The Rise of Emerging Multinationals from Russia – Models, Drivers and Internationalization Strategies

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Abstract

The growing importance of Outward Foreign Investments (OFDI) from emerging markets has broken the traditional pattern of the advanced economies conducting FDI flows towards developing or low-income countries. The unprecedented expansion of multinational companies (MNCs) from so-called BRIC countries has received a great deal of attention in the international business literature during recent years.

Our paper provides an insight into the universe of Russian multinationals, by taking stock of different perspectives on the issue as it stands in many recent working papers or articles published in the literature. We shall explore this perspectives by answering comprehensively questions like "Who are, When, Why and How are expanding nowadays multinationals from Russia?" These questions were carefully elaborated in order to enable us to go through the most important approaches that have been made on the issue in the past years.

Keywords: *Russian multinationals (corporations); resource-based companies; modes of internationalization; drivers of internationalization; the eclectic paradigm (the OLI model); the linkage, leverage and learning model (the LLL model); the Uppsala model.*

JEL classification: F20, F23.

Introduction

The rise of Russian "giants" represents a subject that have received, so far, insufficient attention in the literature, mainly because the phenomenon has been overshadowed to a great extent by the astonishing upsurge of Chinese and Indian corporations. Besides, we can bring forward some other explanations to this fact. Firstly, the expansion as Russian corporations to abroad, an particularly to Europe, raised many questions regarding the motivations behind their internationalization and led to a common acknowledged belief that they were tools of regaining political hegemony rather than pure economic entities. Secondly, Russian multinationals themselves show reticence regarding the revealing of information about their business, discouraging further research (Filippov, S., 2010).

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Most scholars and practitioners consider that the recent and unexpected expansion of Russian multinationals as significant players of the business environment is an astonishing development. Thus, the Russian companies arose from small and medium sized enterprises which had to struggle against the inflexible framework of the centrally planned economy, isolated from the external world and then, had to face the challenging passage towards post-communist era through privatization, reorganization, uncertainty and losses. The performances these corporations have reached today are worth mentioning.

1. The Profile of Russian Multinationals – Who are they?

Alongside other multinationals from BRIC countries, corporate giants from Russia started to emerge in the international rankings of global companies. For instance, in the Forbes List of 2000 Global Companies, in 2011 there were 136 Chinese (including Hong Kong), 61 Indian, 33 Brazilian, 20 South African and 16 Mexican corporations. Russia was represented by 28 companies, with the aggregate capitalization of 762.6 billion USD, returns of 100.8 billion USD and total assets valued at 1,403.8 billion USD (Skolkovo Institute of Emerging Market Studies, 2010b). On its turn, the famous management consulting firm *Boston Consulting Group* (BCG) drew out a list of 100 global challengers by taking into consideration two relevant criteria: the amount of revenues (exceeding $1 bn) and the degree of internationalization (assessed through the number of foreign subsidiaries, sales network etc.). In the BCG's 2009 ranking of 100 companies from rapidly developing economies, some 36 Chinese, 20 Indian, 14 Brazilian and only 6 Russian companies can be identified. These are Basic Element (which activates in metallurgy sector), Evraz Group (metallurgy), Gazprom (oil & gas), Lukoil (oil & gas), Severstal (metallurgy) and Sistema (telecommunication services) (BCG, 2009).

A special survey on Russian multinationals was conducted in 2007 by the Moscow Skolkovo School of Management jointly with the Columbia Program on International Investment (Skolkovo Research, 2008). A number of 25 top Russian multinationals were identified, by using the following three main criteria: foreign assets, foreign sales and foreign employment. It turned out that Russian multinationals are very much similar to their BRIC counterparts with regard to their foreign assets and growth rates. They drag way behind multinationals from developed countries, but their growth rate is much more rapid. For instance, table 6 displays growth rates and the average profit margins for multinational companies in top 400 list coming from the US, Russia and China between 2003 and 2008. Data from below (Table 1) were released by Skolkovo Institute of Emerging Market Studies in August 2010 and they rely on several sources: for American companies, the top 400 is taken from Global 2000 list, for Chinese companies data comes from the top 500 company ranking published by China Enterprise Association and for Russia data regarding the top 400 corporations is provided by the Expert RA Rating Agency (Skolkovo Institute of Emerging Market Studies, 2010b). Russian multinationals grew between 2003 and 2008 four times as fast as compared to US companies and 45% faster as compared to Chinese companies. As regard to the profit margin, the average value for the same period is twice the level recorded by U.S. and Chinese companies.

Table 1: Profit margin and growth rates of top 400 companies from US, Russia and China (%)

Year	US		Russia		China	
	Profit Margin	Growth Rate	Profit Margin	Growth Rate	Profit Margin	Growth Rate
2003	5.21	15.91	8.90	38.69	3.52	29.19
2004	5.93	10.39	11.48	50.70	4.51	30.61
2005	6.48	10.18	11.55	32.13	4.46	20.39
2006	8.00	8.98	13.38	28.00	4.44	23.67
2007	6.56	7.17	11.28	28.95	5.21	24.98
2008	-2.04	0.84	6.41	25.00	4.63	19.08
Average	5.02	8.91	10.50	35.76	4.70	24.65

Source: Skolkovo Institute of Emerging Market Studies, Corporate Giants and Economic Growth – a Case for China and Russia, August, 2010

The study also revealed some other peculiarities for Russian multinationals. Thus, the biggest Russian multinationals are concentrated in two industrial sectors related to the exploitation and processing of natural resources, a traditional source of competitive advantage for this country (Deloitte CIS, 2008). The oil & gas sector is represented by Lukoil, Gazprom, Rosneft Oil, TNK-BP, Gazpromneft etc., while the metallurgical sector includes companies like Severstal, UC Rusal, Norilsk Nickel or Evraz Group. Three oil & gas firms, namely Lukoil, Gazprom and TNK-BP and nine metals and mining firms, led by Norlisk Nickel accounted together for 80% of the total assets of the top 25 (Skolkovo Research, 2008). Nevertheless, new multinationals are developing in industrial sectors as diverse as food production and retail, IT and Internet, banking, hospitality, telecommunications, electronics etc.

On the other hand, the geography of multinationals expansion reflects that Europe is the by far the destination of choice for Russian foreign direct investments. Moreover, CIS countries and Eastern Europe are preferred by the giant corporations from Russia when they conceive their strategies of expanding abroad. This trend is caused by the linkages already in place in the former Soviet Union area, common business practices and cultural values, low competition from other MNCs from elsewhere etc. (Filippov, S., 2010).

Statistical data available for the period 2000-2010 showed that there were three main *modes of internationalization – merger & acquisitions deals*, *greenfield projects* and *strategic alliances* - used by Russian corporations in order to expand abroad. All of them have followed an increasing tendency, but they reached a turning point at the end of 2008. Table 2 displays the number of acquisition deals made by Russian companies since 2000. The impact of the global slowdown is evident at the end of 2010, when the number of acquisitions fell to the level of 2005 – 70 deals (they decreased by 39% as compared to the peak value of 2008 – 119). Yet, the expansion of Russian multinationals did not come to an end. Between 2008 and 2010, a total number of 291 deals made by Russian giants were reported (Filippov, S., 2011).

Table 2: Number of acquisition deals by Russian companies, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	*16*	*28*	*35*	*53*	*60*	*70*	*103*	*114*	*119*	*102*	*70*
CIS	6	10	16	25	34	30	35	29	32	35	28
EU	8	12	17	18	17	28	41	50	56	44	31
Non-EU Europe		3		4		2	7	3	5	6	1
Northern America	2	3		1	2	2	5	10	11	9	5
Africa			1	1	4	1		1	4		
Latin America					1		1			4	1
Asia and Australia			1	3	1	5	3	5	8		2
Offshores				1	1	2	10	9	3	2	1
Un-identified					1		1	7		2	1

Source: Filippov, S., Russia's Emerging Multinational Companies amidst the Global Economic Crisis, Maastricht Economic and Social Research and Training Centre on Innovation and Technology, UNU-MERIT Working Papers Series, 2011-003

In order get a real picture of Russian multinationals and their huge potential, as well as in order to provide the proper background to investigate the internationalization strategies adopted by these companies, we shall provide insights into financial performance of some major Russian multinationals, relying on a most recent and well-documented study from statistical point of view, published by Sergey Filippov (2011). The study focuses on 30 Russian corporations, which were selected from a list including 500 largest European companies, drawn up by the German agency Handelsblatt Research (Table 3) (Filippov, S., 2011).

Despite the emergence of the global downturn in 2009, the majority of Russian multinationals managed somehow to preserve their double-digit levels of profitability (Filippov, S., 2011). For example, Gazprom, Russia's largest multinational corporation experienced a substantial drop of revenues (namely 18.2% as compared to the previous year) and yet its profitability hold at 26.1%.

Table 3: Russian companies, in the rating of the top 500 largest European Companies (2009)

Rating	Company	Sector	Revenue		Net profit		Profita-bility, %
			€ mln	Change to 2008, %	€ mln	Change to 2008, %	
12	Gazprom	Oil and gas	67,806	-18.2	17,673	1.0	26.1
23	Lukoil	Oil and gas	49,654	-2.4	5,118	-5.0	10.3
57	Rosneft Oil	Oil and gas	25,325	-8.5	4,755	-27.4	18.8
61	TNK-BP	Oil and gas	24,124	-9.3	3,452	-8.2	14.3
106	Gazpromneft	Oil and gas	14,758	-33.9	2,199	-31.8	14.9
114	Surgutneftegaz	Oil and gas	13,584	-21.1	3,451	48.8	25.4
118	Sistema	Telecom	13,015	12.8	1,141	>100	8.8
164	Severstal	Steel	9,529	-27.8	-757	-	-7.9
168	IDGC	Supplier	9,299	3.7	260	22.8	2.8
177	Tatneft	Oil and gas	8,629	-17.5	1,233	>100	14.3
197	MMC Norilsk Nickel	Minerals	7,302	-23.6	1,906	-	26.1
203	MTS	Telecom	7,064	17.0	722	-36.5	10.2
210	Evraz	Steel	6,783	-43.5	-868	-	-12.8
224	Transneft	Oil and gas	6,478	4.7	1,661	-0.9	25.6
227	X 5 Retail	Retail	6,363	29.3	121	-	1.9
228	Vimpelcom	Telecom	6,353	6.6	803	>100	12.6
245	Rusal	Minerals	5,871	-36.5	590	-	10.1
284	AvtoVAZ	Automotive	4,525	-13.4	-574	-	-12.7
288	Novolipetsk Steel (NLMK)	Steel	4,482	-35.0	157	-88.3	3.5
306	Mechel	Steel	4,138	-29.4	53	-92.1	1.3
312	GAZ Auto	Automotive	4,015	-5.7	-225	-	-5.6
317	Magnit	Retail	3,908	24.1	201	81.7	5.1
327	Magnitogorsk Iron & Steel	Steel	3,709	-40.3	169	-73.3	4.6
394	Bashneft	Oil and gas	2,872	1.9	256	-30.0	8.9
416	Aeroflot	Airlines	2,718	0.6	33	-84.7	1.2
431	Rushydro	Power generation	2,621	3.3	695	-	26.5
441	Mosenergo	Power generation	2,590	15.9	38	-21.3	1.5
457	Salavatnefteorgsintez	Chemicals	2,471	-8.6	135	22.0	5.4
461	Slavneft	Oil and gas	2,460	-8.6	219	-43.1	8.9
474	TMK	Steel	2,402	-28.3	-225	-	-9.4

Source: Filippov, S., Russia's Emerging Multinational Companies amidst the Global Economic Crisis, Maastricht Economic and Social Research and Training Centre on Innovation and Technology, UNU-MERIT Working Papers Series, 2011-003, p.10

Very similar evolutions can be outlined in the case Surgutneftegaz, another oil and gas Russian corporation occupying the 144-th place in Handelsblatt Research's ranking or in the cases of the Norilsk Nickel (197-th place), Transneft (224-th place) and Rushydro (431-th place). The level of profitability for these corporations exceeded the 25% in 2009, surpassing most of the German companies listed in the top 500 (Filippov, 2011).

Most probably, such performance is due to the oil exports increasing trend and the high levels of oil prices preceding the crisis, as the above-listed top 30 of Russian multinationals is highly populated by companies from resource-based sectors (such as oil and gas or mineral) which accounted for approximately 70% of the total revenues obtained in 2009 – € mln 324,848. However, multinationals from the steel industry and automotive sector – Severstal, Evraz, TMK, AutoVAZ and GAZ Auto - were severely stroked by the recession and fell below their break – even point. Hence, Russian multinational companies undergo a difficult period of change and uncertainty regarding their international growing strategies. Competitive advantages that propelled Russian companies in the worldwide rankings of giant corporations are *miscellaneous*. On the domestic market, they refer to the natural resource endowment, small energy prices, prevailing market positions, high educated labour force and governmental support. These elements substantiate the hypothesis of Russian multinationals' capability of growing abroad, even under the circumstances of the economic crisis. On the other hand, statistical data highlighted another group of Russian multinationals that saw their profitability severely deteriorated in 2009.

In the following section, we will try to answer the following question: "*Do the Russian companies continue to expand internationally?*" Therefore, we'll trace the internalization strategies of Russian multinationals, their motivations and the destination of Russian OFDI flows, in order to find out why giant companies from Russia started to emerge on a massive scale and if this trend is going to be carried through the years to come.

2. Motivations behind the Russian Multinationals – Why are they going global?

A closer look on the drivers of Russian multinationals' expansion abroad put forward motives that are considered quite traditional and typical for the companies belonging to the developed market economies. Authors in the international business literature agree upon four basic motivations that guide the internationalization process of corporations, regardless their background, developed or emerging country. According to a research study conducted by Deloitte (2008), these motivations hold true for the largest Russian companies with foreign assets. These drivers of internationalization are as follows:

- *Seeking markets* – multinationals tend to extend their tentacles on markets that guarantee further development either through the great number of consumers or through their purchasing power. A UNCTAD (2006) survey substantiated that seeking markets was the fundamental motivation for the internationalization of firms from emerging countries. As far as Russian MNCs are concerned, there are plenty of examples of firm strategies that reflect such motivation. In line with the doctrine of the Uppsala model, multinationals from Russia have developed their geographical presence in the neighboring markets of CIS and Eastern European countries. For instance, telecommunications companies MTS and Vimplecom have entered the CIS markets. Another Russian company - TMK (Russia's largest producer and exporter of steel pipes) - began its' internalization strategy with only two foreign production facilities located in Romania. The largest Russian oil & gas companies were driven by the need of penetrating new markets when they purchased processing entities, distribution networks and storage and transportation facilities across Europe and the US (Deloitte, 2008). We also highlight the fact Russian giants like the aforementioned ones have been successful in conquering markets from advanced developed economies, despite the high intensity of competition and/or regulatory impediments (Filippov, 2010);

- *Seeking resources* – refers to investments which pursue to get a better access to raw materials. The rankings of Russian multinationals are highly populated by companies from resource-based sectors. But this fact should not lead to the conclusion that Russian MNCs tend to give up their plans of seeking new resources. On the contrary, rich natural resources of Russia stimulates Russian companies to continue investments in order to ensure access to resources, given that most of the giant companies from Russia are highly integrated and they need to obtain low cost supplies from other countries. Other examples of MNCs driven by the resource-seeking motivation include Russian mining and metallurgical companies as well as non-ferrous metal producers which have already faced the inadequacy of production volumes from their home deposits and their processing capacity (UC Rusal) and the high level costs of mining activities in Russia (Norilsk Nickel or Alrosa);
- *Seeking efficiency* aims to improve firm's efficiency by exploiting the advantages of economies of scale and scope, as well as the common ownership. If seeking markets is the basic motivation for "horizontal companies" which manufacture relatively standardized products, seeking efficiency is the prevailing investment motivation for the "vertical companies" which geographically split the production process into several stages, based on the local levels of endowment with production factors (Voinea, 2007). John Dunning substantiated that efficiency seeking FDI would follow sequentially the aforementioned motivations of FDI. In the Russian case, efficiency seeking FDI is evidenced by Alrosa which accounts for 25% in the global diamond production. Alrosa's management consider the geographical diversification of its resource base as a significant leverage for the optimization of the production structure, given the variations in mining costs, climatic conditions, tax and customs regulations in different parts of the world (Deloitte, 2008). Other examples include the acquisition of refining assets in Odessa by Lukoil or the purchasing of the Ukranian metal producer Dneprometiz by Severstal, one of the largest steel producers in the world. In fact, Severstal is considered to be one of the lowest-cost steel producers globally by virtue of its strategy of acquiring assets in the USA, CIS, Italy, France and the UK facilitating the company to get greater efficiency than other Russian steel producers;
- *Seeking technology* – Generally speaking, MNCs from emerging countries show a preference for investments in developed country, going in quest of sophisticated technologies, know-how, management & marketing abilities and thus, counterbalancing their own competitive disadvantages. Yet, asset-seeking

FDI in order to obtain a technological edge appears to be rare for Russian multinationals (Filippov, 2010). The main explanation is the fact that most Russian multinationals activate in the so-called traditional sectors, where they employ mature technologies. Within this domain, Russian corporations dispose of a suitable technological structure and have their own adequate technical resources. As Russian companies from telecommunications, automotive industry, high-tech and other more technologically complex sectors soar within the international business scene, the role of this driver of internationalization is expected to increase. Companies like Renova, OMZ or the GAZ Group can be considered as representative examples that support this trend.

In order to have a deep understanding of the internationalization of Russian multinationals, the aforementioned drivers which act as "pull factors" must be accompanied by the "push factors". This analysis is in line with Bartlet and Goshall paradigm of "pull and push factors", which established two different triggers of expanding strategies for the emerging multinationals. First, the "pull factors from foreign markets" fits the companies which are tempted by the perspective of entering new markets because of the motivations listed above – the access to natural resources, the opportunity of serving large masses of consumers, the possibility of getting immediate access and implementing new technologies or the improvement of efficiency through building an international production network. On the other hand, "the push factors" act in reverse mode and determine the companies to find solutions to their problems by expanding themselves abroad. According to Sergei Filippov (2010), in the late 1990-s, Russian companies invested in locations from abroad in an attempt to avoid economic instability and high political risks in Russia. Despite the fact that the Russian business environment has gained and maintained steadiness for many years consequently, the largest Russian companies still choose to undertake investment projects abroad in order to cover themselves against any potential political risks. Other "push factors" for Russian multinationals are the underdeveloped financial system in Russia, high interest loans and exchange rate variations that encourages the capital outflows from this country (Filippov, S., 2010).

3. Models of Russian Multinationals Expansion – When do they do?

The question "When" calls for a retrospective analysis of mainstream theories regarding the internationalization of multinational enterprises. There were three main traditional approaches that have dominated the literature on multinational companies in the last thirty years (Taylor & Nolke, 2008): the eclectic paradigm or the OLI model – ownership, localization, internationalization (Dunning, 1977, 1981, 1995, 1998; Tolentino, 1993; Sim, 2006; Salehizadeh, 2007); the international product cycle theory (Vernon, 1966; Buckley & Casson, 1976; Wells, L., 1984) and the LLL model – Linkage, Leverage and Learning - conceptualized by Mathews (2002, 2004, 2006).

- *The eclectic paradigm or the OLI model* was first conceptualized by Dunning (1977), starting from the three variables or advantages that might determine "the going abroad strategy" for a company: Ownership, Location and Internationalization. Ownership advantages means that the company should possess a specific resource to be exploited, a new technology or a product that could successfully compete on the domestic market. Location advantages (L) are related to the characteristics of the home country and the specific opportunities it offers to any potential investor. This kind of advantages is specific to each economic system and cannot be transferred elsewhere. Internationalization advantages (I) include the capability of developing and managing international production/distribution networks which should generate higher profits for the company as compared to the export of goods manufactured domestically. The most recent elaboration of the eclectic paradigm (Dunning and Lundan, 2008) makes a differentiation between asset advantages (O_a) and transaction advantages (O_t) which could be extended to a fourth variable – home country advantages (H). The extended eclectic paradigm – OLIH is explained at full length and then particularized in the case of Russia by Kalaman Kalotay, economic affairs officer at UNCTAD, in his research paper "*Russian Transnationals and International Investment Paradigms*" (Kalotay, 2008);
- *The International Product Cycle Theory* assumes that enterprises are innovating as a reply to the demand increasing trend, given the factor prices from their home country. Following the launching of a new product, companies supply their home markets and begin subsequently to provide for other foreign markets that are similar to their own (of course, on condition that demand occurs in these locations). The company will serve these markets through exporting until the product reaches the maturity phase of its life cycle, the production process becomes standardized and the management of the company comes to the conclusion that it would be more profitable (in terms of lower costs, increasing rents and overcoming competition from the domestic firms) to establish production facilities in the host country. As product standardization spreads, other competitors will gain access to the knowledge and technology required to manufacture the product, the competition between host and home countries will intensify bringing the prices to the fore;
- *The Linkage, Leverage and Learning or the LLL model* – Mathews (2006a, 2006b) proposes a model complementary to the OLI approach, which more suitable for multinationals form emerging economies. Thus, the new approach calls into requisition development economic theories of the sixties (Gerschenkon 1952; 1962; Akamatsu 1962) and puts forward the catch-up strategies that the latecomer companies can use in order to rise from the global ranks. The fact that multinationals from emerging economies are newcomers on the international markets can turn into an advantage for them because they can skip the standard initial steps of internationalization; hence, they get easier access to advanced technologies (through imitation) and fill the gap between

them and the developed countries. Thus, multinationals form emerging economies have rapidly gone global by linking up with a partner from a developed country and yet having access not only to the foreign market, but to the knowledge and the technology of their ally. This strategy has offered the emerging multinationals the opportunity to leverage the knowledge and the technology they have been exposed to by their partner. In the process of leveraging, emerging multinationals have underwent several feedback loops to internally assimilate, strengthen and/or adjust the resources acquired through linking. In short, this denote the process of learning, whereby gaining knowledge represents the key factor than enable the emerging multinationals to successfully leverage the resources they procured through linking (Taylor & Nolke, 2008). This model is different from the aforementioned OLI model because it entails a dynamic process of the development of multinationals in contrast to the static OLI model. According to the author of this model, "*Any firm which lacks resources in foreign countries can take advantage of the new features of the global economy, particularly its globally interconnected character, to become an international player*" (Mathews, 2006a).

However, these theories of firms' internationalization were built for the purpose of identifying the main motivations and strategies that drove the developed countries' fight for supremacy on global markets. Therefore, they may not fully reflect the whole motivation behind overseas activities performed by MNCs from emerging countries. Therefore, we shall mention a new approach from the literature, which are more appropriated for the case of BRIC multinationals.

In particular, *the Uppsala model*, introduced by Johanson and Vahlne (1977), perfectly fits in the pattern of the international evolution of Russian resource-based companies. The model postulates that the lack of knowledge about foreign markets leads MNCs to expand their activities in countries which are culturally and geographically nearer to them. The conquering of targeted markets follows incrementally, step by step, in an attempt to overcome the so-called "psychological distance" which imply many obstacles such as differences in languages, culture, political environment, business practices, the level of industrial development etc. (Nigam & Su, 2010).

Kalotay (2008) has demonstrated that the Uppsala model can actually explain the behaviour of Russian resource-based multinationals. First, they began internationalization by exporting products; afterwards they acquired foreign assets and set up subsidiaries, due to various motivations - seeking resources, seeking technologies, seeking markets, seeking efficiency or even avoiding export duties (Filippov, 2011). From geographical point of view, statistical data trace the preference of Russian MNCs towards CIS countries and Eastern Europe regarding their strategies of expanding abroad.

Conclusions

In opposition to the general belief that small and medium enterprises are the engine of the economic growth, our study on the Russian multinationals revealed that a few hundred of corporate giants take the lion's share in the economic activity of emerging countries. Although they emerged relatively recent on the world economy scene, on overview of the magnitude and the outstanding growing trend of Russian multinationals proved that they are becoming redoubtable competitors within the global business environment.

The overwhelming economic force of these top companies allows them even to shape the growth pattern of their home country. The list of the largest multinationals from Russia showed that corporations from oil & gas and metallurgical sector are prevailing, as a consequence of the resource – based character of the Russian economy. The high level of profits reported by Russian multinationals can be explained through the peak values reached by oil prices prior the global economic crisis. As a matter of course, the following question arises: "*Will this energy-driven model of economic growth prove its viability on the long run?*" Recent studies suggest that multinationals from Russia are beginning to feel "*the wind of change*" towards a new alternative energy era and extend their tentacles in other economic areas such as IT and Internet, banking, telecommunications, food industry, hospitality etc. The contribution of multinationals in the process of remodeling the former Soviet economic system into a modern service and innovation oriented economy represents a fascinating subject that deserves a great deal of attention in a future research.

The study of Russian multinationals has also highlighted that the drivers of foreign investments for these companies match the conventional group of motivations which are representative for the multinationals from developed economies, namely market – seeking motives, resource-seeking reasons, technology-seeking drivers and efficiency-seeking incitements. But these motivations are strongly related to the models of the internationalization of multinational companies. Overall, the internationalization theory caused plenty of debates in the literature.

We have reviewed the classical approaches that brought significant contributions to the theory – building in the field: the eclectic paradigm (or the OLI model), the international product cycle theory, the linkage, leverage, learning (LLL) model and the Uppsala model. From among them, we believe that the unprecedented expansion of Russian multinationals in the last 10 years can be explained starting from the postulated of LLL and Upsala models. Thus, the position of "later comers" was turned by Russian multinationals form a disadvantage to a significant advantage and allowed them to penetrate market niches that multinationals from developed countries have overlooked. Through the rapid assimilation of knowledge and new technologies from their business partners, Russian corporations managed to skip over several decades of multinational evolution as compared to their counterparts from developed economies. Moreover, the setting up of innovative strategies enabled the Russian giants to compete with the top companies from the developed economies, at the same scale. A closer look on the applicability of these models in the Russian case might be another interesting avenue of research.

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