

## MNEs from Russia and CIS: from national champions to global players

*Background to this special issue and the process behind it*

In early 2016, we sent out a call for papers to comprise an *International Journal of Emerging Markets (IJOEM)* special issue entitled “MNEs from Russia and CIS: from national champions to global players.”

Our call was motivated by the fact that over the last two decades both the academic literature and the popular press have been overly populated with studies on emerging markets in general and emerging markets multinational enterprises (MNEs) in particular. While the latter began their international operations much earlier, the beginning of the 2000s saw a significant increase in their scale and scope of expansion. This development has changed the shape of the global economy as the locus of financial and political power started shifting from advanced to emerging economies and triggered substantial research in that space. In the international business literature various phenomena have been examined and new debates have been born in regard to emerging markets and the MNEs originating there.

This special issue is an attempt to contribute to the scholarly conversation on emerging market MNEs that has been taking place in international business outlets in general and on the pages of the *IJOEM* in particular. But as the title of the special issue clearly communicates, we take a step away from the highly popular term “emerging markets,” which itself is grounded on the assumption of similarity among various countries clustered in this group: instead, we focus solely on MNEs from Russia and the Commonwealth of Independent States (CIS). In our minds, the differences between emerging markets are so vast that they render the umbrella term close to meaningless, at least as a title of a journal special issue. And as some of the articles that feature in this special issue show, even within the region that is our focus, there are important differences between the countries involved.

We invited scholars from a diverse range of disciplines to offer analyses and examinations of various phenomena related to MNEs from Russia and the CIS. We clustered the topics we thought were of importance to include five big themes: the nature of these MNEs and their impact on the global economy; their expansion motives and preferences; their entry strategies and post-entry operations; the role of the state and governments in their internationalization; and what is happening inside these MNEs.

We received 13 submissions. Out of these we desk-rejected five, either because they were not a good fit with the special issue or they were of a quality that did not justify initiating a review process. Another two manuscripts were rejected after either first or second review round. One paper was withdrawn by the authors after the first review round. The other candidate papers have all gone through either two, three or four revision rounds. We, as co-editors, have also submitted a paper that was handled by Editor-in-Chief Ilan Alon and reviewers selected by him. Here is probably the right place to acknowledge colleagues who have invested time and effort to provide substantial feedback to the authors of the papers we have handled.

## The articles that feature in the special issue

The first article is by Latukha and Malko and is entitled “Westernization or localization of human resource management practices in CIS countries? Evidence from Kazakh firms.” This study investigates the peculiarities of human resource management (HRM) practices (such as recruitment, training and development, motivation and performance management) and identifies the factors that influence them. Analyzing data from 47 companies



headquartered in Kazakhstan, the authors argue that HRM practices are influenced by a number of factors, some of which are rather specific to Kazakhstan, and some of which are characteristic of the CIS as a region. The results show that despite the dynamic growth of Kazakhstan's economy, HRM practices are still in transition from those of Soviet heritage to ones that exist in Western MNEs and cannot fully match the country's needs in HRM development.

The second article, entitled "Political connections and strategic choices of emerging market firms: case study of Russia's pharmaceutical industry" by Klarin and Ray, is a case study of three Russian pharmaceutical firms that uncovers how they performed through the Russian transition – the institutional upheaval of the 1990s and the ongoing state-led industrialization. The authors describe the key institutional developments in these two relatively distinct phases of Russian transition; develop a taxonomy of strategic choices of Russian firms during the two phases; and discuss the issue of political connections and their role in business operations, again in the two phases. The authors conclude that firms that operate in the Russian and CIS contexts must be wary of complex ties that can assist or hinder firm performance. The conclusions highlight that although formal institutions strengthen arms-length networks, there remains close cooperation between strategic firms and the state.

The role of the state is one of the issues discussed also in the article "The role of state ownership and home government political support in Russian multinationals' internationalization" by Panibratov and Michailova. The authors highlight that the internationalization of Russian MNEs is an international business phenomenon that poses a number of interesting and often controversial questions. On the one hand, these companies are driven more by politics than by economics. On the other hand, many of them are state-owned and are therefore better protected by the home government from international rivals, and sometimes even from their domestic competitors. Compared to their private counterparts, Russian state-owned MNEs often lack both decision speed and operational flexibility, two important factors that assist international expansion. At the same time, when these companies go abroad, they often demonstrate results that are rarely achieved by private firms operating in the same industries. This article looks into state ownership and governmental intervention as two factors that influence the process of internationalization of Russian MNEs. These two types of influence together result in Russian MNEs' pursuit of specific strategies that may not be characteristic of the internationalization of MNEs from other emerging economies.

In their article entitled "Some twins are not alike: FDI premia in the former Soviet states" authors Gattai, Mechelli and Natale document systematic performance differences – referred to as FDI premia – between firms from the former Soviet states that are engaged in FDI, and firms that are not. The authors show that the magnitude of the FDI premia varies systematically across former Soviet states in a way that bypasses the traditional distinction between advanced and emerging economies. The authors' empirical analysis relies on Orbis data and covers a sample of more than 3,000 firms headquartered in the former Soviet states in 2015. It finds that FDI firms innovate more than non-FDI firms and that firms that engage in outward FDI innovate more than firms engaging in inward FDI. While it is concluded that MNEs from emerging economies differ from those from advanced countries, it is also suggested that they are not as homogenous a group as is often maintained in the literature; indeed, some twins are not alike.

The last article "A fresh perspective on M&A deals completion and abandonment by Russian MNEs" by Ermolaeva contributes to the scholarly conversation on the role of institutions in affecting MNE's behavior abroad. The study reveals how the host and the home countries formal institutions may cause the abandonment of mergers and acquisitions by Russian MNEs, and may also determine how the industry in which the MNE operates

can influence its results. The author investigates at what point institutional distance has positive or negative effect on the completion of mergers and acquisition deals. The analysis confirms that failures inhibit learning, and that firms tend to repeat previous mistakes. The study shows that a better business environment in the host country is crucially important, whereas the development of business freedom at home may make cross-border mergers and acquisitions less attractive and may increase the likelihood of these deals' abandonment.

### **In conclusion**

The MNEs from Russia and the CIS have become an increasingly visible feature of the global business ecosystem and will certainly occupy the minds of scholars not only from international business, but also from other disciplines. This special issue offers only a small segment of the research space in this area. A lot more remains to be studied and written about.

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