Russie.Nei.Visions No 73

The Influence of the State on Expanding Russian MNEs: Advantage or Handicap?

Andrei Panibratov

December 2013

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ISBN: 978-2-36567-223-8

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– "Developing Competitive Advantages of Russian Multinationals through Foreign Acquisitions," in P.J. Williamson, R. Ramamurti, A. Fleury and M.T.L. Fleury (eds.), *The Competitive Advantage of Emerging Market Multinationals*, Cambridge University Press: New York, 2013, p. 220-238 (with K. Kalotay).

– *Russian Multinationals: From Regional Supremacy to Global Lead*, London, New York: Routledge, 2012.

– "Determinants of Internationalization Strategies of Emerging Market Firms: A Multilevel Approach," *Journal of East-West Business,* 2012, 18(2), p. 157-184 (with I. Mihailova).

– "La Stratégie des Multinationales Russes," in *Russie: un "Far East" Prometteur? Prospectives et Entreprise: Eclairages sur les Entreprises dans un Monde Ouvert*, Paris: Chambre de Commerce et d'Industrie de Paris, July 2011, No 16, p. 56-61 (with J.-P. Larcon and G. Mazzini).

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Summary

Government influence is crucial for the international operations of firms in emerging economies. However, these firms have varied experience of government interventions: some benefit more, some less, while the government roles vary among countries and industries. At one extreme, there is total administrative support and trade protection (e.g. for petroleum giant Rosneft or automotive “dinosaur” AvtoVAZ); at the other, there is overly strict regulation (as with some Russian independent media or non-government organizations). Firms react differently; some try to prevent or at least anticipate such behavior, while others put little effort into avoiding government involvement in their business and projects abroad. Looking at the particular example of Russia, this paper examines how government influences the internationalization of emerging multinational enterprises, and what are the effects on their strategy and competitive advantages.

Introduction

Multinational enterprises (MNEs) in emerging economies, or emerging-market multinationals (EMNEs), have been increasing in importance over the past decade. This, obviously, has changed the shape of the global economy as the vector of financial and political power switches from advanced to emerging economies—as, for example, with Asian and Latin American MNEs "storming" into the global marketplace. Overall, emerging markets are predicted to grow at 5.1% in 2013 and 6.0% in 2014, while developed economies are expected to play a reduced role in global economic growth (1.2% in 2013 and 2.2% in 2014), as many European and US firms struggle to maintain growth.[1]

EMNEs are not only noteworthy competitors of MNEs from developed countries in their domestic markets, but are also rising stars in other emerging markets, as well as in better-established economies. These EMNEs have their roots in countries like Brazil, Russia and China, which were not likely to be considered as potential opponents twenty years ago. These days, however, companies from emerging economies are no longer characterized by lagging technologies or unsophisticated strategies but are becoming more influential in the global economy. Thus they cannot be ignored by their counterparts from developed countries.[2]

The role of government can be seen as both an advantage and a disadvantage in the internationalization process of national firms; it is an especially important determinant for EMNEs, as various political groups have specific effects on these companies' operations. The multiple examples of conflict between national political leaders (e.g. the prominent case of Ukrainian President Yanukovich and ex-prime minister Timoshenko) are a reflection of the economic battles in the respective countries. The strongest impact comes from the implementation of policies that orient and help the companies to start business in the international market. Otherwise, an emerging market presupposes a sensitive political structure; the governments are not always democratic. The role of government can be the same as in developed countries, but the different context may dramatically change the implications of regulation.

[1] Ernst & Young, *Shaping Russia's Future*, 2013.
[2] R. Nigam & Z. Su, "Climbing up the Performance Ladder: A Conceptual Framework for Emerging Country Multinationals," *International Journal of Business Management,* No. 5 (4), 2010, p. 13-25.

To provide an empirical support for investigating how the home government influences the internationalization of domestically grown EMNEs, we use the Russian context, for several reasons. First, Russia is the major outward investor among emerging economies, with the second largest stock of Outward Foreign Direct Investment (OFDI) before the global financial crisis,[3] and Russian firms have affiliates all over the world. Second, Russian MNEs demonstrate a wide range of strategies and, thus, represent a suitable ground to verify the validity of theoretical arguments for examination, within a single national context, of government involvement in shaping strategies pursued by MNEs. Third, Russia is one of the least examined economies in the emerging market literature; this paper will thus contribute to knowledge about the specific features of the international expansion of Russian MNEs.

Russia's outward investment has been increasing; the investment climate, corruption and administrative barriers are more problematic in Russia than in the rest of the BRICS.[4] The Russian state is often seen as encouraging firms to invest their surplus capital in foreign businesses, thus attempting to improve these firms' image and to acquire more economic control in the international market.[5]

We provide evidence concerning Russian MNEs in different industries that have expanded globally over the last decade and become well-established players in a highly competitive international business arena. Previous studies have started addressing this phenomenon in terms of Chinese and Indian MNEs; Russian firms can offer a fertile ground for further theoretical extension.

In this research, we try to answer three main questions. First, what is the specific role of the state in the internationalization process of Russian MNEs at the industry and the firm level? Second, how does the government transform the existing competitive advantages and shape the new competitive advantages of Russian MNEs? Third, to what extent and how does the combination of government interest and government control influence the internationalization process of Russian MNEs? To answer these questions, we develop the framework that explains the heterogeneity in the internationalization strategies of these firms.

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[3] A. Panibratov & K. Kalotay, "Russian Outward FDI and its Policy Context," in *Columbia FDI Profiles*, Vale Columbia Center on Sustainable International Investment, Columbia University, 13 October 2009.
[4] S. Puffer & D. McCarthy, "Two Decades of Russian Business and Management Research: An Institutional Theory Perspective," *Academy of Management Perspectives*, No. 25(2), 2011, p. 21-36.
[5] A. Settles & I. Gurkov, "Strategy and Organization in Russian Corporations," *International Studies of Management and Organization,* No. 41(4), 2011, p. 3-19.

The State Role in the Internationalization of Russian MNEs

Waves of internationalization of Russian firms

Within the last decade, the global marketplace has witnessed the rapid and aggressive entry of EMNEs to both developing and developed markets, and these companies' OFDI has grown quickly in recent years. While EMNEs have their roots in the unlikeliest countries, they seem to be more than worthy opponents of Western MNEs in developed markets, improving, harnessing and using their capacities to recognize and create opportunities for their unique competitive advantages (CAs).[6] A close look at these CAs reveals the prominent role of the state in the success of Russian MNEs.[7]

At the end of the 2000s, Russia had the second largest stock of OFDI among emerging economies (US$203 billion in 2008).[8] The prototypes of Russian multinationals already existed in the Soviet Union (so-called "red multinationals"), and the government exercised strict control over these enterprises, which were all state-owned. A majority of these firms were involved in supporting the country's exports (raw resources marketing, infrastructure support, banking, insurance, etc). After the collapse of the USSR in the early 1990s, these companies were mostly privatized and restructured, and their assets consolidated inside the country. These transformations enabled further ventures of these firms into oversea expansion.

The second wave of the internationalization of Russian firms started at the end of the 1990s and continued until 2008. The most popular form was cross-border acquisition; prominent examples are the acquisition of the UK-based gold mining enterprise Nelson Resources in 2005 and of the Italian ERG SpA–ISAB Refinery in 2008 by Russian petroleum company Lukoil ($2 bln and $2.1 bln respectively); the acquisition of the Canadian

[6] S.A. Zahra, S. G. Abdelgawad & E.W.K. Tsang, "Emerging Multinationals Venturing into Developed Economies: Implications for Learning, Unlearning and Entrepreneurial Capability," *Journal of Management Inquiry,* No. 20(3), 2011, p. 323-330.
[7] A. Panibratov, *Russian Multinationals: From Regional Supremacy to Global Lead,* London, New York: Routledge, 2012. S. Filippov, "Russian Companies: The Rise of New Multinationals," *International Journal of Emerging Markets,* No. 5(3-4), 2010, p. 307-331.
[8] A. Panibratov & K. Kalotay, *op. cit.* [3].

gold mining company Lion Ore Mining by Russian metallurgy giant Norilsk Nickel in 2007 ($6.3 bln) and of the Canadian steel manufacturer IPSCO by Russian metallurgy group Evraz in 2008 ($4 bln). Compared to cross-border merger and acquisition (M&A), greenfield projects conducted by Russian firms were smaller in both size and scope.[9]

As the most common destinations for Russian OFDI are CIS and Eastern European countries, it is possible that Russian MNEs have an advantage, in originating in a developing economy and operating in a familiar environment that may be hostile to the MNEs of developed countries.[10] Within the last two decades of their operations in Russia, Western MNEs invested a lot in their own facilities, but also established numerous partnerships with local firms. Hence, the benefits from their operations were not only financial but also included new knowledge for Russian companies, particularly in the area of new-product development, quality control, and marketing.[11]

The EMNEs' motives for internationalization are considered to be the same as those of companies from developed economies, with market, labor, resource and technology-seeking prevailing over the rest, although, in the case of Russia, the motives of resource and market-seeking are most often stated to be the main ones (with little respect for industry specifics). OFDI from Russia is both "exodus" and "expansion" given both home-country factors that encourage firms to invest abroad and the attractiveness of foreign locations for Russian firms.[12] Exodus was strong in the early 1990s (at the beginning of the transition), followed by less escape in the mid-1990s; the crisis of 1998 prompted a rise in capital escape, and then normalization again; the crisis of 2008 increased the motivation for exodus once again. According to the Central Bank of Russia, US$80.5 billion was invested abroad in 2011 by national firms, while in 2012 the recorded outflow of FDI was US$54.1 billion, with a further decline in capital outflow in 2013 predicted.[13] This may indicate the success of government policies on improving the business climate for domestic investors, but also be a sign that most of the huge Russian investors are already well established abroad. The number of Russian MNEs varies depending on the approach. We would roughly estimate the total at 160-170.[14] While an official

[9] K. Kalotay & A. Sulstarova, "Modelling Russian Outward FDI," *Journal of International Management,* No. 16(2), 2010, p. 131-142.
[10] S. Filippov & G. Duysters, "Competence-building in Foreign Subsidiaries: The Case of New EU Member States," *Journal for East European Management Studies*, No. 16(4), 2011, p. 286-314.
[11] A. Panibratov, "Internationalization Process of Russian Construction Industry: Inward Investments Perspective," *Journal for East European Management Studies*, No. 2, 2009, p. 210-228.
[12] P. Vahtra & K. Liuhto, "An Overview of Russia's Largest Corporations Abroad," in K. Liuhto (Ed.), *Expansion or Exodus—Why do Russian Corporations Invest Abroad*? New York, International Business Press, 2006.
[13] Central Bank of Russia, 2013.
[14] To make this evaluation, we used Expert-400 ranking, which represents the largest in terms of revenue companies operating in the Russian market. We excluded firms that are subsidiaries of foreign firms or have more than 50% of foreign ownership, firms that have not

explanation of the current motives for Russia's OFDI is the search for markets and resources,[15] seeking strategic assets, image-building and insurance motives are also important reasons. The desire of Russian firms' owners and managers to mitigate the economic and political risks in their home market by holding assets offshore related to "system escape" motives; these decreased sharply after 1999 but bounced back during the global crisis. Aspirations for better global recognition and an improved image abroad have also been motives for Russia's OFDI.[16]

The international expansion of Russian firms is closely connected with reforms implemented during the last two decades. Privatization and attempts to implement industrial restructuring to catch up with technological developments are among the most important. Sector development has not been equal; the state has supported some industries but left others without incentives and possibilities for growth. In Russia, mass privatization has led only to a gradual transformation of production networks. The core "technology" of privatization in Russia was the "corporatization" of large and medium-size enterprises by converting them into joint stock companies prior to their restructuring.· The aim was to make enterprise independent of state administration, delimit the size of ownership, and separate shareholders from management. In the privatization program, large and medium-sized enterprises have played the main roles.

The state has played an important part in the emergence of Russian OFDI. State-owned enterprises enjoy a set of advantages (financial capabilities, access to loans from the central bank, administrative support, etc) that facilitate their internationalization. At the same time, even in fully or partly privatized enterprises, state influence remains significant, sometimes directly (for example, through residual ownership) and sometimes indirectly. However, the state influence varies across industries; it is particularly strong in the energy sector but takes only an indirect form in others, through incentivizing their development.

Government policies: Interest in sector development vs control over decision-making

In this study, we analyzed the internationalization strategies of 35 national firms in major sectors of the Russian economy, representing three big groups. The first consists of large MNEs appearing in top global rankings, and operating in the oil and gas, electricity, mining, metallurgy, and banking

yet started the process of internationalization (having neither foreign affiliates nor export activities), and firms that had not published any information about their international operations.

[15] Vale Columbia Centre on Sustainable International Investment, *Russian multinationals continue their outward expansion in spite of financial crisis,* 2009.

[16] A. Panibratov & K. Kalotay, *op. cit.* [3].

industries. The second group comprises companies servicing clients in the IT, telecommunications, military, automotive, logistics and construction sectors, and implementing internationalization attempts, though on a smaller scale. The third group is represented by firms in the mass media, education, sport and fast-food sectors, which are rather “virtual” than “normal” internationalizers; despite having some experience of operating abroad, these organizations are still carefully testing foreign waters.

To evaluate the role of the state, we asked our respondents what they considered to be the most important criteria of this role. The two most frequent answers were *control* (which can be measured by the stake of the government in the company’s ownership and by the status of the state representative in the company’s board) and *interest* (primarily characterized by the number and quality of incentives provided to the companies). Asking our respondents how they evaluated these criteria, from 0 (no control/interest) to 10 (the maximum of control/interest), we received two ranks for each sector analyzed (Fig.1).

Figure 1: Evaluating the role of the state in different industries

Industry	Control by the state	Interest of the state
Automotive	4.8	3.3
Banking	4.9	8.2
Construction	3.1	4.6
Education	6.9	4.4
Electricity	9.7	9.9
Fast food	2.2	2.1
IT	3.4	5.9
Logistics	2.7	3.0
Media	8.3	5.7
Metallurgy	4.6	8.3
Military	8.8	9.6
Mining	8.6	9.6
Oil and gas	9.8	10
Sport	6.2	2.5
Telecoms	4.6	7.4

As we can see from the figure, some industries are of maximum interest to the state and highly controlled by the government (oil and gas, electricity, mining and military). This reflects both the economic and the political importance of these sectors for the Russian state. At the other extreme, automotive, construction, fast food and logistics are of minimal importance and do not require any significant control, with the exception of a few region-significant employers such as AvtoVAZ in Tolyatti or GAZ in Nizhniy Novgorod. We present a more detailed look at the above results in Fig. 2, and explain the two-sided role of the government for these groups of firms.

Using this framework, we also argue that the international strategy of Russian MNEs should be analyzed as an outcome of the influence of two groups of government-related determinants at the industry and the firm level.

Figure 2: Grouping of companies according to state role

		Interest of the state	
		High	Low
Control by state	High	1. Electricity; military; mining; oil and gas The industries in this group are important strategically (from the economic and political standpoints) for the country, hence the interest of the state in these sectors is great. In these industries the state strictly controls the operations of the companies. The capital requirements are extremely high due to the complications and extent of infrastructure, which is, in turn, also complicated and expensive.	3. Education; media; sport These industries are much more important politically and socially than economically, i.e. the state benefits from the opportunity to influence the home country's population, or other countries' governments. The state closely supervises these companies' activities, while an extensive and complicated infrastructure is not required. However, the capital requirement can be relatively high to assure growth. Technology requirements are relatively low.
	Low	2. Banking; IT; metallurgy; telecom The state is really interested in the development of these sectors of the economy due to the highly representative character of their image. The capital and infrastructure requirements are moderate. The government understands the self-sufficiency of these firms, which can invest in internationalization independently of the state. Hence, the government does not directly control the operations of firms in these sectors.	4. Automotive; construction; fast food; logistics The infrastructure and capital requirements are medium to low in these sectors. The state is not interested in the development of these sectors—although formally it often shows concern for companies in a particular industry (e.g. the automotive industry)—and avoids control of these firms' operations. The technology requirements are relatively high; the "good" technology may compensate for the lack of financial resources for growth.

Based on the above findings, we stress the strategic role of the oil and gas, electricity, mining and military industries for the state. Companies in these sectors perform both economically and politically for the government. In metallurgy, banking, telecoms and IT, the state is interested due to the high economic output of these businesses, but there is no real motive to control them, as they are quite well organized and do not require any further involvement. On the other hand, media, education and sports are not economically important but are under control due to the need to "direct" these sectors (e.g. the media) or provide the right "incentives" to the electorate. As to the car manufacturing, construction, fast food and logistics, these companies are not economically beneficial for state nor politically sensitive, which makes the state rather indifferent towards them.

We should add that, of course, many of these industries greatly benefit the country's economy (construction firms build infrastructure; food chains provide meals, etc). This is a top priority for people but not for the government. However, in this investigation we distinguish between national and governmental priorities.

Answering Questions on the Role of the Government for Russian MNEs

Analysis of the qualitative data enabled an extension of the premises discussed above on the role of the state in the composition of the competitive advantages of EMNEs. Below we answer the research questions in some detail.

What is the specific role of the state in the internationalization process of Russian MNEs at the industry and firm level?

The role of the state in the development of national companies, including their overseas expansion, is both overestimated (as in the case of resource-based industries) and, in contrast, underrated (as in the case of relatively small companies in less resource-oriented sectors). With regard to oil and gas, the state involves itself to a different degree depending on the company (for example, the state dominates in Gazprom while it has minor involvement in Lukoil). The same applies to businesses outside the natural-resource-based sectors, as in the cases of Kaspersky,[17] where the state does not formally participate, and Sitronics,[18] where political connections (relations between top managers and government) are more evident.

The importance of the industry to the national economy does, of course, affect the degree of state involvement. Automotive, metallurgy and petroleum companies receive more government attention and support than do those in construction, food and software. The explanation for this is that heavy industry is the largest contributor to the state's budget and also the most important token of the state's productive power. Businesses that are oriented toward the individual consumer have lesser significance in the eye of the state and thus attract less support. This category of business must rely on its own capabilities to promote its brand, develop the loyalty of its

[17] The largest Russian software company in anti-virus programs and related customer solutions (more info at www.kaspersky.com).

[18] The largest Russian (and one of the largest in Eastern Europe) high-tech company (more info at <www.sitronics.com>).

customers and innovate in distribution. It must compensate for the lack of strong government political and financial support with good marketing of its own.

In the electricity sector, where the role of the state is much greater than in the high-tech sector, the success of Inter RAO UES could not have been possible without the alignment of its strategic goal with that of the Russian state. While not a monopoly in the strictest sense, the company has enjoyed massive government backing, including the inheritance of Soviet-era assets. This heritage endowed it with a competitive position such that other players able to construct and operate nuclear plants or power grids cannot compete on price.

How does the government transform the existing competitive advantages and shape the new competitive advantages of Russian MNEs?

For Russian MNEs the state was either pushy (as in the case of most resource-based industries) or lax (for example, toward companies of relatively small size in less resource-based sectors). The companies chosen show two extremes: on the one hand, reliance on marketing and branding when the government has no interest in a domestic firm's expansion abroad, and, on the other, state encouragement of a firm to internationalize in the interests of foreign policy.

In the IT and automotive sectors, the government does not usually support commercial expansion abroad. Such firms are left to expand using their own resources and initiative. Examples are Kaspersky, in software, and car manufacturer AvtoVAZ, both of which must rely on their own marketing efforts to compensate for the lack of government support. Both have strong and well-known brands in Russia and can expand internationally through brand goodwill.

State interest in the internationalization of national firms is targeted at two types of companies: those where the business itself requires very vigilant control, such as Rosenergoatom, in the nuclear power sector, and those in any other sector where foreign policy impinges, such as Rosoboronexport, in defense.

In the nuclear power sector, where massive capital investment is required, the business, at least in Russia, cannot develop without government subsidy. Supporting Rosenergoatom is obligatory lest Russia be denied its own nuclear-power industry. In a manner similar to that employed by the nanotech industry, internationalization in this sector is engineered via involvement with foreign companies and organizations in joint projects.

The military industry, where government involvement serves the cause of national security, relies heavily on foreign sales to offset the cost to the national budget, while the government leverages deals for the military industry abroad to help with the industry's budget. Coincidentally, these deals assist in the formation of alliances and other requisites of foreign policy. In other words, to a company like Rosoboronexport, a strong government link is the pathway to facilitating customs procedures. In both cases, improving the technical and financial performance of the firms under the control of the state is an obvious precondition for achieving what the government has ordained – namely, improved efficiency in state firms. Such new efficiency, it is hoped, will help diversify state firms away from their present rut in natural resources, and thus enrich the economy as a whole.

When entering and operating in foreign markets, Russian MNEs that are not government favorites mostly focus on marketing (and branding) as well as aggressive investment. Favorites of the state receive strong support because in return they make it their job to work in the state's interest.

The military industry and the nuclear-power sector are both strongly supported and monitored by the government. This is facilitated by the government's customary stake in companies in these sectors. In particular, international operation is strictly controlled.

The military industry, under the strict control of the state, acquires its earnings from the government's weapons programs. These programs can be affected by troubles such as cost overruns, delivery delays and unsatisfactory performance, causing possible friction with other states. Companies engaging in military exports to less developed countries fall hostage to regional arms races, international debt and poverty, while also frequently acquiring a poor reputation owing to their tendency for bribery and corruption.

Being strategically crucial to states, military business operates in an imperfect market where information is not openly traded and where contracts are often based more on politics and geopolitics than on technical or financial considerations. Russia's military industry may be seen as doubly imperfect in a free market, owing to the imperfect fit not only of its industry but also of the country. In general, internationalization remains limited in the military sector when compared with most other industries. This is due to the high development costs associated with new equipment and advanced technology. International strategy is threefold: first, it seeks a foothold in various regional markets (for political reasons); second, it acquires state-of-the-art technology (to stay at the forefront of the industry); and, third, it muscles out competition and takes any new opportunity for itself (for profit).

To what extent and how does the combination of government interest and government control influence the internationalization process of Russian MNEs?

The results of our analysis enable understanding of the vectors of government influence on the CAs of Russian MNEs, on the basis of grouping them in the empirically grounded framework (Fig.3).

Figure 3: Empirically proven CAs of Russian MNEs explained by government involvement

Sectors in group	Interest of the state: how it shapes CAs	Control of the state: how it shapes CAs	Other influences of the state on CAs
Electricity; military; mining; oil and gas	Interest is high. CAs are based on the domestic monopolistic position of these sectors' firms, which is supported by the state.	Control is high. CAs are based on the prevention of domestic competition and protection of the foreign operation through political tools.	Government representatives often participate in the boards of these companies, which provides these firms with direct 'contact' with the state.
Banking; IT; metallurgy; telecom	Interest is high. CAs are based on the attempt to develop (or rather initiate the self-development of these sectors' firms) and limited support (financial or technological) where possible.	Control is low. CAs are based on non-intervention domestically and the relatively free market guaranteed at home.	These firms demonstrate the most obvious international results, moving abroad on their own. This is why the state does not prevent their expansion, since their global integration is in line with state policy, while not providing any any significant support.
Education; media; sport	Interest is low. CAs are based on the development by these sectors' companies (where significant physical investment is not necessary) of managerial and marketing competencies and skills as opposed	Control is high. CAs are based on the willingness of the state to manage what happens in these sectors, and hence on the companies' chance to benefit from government support (mostly in image-building and management	While the development of these sectors is crucial socially, the state is not really interested in these firms' development, where short-term profits are low or absent. Internationalization may help to improve these sectors, without the state investing.

	to state financial or political support.	assignment).	
Automotive; construction; fast food; logistics	Interest is low. CAs are based on the need to develop the companies' own marketing mix and brands, which may compensate for the lack of state interest.	Control is low. CAs are based on the chance to attract investment (which is needed in these sectors) and to co-operate internationally, without any serious government restriction.	These firms are potential profit-makers through partnerships. Domestic investors are not interested (as a rule) in these sectors, and the state promotes the international collaboration of these firms.

While official statistics show a decline in state ownership, there is also strong evidence of a considerable increase in Russian government control over the country's largest enterprises. The Russian government justifies this by claiming to create large, vertically integrated structures that are fit to survive international competition, as well to foster diversification of industry away from its present dependence on natural resources.

Conclusion

This article contributes to analysis in this area by highlighting government-related aspects of the competitiveness of Russian MNEs. Even when they go abroad with strong product capabilities and a proactive managerial style, they still benefit from home-country institutional resources for building competitive advantages. We see the strength of our empirical findings in the ability to facilitate understanding of the origins and prospects of CAs of emerging MNEs. Further analysis can be based on the placing (or re-placing) of new companies from other industries in the four sections of the matrix we have developed in this paper.

We also contribute to the debate on whether EMNEs are distinctive in the manner of building international competitiveness or follow a similar logic to developed-market MNEs. While the literature emphasizes that institutional forces shape the internationalization of EMNEs, they have not been comprehensively linked to explaining the nature and origin of competitive advantages. We address this gap by examining an integrated influence that home government factors (namely, control and interest) exert in enabling firms to compete abroad. Finally, we contribute knowledge about the behavior of Russian firms, which is one of the less researched areas in the field of international management.

The paper also has value for companies' strategists as it provides them with understanding of the complexity of government-related determinants influencing the internationalization process of their firms and the types of competitive advantages to be developed or supported. It also provides a practical tool for modeling their strategy formation and accounting for different types of state influences on competitive position in the global marketplace.