes the larger the size of the foreign market and the greater the unavailability of host-country suitable partners and the firm's corporate policy on keeping control of operations. These firms tend to

use less integrated (lower-control) strategies the higher the restriction on foreign ownership, the firm's aversion to environmental risk, the desire to be rapidly established, and the constraints on internal resources.

Service firms from emerging markets are increasing their efforts to integrate into the global economy therefore they have already started exporting abroad. Cardone-Riportella and Cazorla-Papis (2001) have suggested several drivers behind the considerable growth of the service sector in recent decades in the economies of both industrialised and developing countries: intense competition in domestic markets, profit margin pressure and the opportunity to develop business in foreign markets.

Vernon-Wortzel and Wortzel (1988) state that the international expansion of companies from emerging markets is primarily accomplished by production at home and exporting goods to foreign markets. These companies follow both the internationalisation (Johanson/Vahlne 1977) and international product life cycle (Vernon 1966) models. Their initial international business is through exporting and then when market knowledge is obtained, they commit in the form of more investment-oriented strategies. Aulakh, Kotabe and Teegen (2000) consider that the majority of firms from emerging markets are still in the early stages of the internationalisation process in which exporting is dominant. The exception is the high-tech and in particular the IT companies which internationalise 'virtually' without having the need to invest or export.

3. The partnership as a pillar of internationalisation

In recent decades, a great number of works have reported the partnerships in the international environment (Brouthers Hennart 2007; Phan et al. 2005; Stuart 2000). Most of these studies argue that partnerships are the prescriptions for large firms (Hill 2001) as well as for small and medium-sized firms (Lu/ Beamish 2001). Partnerships in international markets are necessary mainly because individual players may not have all the assets required for overseas expansion, such as country-specific knowledge (Johanson/ Vahlne 1977). A number of empirical studies (Burgers et al. 1993; Shan et al. 1994) have supported the argument for partnerships.

Partnerships are defined in various ways in the different sources. A business partnership is usually seen as a type of entity in which partners share in the profits or losses of the business. Key features of a partnership in a business context are most often associated with the collaborative relationship in which the main features are: joint work toward shared objectives through a mutually agreed division of labour; advantages for all parties who are involved; management by ownership which leads to the rising sustainability for all partners; and an increasing reputation of all parties involved due to the reliance on each other's needs (Axelrod 2004).

Partnerships in an internationalisation context are often referred to as multi-organisational collaboration, which are, in turn, defined as cooperative, inter-organisational relationships that are negotiated in an ongoing communicative process. This term encompasses various forms of operation, such as alliances, associations, consortia, joint ventures, networks, roundtables (Lawrence et al. 2002). More generally, a multi-organisational collaboration is seen as the situation in which people are working across organisational boundaries towards some positive end, and which takes the form of alliances, joint ventures, networks, contacting and outsourcing, joint working and so on (Huxham /Vangen 2005).

As partnerships can be traditionally identified as collaboration agreements and relationships between two or more companies are set up to reach a number of coherent aims participating in a deal while remaining independent outside this deal (Phan et al. 2005), from an international operations perspective, partnership-based strategy includes joint ventures, licensing, and joint distribution networks (Lee/Gongming 2008).

Joint venture or alliance can also be the only way to get into a market in some cases, due to the political situation or legal barriers, which is why it is definitely efficient compared to other strategies, which are not effective in these terms. As an example, in the case of airlines, different alliances are the most common way of going abroad, because direct investments are immense and mergers and acquisitions are a huge legal roadblock because the national airline operators are considered part of national security and, therefore, have specific legal regulations. For instance, the airspace above a specific country or special itineraries can be closed for non-resident companies, and the alliance gives the opportunity to sell tickets for a flight of the partner company as a marketing partner (Kraats 2000) and thus overcome the legal barrier and increases the market share.

The traditional literature indicates that many firms nowadays have a strong need for partnerships to get access to external resources (Lu/ Beamish 2001). Much discussion is dedicated to the analysis of partnerships of SMEs. Since smaller firms generally suffer from resource constraints in overseas markets, such relationships make international expansion possible (Coviello/Munro 1997; Jones 1999; Harris/Wheeler 2005). Partnerships can be used by SMEs to build on innovative capability and technological competence, overcome weaknesses such as poor financial position or low levels of expertise in production, marketing and management (Jarratt 1998) and to access alternative methods of serving customers (Elmuti/Kathawala 2001).

Cervantes analyses partnerships in the area of science and technology (1998) and argues that in this area the public/private collaboration is highly valuable and different actors jointly contribute financial, research, human and

infrastructural resources, either directly or in kind. As such, in this sphere partnerships are based particularly on innovations and are more than simply a contract mechanism.

High technology-based firms, as a whole, and IT companies, in particular, have demonstrated the use of relationships in sustaining international growth (Coviello/Munro 1995) and competitive advantage, implying that partnering relationships between firms are influential throughout the internationalisation process. In particular, a software firm's strategic partner may permit the firm to offer a more complete solution to the final customer and provide localisation or other development assistance. Though partnering is seen as an integral part of international business' competitive advantage (Kanter 1994), limited research exists examining the partnering activities of IT companies in the high-technology sector. Partnerships are quite complicated to form and monitor, but they make the internationalisation both easier and more reliable in terms of local support, knowledge of the market and business relations in the region, which are hard to gain through sole entry.

However, there are some drawbacks that jeopardise the possible positive effects of partnerships, starting with the difficulty of finding appropriate and reliable partners. As mentioned earlier, they are hard to manage, because usually the companies involved try to save their financial independence while acquiring corporate culture and different internal policies. Furthermore, since the organisations are not managed as a single company, they can have and strive for different objectives, even regardless of the interest from the other companies involved. This not only makes companies pay attention to the actions of all partners, but can also deplete a company's resources. In addition, the most dangerous outcome of the partnership is vulnerability of the fellow companies. The necessity of sharing parts of the production processes, unique resources or expertise, and disclosure of internal information can lead to leaks. These pieces of information can be used both by partner companies to improve their market presence and to compete with the 'injured' company or with third parties, having gained this information by chance during exchange between partners. These security issues are considerable and it is difficult balancing the level of information provided to partners: pitching the level of information somewhere between a necessity to gain profits arising from operating as partners and, equally, not so much as to let the competitors profit from it. Despite the managerial complexity of the partnership, it is definitely useful for establishing a presence in foreign markets, gaining inner knowledge and getting the most out of specific resources without stretching the budget and capabilities of the company to the limit.

4. Outward expansion of the Russian technology-intensive firms

Despite most Russian MNEs being believed to rise exclusively from natural resource-based industries, Elenkov's pioneer study (1995) helps in understanding the roots of technology-based internationalisation of Russian companies. He highlighted and investigated the importance of the military sector in the context of the coopetition (competition-cooperation symbiosis) between Russian and Western technologically developed firms in the aerospace industry. While the non-military sector was technologically obsolete, due to a lack of strong technical staff, with close linkages with advanced R&D institutes and coupled with modern equipment, a strong Russian military industry was nurtured at the expense of the largely neglected civilian sector (Elenkov 1995). The Russian aerospace MNEs have also introduced a new dimension of competition to their industry, which has been characterised by aggressive R&D development, an effective implementation of new technology to produce advanced aircrafts and related products, and a consistency in keeping the total cost down (Elenkov 1995). With time, these features have become typical for most Russian technology-based firms.

As the most common destinations for Russian OFDI are CIS and Eastern European countries (Filippov/Duysters 2011) there is a possibility of Russian MNEs having an advantage of originating from a developing economy and operating in a familiar environment, hostile to developed countries' MNEs (Cuervo-Cazurra/Genc 2008). Western MNEs, which have invested in Russia within the two most recent decades, conducted an orientation of high quality production and services, an effective marketing policy adapted for Russia, and local partnerships (Panibratov 2009). Hence, benefits arising for Russian MNEs from their operations were not only financial but also of a knowledge-based character.

Motives for EMNEs' internationalisation are often argued to be the same as those of companies from developed economies with market, labour, resource and technology seeking a prevalence over the rest (Rasiah et al. 2010). Although again, Russian resource and market seeking motives are most often stated as being predominant, but with little respect for industry specifics (Panibratov/Verba, 2011). Russian OFDI elicits both 'exodus' and 'expansion', domestic factors which encourage firms to invest abroad and raise attention to the attractiveness of a foreign location for Russian firms (Vahtra/Liuhto 2006). Exodus was common in early 1990s (at the beginning of the transition), followed by a decrease in 'escape' in the mid-1990s; the crisis of 1998 then prompted a rise in capital escape, followed by normalisation again; the crisis of 2008 further increased the motivation for exodus once again.

While the theoretical analysis points to the importance of filling the gap in the internationalisation of IT companies from emerging markets, and in particular

Russia, Lisitsyn, Sutyrin, Trofimenko and Vorobieva (2005) ask for a further expansion in the discussion of trade-in services, FDI, labour mobility and other forms of international economic collaboration. In this paper, we argue that the analysis of how partnership as an entry mode correlates to the service firm specifics in the IT industry is very important in contributing to existing knowledge in this field. Moreover, it is vital to extend the understanding of how the home-country specifics and domestic market characteristics explain the international results of Russian IT companies.

5. Research methodology

This paper is not aimed at analysing merely managerial perceptions but rather at determining the actual sources of competitive advantage in Russian firms. We were also interested in possible political influences as well as the impact of competitors, when approached for this study. The case study method was chosen for several reasons. This methodology lends itself better in investigating the significance of non-economic issues. A further reason for adopting a case study approach is that the issue of the internationalisation of the core sectors of emerging economies still requires a more careful conceptualisation together with theory building. As Eisenhardt (1989) argued, the case study approach is especially appropriate in new topic areas. Given the propensity of Russian MNEs for forming partnerships and alliances abroad, we can also refer to Halinen and Törnroos' (2005) discussions on the opportunities for a qualitative/case study approach adoption to examine the international partnerships-based strategies.

5.1 The company selection

Given our general interest in how Russian MNEs' success can be attained in both developed and developing economies, we aimed to study the process of these firms' obtaining the market leadership via various non-domestic investment decisions. As our research focused on the process of foreign markets' entry and the development of further operations, we specified that our selected case studies had to be major firms which are said to have obtained a substantial competitiveness in major Russian industries over local firms and other foreign players prior internationalisation.

We sought three case studies of a similar time-span. Our case companies (Sitronics, Kaspersky, and Yandex) fit our initial sample specifications, coming from three major sectors of the IT industry in Russia (electronic devices and IT solutions; software and anti-virus programs; Internet services and search engine), and all three firms are said to have obtained substantial success in entering the respective markets in developed and developing countries. Despite the fact that these companies are from one sector this sampling hopefully allows

us greater generalisability of results due to the relatively large scale of these three MNEs' international operations.

The main sources of the primary data were the managers of these Russian firms and the foreign companies' subsidiaries in Russia in IT related industries. The data were combined from interviews with the top management (7) and the middle management (16), and from the information of the experts of the selected industries (11) during the years 2010–2012. Managers were selected by criteria of their participation in international operations or being the most knowledgeable about the internationalisation process of a chosen company; Russian respondents represented the mother company, and foreigners represented the Russian subsidiary. As a result, in our research we had 34 respondents, of which 21 were Russian and 13 foreigners. All interviews were conducted in Russian or in English, depending on the respondent's origin, and there were no language or understanding related difficulties during conversations.

The interviews took place within two academic years (autumn 2010–spring 2012), and it was not a longitudinal study. Nevertheless, several respondents were interviewed twice, when possible.

5.2 Design and data analysis

The choice of research questions has been due to the necessity to understand the specifics and characteristics of the internationalisation process of Russian IT companies. The principal methods of the research were a questionnaire that was used during face-to face interviews and a company's data analysis. In the case of interviews, we developed the questionnaire using mainly closed multiple-choice questions and open questions that covered issues indicating the internationalisation process. The questionnaire consisted of 45 questions that were covered during 2 hours of discussion: the first block asked about the interviewee's position, age, organisation's business, number of employees. The questions from this block were designed in order to gather overall information about industry, a company's size and country of origin, and a company's involvement into international business. The second block attempted to get information about the internationalisation process, in general, covering the important characteristics of the particular firm's partnership as entry mode and how the partnership correlates to the service firm specifics in the IT industry. The latter block contained questions concerning specifics of internationalisation, analysis of external and internal organisational environment, and factors influencing internationalisation results answering how the home-country specifics and domestic market characteristics explain the results of Russian IT companies.

We focused on within-questionnaire analysis to understand the specifics of the internationalisation process in each company. Content analysis helped to

categorise and organise data about the important characteristics of the Russian IT firm's internationalisation efforts. We conducted a cross-questionnaire analysis to detect why partnership as the entry mode was selected by companies and to identify the correlation between partnership and the specifics of IT industry and to understand how the home-country specifics and domestic market characteristics explain the international results of Russian IT companies.

Mainly the authors conducted the interviews with the assistance of students of St. Petersburg University. The interviews were mostly conducted at companies and stored as reports that were written on the day of the meeting, based on the notes that were made in the process of the interview. Not all managers allowed the use of tape recorders (many of them did not restrict this use but mentioned that they would prefer us to not use this). In cases when this use was allowed, the crosscheck of the data from report and from tape record was made.

6. International expansion of three leading Russian IT firms

6.1 Kaspersky

Kaspersky Lab (Kaspersky) is a Russian IT company, founded in 1997 in Moscow. In 2011, Kaspersky earned $612 million, which is 14% more than in 2010. In turn, this sales growth rate is lower than in 2010 when the company had earned 38% more than in 2009. The structure of company sales is: Europe – 46%, Central Europe, Far East, Africa, Eastern Europe and Central Asia – 25%, America – 22%, Asia Pacific – 7%.

The share of Kaspersky in the international market for anti-virus solutions has grown from 2.8% in 2008 to 3.2 % in 2010. Main competitors are Symantec and McAfee holding altogether 30% of the market.

Kaspersky is the market leader in the development in anti-virus software. While offering anti-spyware, anti-spam and anti-intrusion products, the company's most famous product is Kaspersky Anti-Virus, which is well praised within the industry as well as by the customer.

By the mid-2000s, Kaspersky Lab had grown into an international company, employing over 1500 computer specialists and being present in more than 100 countries. The company has headquarters in Moscow and regional offices in Europe (France, Germany, the Netherlands, Poland, Romania, Sweden, and the UK), Asia (China, Japan, South Korea) and the United States. While the majority of businesses in the IT industry grow through mergers and acquisitions, Kaspersky follows a path of organic development. As Kaspersky aims for global growth, the main strategy remains to be new enterprise-oriented solutions, regional expansion and increased partners. In order to better serve its customers, Kaspersky established relationships with distributors in other countries, starting its international expansion with an export.

One key step in the company's internationalisation was engaging in partnerships in order to conquer the US market. In 2001, Kaspersky Lab announced a partnership with Itamigo, a developer of Internet security services. This enabled the company to launch the first Kaspersky anti-virus products to the customers in the U.S. market. Exploring partnerships has the advantages of low costs and a shared risk.

The European market was entered via the launch of European retail sales in 2001. The company made use of local retail and distribution networks in order to provide its products to the European market. These developments were followed by opening regional offices in European countries. In 2003, a regional office in Beijing, China was opened which was the beginning of its exploration of the less developed markets. After the company established its presence in the East, it continued to expand into the African market.

With partners throughout the world, Kaspersky Lab was able to expand its presence in the global market and stay at the top of the industry. The company has formed strategic partnerships with the leading companies in the global software sector: Microsoft, Intel, IBM, Novell, Check Point, EMC, Linux, SUSE, Red Hat, and Anti-Spam Coalition. These partners are expected to strengthen the quality of the products and services of Kaspersky. For instance, for Microsoft, Kapersky Lab was a so-called Gold Certified Security Solutions Partner. Furthermore, the two companies were working on several joint projects. Kaspersky Lab has optimised its systems for Intel products.

Another partnership was the National Coalition against Spam, of which Kaspersky Lab was one of the founders. Among the founders was also Microsoft. The coalition was formed in Russia and was aimed to fight spam.

Kaspersky also has more than 60 technology partners globally (including Russian companies and international firms such as ASUS, Cisco, IBM and others). North America is of special interest for Kaspersky, so the company has three distributors in the USA and four in Canada. The full list of partners can be found on the company webpage (http://www.kaspersky.com/alliances).

The marketing policy of Kaspersky is innovative and efficient. The company ads are widely present on the Internet, where the two extremes of the promotional activity are interviews of Eugene Kaspersky and funny videos on YouTube. Kaspersky Lab as a business and Eugene Kaspersky as an owner are two powerful brands. The power of the 'Kaspersky' name compensates and even surpasses the aggressive marketing mix of many of its competitors.

6.2 Sitronics

Sitronics is one of the largest national players in the high-tech industry. Company sales in 2011 were $492.6 million growing 39% vs. 2010. Net profit in 2011 was $4.9 million. The company employs over 10,000 people.

Established in 2002, the company was set up as a scientific centre, directed at microelectronics and telecommunications equipment and software. In 2004, the company established a business line related to IT services. The company gained stakes in several companies, including the largest IT company in Ukraine (Kvazar-Micro). Now, Sitronics is the largest high-tech company in Eastern Europe operating in the field of IT, telecommunications solutions, system integration and consulting, and the development and manufacture of microelectronics products.

The company is a key partner for the states and governmental institutions in the field of infrastructural transformations in the Russia and CIS countries. Sitronics often implements a strategy of public private partnership, taking part in scientific research backed up by the government. The company has subsidiaries in over 30 countries and employs over 10,000 people, and is ranked as a top three Russian IT-company. Major international competitors are Microsoft, IBM and SAP AG. Having over 3,500 clients around the globe, the company exports to over 60 countries in Western and Eastern Europe, Middle East, North America, North Africa and Central and South-East Asia, and has manufacturing facilities in Russia, Greece, the Czech Republic, Romania and China. The major enterprises of Sitronics are located in Prague and Athens for Telecommunications Solutions, in Kiev for IT, and in Zelenograd and Moscow for Microelectronics Solutions.

Sitronics has launched its operations in the fastest growing ICT market in the world, India, taking the name Sitronics India with the head office located in New Delhi. The group started to operate in the Indian market in May 2008, and has had a permanent presence in India since November 2008. The formal registration of the new subsidiary was completed in April 2009. The focus in the country was the telecommunications sector, the transport industry, the educational system, state organisations and educational systems. The primary objective of the new subsidiary was to introduce the complete range of Sitronics' products and solutions to the Indian market.

The expansion strategy of Sitronics is based on strong partnerships with key global and regional players. Sitronics has developed strategic alliances with Cisco Systems, STMicroelectronics, Infineon and Giesecke&Devrient in relation to the most important products and services. Sitronics has vendor relationships with Siemens, Ericsson, Motorola, Oracle, Intel, Sun Microsystems and Microsoft. Key customers are both local companies (MTS, Comstar-UTS and MTT), and international firms (OTE, Cosmote, Vodafone, Ericsson, Arcelor Mittal and TCL). In total, Sitronics has 50 business partners in Russia and globally, e.g., Adobe, Cisco, Dell, Huawei, Kaspersky, Lenovo, etc., of which five are of key importance (“platimun”, “gold”, or “premium”) – namely Oracle, SAP, HP, IBM, and Microsoft (see the company webpage http://www.sitronics.com/about/Partners/).

Expansion and development of services in India provided the firm with numerous opportunities for growth even in such difficult times. In the end of 2009, Sitronics announced that it has launched a billing platform for pan-Indian telecom operator SistemaShyamTeleServices, which traded under the MTS-India brand. The new platform, after being implemented in Mumbai (India's financial capital) and the state of Maharashtra, was intended to be rolled out to other regions of the country.

An important deal for the company was the joint venture, established in the city of Hangzhou, Eastern China. Sitronics held a 51 % stake in the JV, with ZTE Corporation owning the remaining 49 %. The aim of the new enterprise was to enable the company to migrate its mass manufacturing and production capacity from Europe to South-East Asia, thereby improving efficiency and reducing costs.

Another part of Sitronics strategy was the strategic partnership with Nokia Siemens Networks, a global enabler of communications services. Within this partnership, Nokia Siemens Networks has signed an initial framework purchase agreement with a Sitronics subsidiary, SitronicsMicroelecrtonics. According to the agreement, the latter became the official global supplier of analogue power management electronic components for Nokia Siemens Networks products.

Besides the few prominent examples above, Sitronics was engaged in aggressive international regional expansion by the means of geographical, vertical and product expansion strategies where the role of communication to customer is highly important. In this context, all partnering firms are not only clients but also factually an outstanding tool of the Sitronics' marketing box. Being associated with several well-known brands, the company promotes itself via perception of the high reliability, innovativeness and skillful service available for the rest of the clients.

6.3 Yandex

Yandex is the leading Internet engine and one of best-known brands in Russia with more than 15 million visitors and users. In 2011, the revenue of the company was $622.2 million (vs. $439.7 million in 2010), net profit – $179.3 million (vs. $134.3 million in 2010). The number of employees exceeds 4,000.

The name 'Yandex' appeared in 1993, when in a company named CompTek employees started with development of a programme which could have allowed them to search and operate with a quantum of information of their own. This product became one of the first search engines in Russia – 'Yet Another Index').

Yandex was separated from CompTek so it could focus on providing services concerning web browsing. It was launched practically immediately after "plugging" Russia to the Internet – in 1997. Yandex appeared to be one of the

first companies. During the same year the Rambler, Mail.ru, List.ru and Apport companies were also launched.

In the Russian market, Yandex is a pioneer in the context of advertisement. After the launch of this product in 2004 it skyrocketed with its share in all of the advertisement sector. In 2005 revenue from the advertisement services of Yandex was $100 million, 80% of which was revenue from the advertisement context. Yandex's major competitor in this field remains Google, which has a tremendous worldwide experience and client base. Yandex, like any other Internet company, is inherently international - an advantage given by the nature of the Internet Company itself. The only physical international asset of Yandex is its subsidiary company Yandex Labs whicht was founded in 2009 in Silicon Valley,California but this is used for research and not to provide services in the US.

During 2009, two domains were opened: in Ukraine (yandex.ua) and in Kazakhstan (yandex.kz). Both domains are working on a Russian language basis, but are geographically reoriented in Ukraine and Kazakhstan in keyword search processes. The Internet markets of Belorussia and Poland were considered as the next important targets of Yandex. Most of the population of Belarus speaks Russian and uses it in daily life (along with Byelorussian). Concerning Poland, many obstacles were expected. The entire population of Poland uses predominantly only Polish, and very few know Russian. Besides, the aversion to all Russia-related things was noticeable in the country. Moreover, Yahoo and Google are very strong in this market. Both companies have their domains in Poland running in Polish.

Western markets are highly attractive for Internet companies as they can be easily entered without any significant spending on facilities or labour force. At the same time, they are extremely competitive for all host firms. However, the meaning of entry barriers in the case of the Internet industry is changing compared to the more 'physical' sectors. Despite this Yandex managed to open its subsidiary in the US, however it was only for mere support of the Russian domain for Russian expatriates living there.

It is a question whether it makes sense to study the process of internationalisation of an Internet company – from the start , such a company operates (virtually) globally. The key for understanding this phenomenon is the essence of the Internet – it is a supranational open environment that almost cannot be controlled. Internet companies provide their services to anyone who has an access to the World Wide Web and thus they are an international right from the moment they are opened. This is one of the main advantages of the Internet companies, which process search queries for anybody on the Web. The same is for advertising services – they are available for any company regardless of country of origin.

This makes Yandex highly efficient in both senses – for both seeking partnerships and also for advertising itself. Yandex develops and maintains an Internet search engine primarily for the Russian market, where it is a strong brand. Yandex introduced innovations to the industry in the form of the pay-per click system of pricing for advertising, furthermore, the company is a pioneer within the advertisement context. These innovations made Yandex's revenues soar in the mid-2000s. All clients of the company are partners on the one hand, and the more well-known their names are the more they promote Yandex both in Russia and internationally.

One interesting part of Yandex's strategy is the permanent competition with Google in Russia. This is a unique case when not the partner but the competitor's name promotes a firm. In many of the countries worldwide Google has reached dominance in the search-engine market. However, at the end of the 2000s there were a few countries left where that was not the case. In these countries, the local search engines still manage to get a larger market share than Google. The Russian market was top-ranked in this case and Yandex was mentioned as a local absolute leader - 46 % of the market share.

Several explanations of this exist. First, Yandex did make investments in the Russian market long before Google. Second, the company technology was perfectly aligned with the language. Third, innovations were provided that Google has to copy to be able to compete. Fourth, strong brand awareness and loyalty from Russian customers was attained. And, finally, Yandex successfully explored the chance to establish partnerships and strategic alliances with local companies at an early stage.

Where Yandex is a strong brand in Russia, Google has one of the strongest brands in the world, and Google is expanding into Eastern Europe with technology now optimised for the Cyrillic alphabet, which it previously lacked. Google and Yandex are now in direct competition in Russia, Belarus and Ukraine. Although one of the founders of Google has Russian origins, an American company had not been looking for entering the Russian market until 2005. Google`s priority was entering the developed markets first. At the end of the 2000s, Yandex was among the top 10 world search engines, but its world market share was only about 1.5%. At the same time, Google had 62.4% of the market. This was the reason for an enormous difference in these companies' revenues: $160 million versus $16 billion consequently.

For Yandex, the main partners are advertisement agencies. The company has over 2,000 partners, of which 29 are certified ones (the full list of the latter can be found on the company webpage (http://advertising.yandex.ru/contact/agency/?p=1).

Yandex has made some innovations to the field of online advertising pricing; however, this has not helped Yandex to expand internationally. And it might be

possible that the barrier of the Cyrillic language was what kept Yandex from Google's clutches for a while, but now that it has been overcome, the American giant might swallow Yandex as it did most other search engines ten years ago. In any event, Yandex is more of an international company by the nature of its business, than by managerial strategy.

7. Results and discussion

In the strategic sectors of the Russian economy (that are mostly natural resource-based), the motives of national firms' internationalisation may be explained by the fast growth of the local market, low cost opportunities that arise domestically, and home-government incentives. Russian companies benefit abroad with the high level of staff education, which provides a better work force at relatively low cost. Russian IT enterprises develop their operations to become potential service providers for these natural resource-based firms (this was pointed by several respondents).

Despite China and India also offering a skilled labour force in high-tech industries, the combination of labour cost and employees' education is higher in Russia than in these and other developing and developed countries (this was mentioned by 22 respondents in a variety of forms with whom this issue was discussed). We assume that the majority of respondents may be not well aware of China and India IT specialists' specifics, but they were often saying: 'if we compare our IT graduates with other countries…', or 'our IT people are better than those in China and India'. We assume it was their perception; this is why China and India may be seen as a kind of "representative" of the emerging economies in their minds.

Several respondents argued that Russian technical universities are very popular among their companies as employers (one said: 'we are fully satisfied with our graduates' qualification even when we need them (new employees) in the international programmes and projects').

With regard to the geographical distribution of case companies' international activities, responses show that despite a high interest in the developed economies' markets, Russian IT firms have generally targeted developing countries' firms, particularly in CIS and Asia where Russian resource-based firms are better placed. One respondent said: 'we would like to be somewhere in Germany or France, but our key client are more interested in CIS countries', this is why our main activities are in Ukraine and Kazakhstan'. Russian firms would be happy to leapfrog into more distant and "foreign" markets, but this is highly risky and expensive for them, and does not make sense. Only certain IT companies succeed in that leapfrogging: usually they are of rather small scale, entering in a very specific niche, and focusing on a particular country (see, e.g., Latukha et al. 2011).

From the standpoint of technology differences, the FDI strategy can be advantageous only if the significant technological gap between key competitors exists. As the technological sophistication of both Russian and foreign firms in the high-tech sector is about equal (we are speaking of counterpart companies here, say Yandex vs. Yahoo, or Kaspersky vs. Simantec, and not about the development of counterpart sectors in Russia and abroad), the partnership-oriented strategy is the best choice. One manager said: 'We are not ready to spend money where we can't get a cutting edge technology instead. Otherwise, why should we invest?' Another respondent pointed out: 'We feel comfortable in partnership because technologically we are not too much below of our (foreign) partner'.

When expanding internationally, Russian IT firms may have a chance to acquire an equity stake in an existing local firm, the stake being ranged from minority to equal ownership. At the same time, as most of the key industries in different countries are under high governmental protection and surveillance, the rise of the share in the ownership up to 100% may be difficult or even impossible. It is interesting that few respondents argued that it's 'not needed', or even 'harmful' for this business to try to get full control. As one said, 'only working as equal partners we can achieve the best results towards our competitors; while we are partners, we push each other without biting each other'.

Our paper also has important implications for the Russian MNEs' strategies dependence of both Russian and host governments. The Russian state imposes ownership restrictions on foreign firms in the IT industry in order to protect the dominant position of local companies, which generate profits sufficient to finance acquisitions abroad. The paradox is that all (!) respondents answered that they feel a negative influence of the home government on their companies (it was said, among others, by the owner of the company that works with government-related contracts only).

The presentation of the international results of case companies in the Table 1 may be of the interest for the further studies of the phenomenon of Russian multinationals.

Table 1: International results of Russian firms in the IT sector

Major foreign destinations	Entry modes	Expansion approach
Europe and Asia in antivirus and PC solutions, CIS in search engine	Strategic partnerships with the top of the software industry; "virtual" entry more than physical as the core mode; exporting	Manufacturing in the countries with cheap labour force; opening regional offices in Europe and CIS

Markets of CIS are potentially very attractive for Russian IT companies. In most of the CIS countries the local population and authorities speak Russian and seek Russian language services. Hence, Russian IT firms find a significant country-specific advantage (CSA) there. Referring to the Rugman concept (Rugman/ Verbeke 2003), the effect of the country of origin helps them to internationalise naturally and essentially without using additional effort; this effect finally transforms into a marketing effect for these companies, which becomes a very important firm-specific advantage (FSA) for them. Overall, home-country specific features play an important role in the process of internationalisation of Russian service companies.

Table 2 points to CSAs and FSAs for selected service industries, while entering CIS countries. The third and fourth columns provide the information about triggers in the home- country environment which affected the firm's CSA/FSA.

Table 2: Evaluating CSA and FSA of Russian IT firms

CSA	FSA	Macro level influences (on CSA)	Micro level influences (on FSA)
Still no positive image of Russian software companies	High quality products and services. Possibility to sell services for relatively lower prices	Just recently (in the mid-2000s) Russian government decided to support innovativeness, including software	Low level of economic prosperity means low level of wages – for High-tech companies cheap labour means cheap services

The role of the government is important in the process of internationalisation. Its importance is not only in being included in one's shareholder structure, but also in a regular involvement in the company strategy and operations. As we can see each country's government creates preconditions for companies' CSA and FSA. For some of the firms the fact of a disadvantage in some of the specific factors plays a negative role, while internationalising. Anyway, possibilities of avoiding disadvantages exist.

IT firms' internationalisation is very different in the whole sector internationalisation path. The demand for high-quality software has been

growing since the 1990s and is continuing to grow in the 2000s. For a Russian software company like Kaspersky Lab, some 15-20 years ago it was difficult to compete with the Western giants, whose products originally tended to be of a higher quality and image (CSA & FSA). Even Russian customers would not prefer Kaspersky or Yandex services, if they were of low quality, as in that sector, customers have a great variety of choice, as all of the service products can be got without extra effort or other additional conditions, such as physical presence of the company in a certain country. High-quality products allowed Kaspersky and Yandex to strengthen towards the world giants of software and establish long-term partnerships with the world's most famous computer software producers and resellers. While going abroad, the company has used the partnership entry-model. Kaspersky has its regional offices in various parts of the world: in Europe, Asia and North America. Such distribution allows the company to establish partnerships with local distributors of software. In addition, the company has a strategic partnership with the leading operational system producers: Microsoft, Linux, IBM and others. Creating such coalitions allows Kaspersky to sell such products as a PC starter package, which comes together with a PC, like an operational system or office tools.

This strategy is highly dependent on the image of Kaspersky. Until the brand of Kaspersky is well known and the products are up-to-date and of doubtless quality, the company feels comfortable while establishing and carrying on partnerships. Such companies like Microsoft or IBM are checking twice before including some software in its package or announcing some software as a preferable for using together with their product.

An important finding of this research is that the FSA/CSA framework corresponds to the practical steps of companies in the process of their global expansion. Russian IT firms form their FSA and CSA based on the regional and technology/branding opportunities, together with an additional factor, which is partnership orientation (see Table 3).

Table 3: Framework for analysis of Russian IT firms competitive advantages

Factor	Evidence
FSA (based on the quality, workforce and brand)	Companies produce high-quality products and services. Employees are well educated and because of cheap manpower, they are able to be competitive in the international market, especially US market, where costs are much higher. Companies which are well established in Russia, tend to be leaders in their sectors, and heavily rely on co-operation and they transform the effects of these partnerships in the marketing effects
CSA (based on the target region) CIS	Market of CIS is important in a different sense for case companies. The level of piracy and low level of intellectual rights protection will not allow such companies like Kaspersky Lab to benefit from reselling their services Yandex or other search engines with a diversified number of free services can benefit from those markets, as they are able to localise their services better, than global players
Europe	For Kaspersky Lab European market is more favourable: European customers are taught to buy all software, so creating offices in Europe is a good idea in terms of being closer to distributors and resellers For Yandex the European market is very competitive. The expansion of global search engines like Google will not allow competing there in terms of marketing, so in terms of advanced engineering. Large investments must be made before entering the European market
Asia/ USA	Being closer to main PC and software producers is vital for high-tech companies. As most of software products and services are produced in the US and some parts of Asia, companies need to organise local offices or even R&D centres to be closer to its partners
Partnership	While selling IT services abroad, the company needs to establish a strong partnership with local distributors and local and global producers. In this context, establishing a strategic alliance is the best option. All distribution work is done by the partners and there is no necessity to move production abroad. Moreover, all case companies internalise the strength of the partners' names into their own brands' power

It is possible to see that internal conditions and approaches for internationalisation are different between IT firms, and they are different in terms of the firm's organisational structure. The only and the biggest advantage, or in some cases limitation, lies in governmental support of the company. Otherwise, the disadvantage of such limitation leads in many cases to the development of marketing competences.

8. Conclusion

We see this paper contributing to the area of internationalisation of service firms from emerging economies, and particularly in the research of the role of partnership in the internationalisation of Russian IT companies.

Our main finding is that partnerships fit best of all to the specifics of internationalising IT firms from Russia as both an entry mode and an operation method. In the context of our research questions, we made three conclusions concerning the internationalisation peculiarity and results of Russian MNEs in the IT sector.

First, answering RQ1 (how partnership as entry mode correlates to the service firm specifics in the IT industry) we argue that the partnership is the only possible entry mode for IT firms when they decide to internationalise. Due to the almost equal technological sophistication of IT firms of various national origins, which allows these firms to share knowledge with no fear of losing intangible assets. The majority of respondents (case companies' representatives and third party players) mentioned this.

While many companies in other industries when expanding globally tend to acquire an equity stake in host-market firms, and in many cases try to obtain the full ownership in these firms, in the IT sector this does not work. IT is not among the national priorities of emerging economies, at the same time this sector is also supervised by these countries' governments. The role of the government is dual for this sector: on the one hand, the state is not interested too much in IT (compared to telecoms), on the other hand, the respondents feel the presence of the government in their businesses.

Hence, we see partnerships as a vehicle for leading emerging economies' IT firms into other less developed economies' markets where takeovers are impossible due to governmental restrictions. We also see the role of partnership in the facilitation of entry of these firms into the heart of the global software industry and as 'virtual' entry more as an alternative to the physical and expensive FDI solutions.

Second, answering RQ2 (what important characteristics of the Russian IT firm define partnership as the entry mode selected), we highlight three important features of Russian IT firms' labour force: a high level of employees' education, the equality in the technological sophistication with foreign counterparts, and the relatively low cost of resources (whereby manpower is an essential one). These firms strive to provide services to natural resource- based MNEs that expand internationally, which allows Russian IT firms to follow these MNEs in their global pace.

The interest in CIS also defines the partnership-based strategy. The similarity of Russia and of most CIS countries (economically, politically, and culturally) makes the entry by Russian IT firms relatively easier compared with entrants from developed economies. Moreover, the active presence of Russian resource-based MNEs in CIS region provides an IT firm with an additional chance to find an attractive market there.

Russian IT firms provide high-quality products and services, employ highly educated and a relatively cheap labour force, and are able to be competitive in developed economies' markets, where costs are much higher and the level of the staff education is the same.

Lastly, answering RQ3 (how the home-country specifics and domestic market characteristics explain the international results of Russian IT companies), we have defined, analysed and explained the most important features of Russia as the origin of three case companies. The most important features in this list are: the rising international orientation of large Russian MNEs who are often major clients of Russian IT companies; the moderate role of the Russian government which is not too involved and, on the other hand, is interested in IT; the high level of Russian technical universities that launch an internationally competitive workforce for domestic IT firms.

The effect of the country of origin helps Russian IT firms to internationalise naturally and without using additional effort; this effect transforms into the marketing effect for these companies. Our analysis shows that the difference between Russian natural resource-based and service firms is that the latter are able to explore new foreign markets without any governmental promotion, replacing state backup with the power of their own brands and brands of their clients and partners. This is why, companies that are well established in Russia, heavily rely on co-operation instead of government support, and transform the effects of these partnerships in marketing effects.

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