



Russian SMEs' decision to enter foreign markets

A.V. Trachuk^{1,*}N.V. Linder^{1, 2}¹ Financial University under the Government of the Russian Federation (Moscow, Russia)² JSC "Goznak" (Moscow, Russia)

Abstract

This study focuses on analysing the decision-making processes of Russian small and medium-sized enterprises (SMEs) when entering international markets. Key aspects of internationalisation are examined, including market selection, entry strategies and the factors that influence these decisions. Particular attention is paid to the characteristics of SMEs, such as resource constraints and limited opportunities, which affect their behaviour in international markets. Concepts of internationalisation of new international ventures (INVs) are explored, including different types of start-ups and the concept of 'born globals'. The role of entrepreneurial dynamism, flexibility, and motivation in overcoming competitive disadvantages against large corporations is discussed. Issues related to the impact of operating in foreign markets on knowledge accumulation and improved business efficiency, particularly under conditions and restricted access to resources, are also addressed.

An analysis of 421 Russian SMEs revealed that the choice of internationalisation strategy is significantly influenced by factors such as the effectiveness of innovation activities and the industrial sector of the company. Despite successes in international operations, the current situation poses challenges that are leading to reduced investment in innovation. Geopolitical risks increase costs and discourage companies with a horizon-expanding strategy from exploring new markets. Decisions about external market choices are based on personal and inter-firm networks. Long-term experience in foreign markets facilitates the transition to developed country markets and promotes innovation. It is common for Russian SMEs to establish subsidiaries and branches abroad without a step-by-step approach.

Keywords: internationalisation strategy, small and medium enterprises, internationalisation models, external market selection, entering foreign markets.

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俄罗斯中小企业进入国外市场的决策

A.V. Trachuk^{1, 2}
N.V. Linder^{1, 2}

¹ 俄罗斯联邦政府财政金融大学 (俄罗斯, 莫斯科)

² Goznak股份公司 (俄罗斯, 莫斯科)

简介

本研究分析了俄罗斯中小企业在进入国际市场时的决策过程。研究探讨了国际化的主要方面, 包括市场选择、进入战略和影响这些决策的因素。特别关注中小企业的特​​点, 如资源和能力限制, 这些因素影响着它们在国际市场上的行为。还探讨了新兴国际企业 (包括不同类型的初创企业) 的国际化概念, 以及“天生全球主义者”的概念。讨论了中小企业的创业活力、灵活性和积极性在克服大公司竞争优势方面的作用。报告还谈到了在外国市场开展业务对创造知识和提高公司效率的影响, 特别是在受到制裁和资源有限的情况下。

根据对 421 家俄罗斯中小企业的分析发现, 创新绩效因素和行业归属对国际化战略的选择起着重要作用。尽管在国际活动中取得了成功, 但目前的形势造成了困难, 导致创新投资减少。地缘政治风险增加了成本, 阻碍了追求扩大视野战略的公司寻找新市场。选择国外市场的决定是在人际关系和公司间合作的基础上做出的。在外国市场的长期经验会刺激企业向发达国家市场过渡, 并增加创新活动。俄罗斯中小型企业的特点是在国外市场建立子公司和分支机构, 不需要逐步干预。

关键词: 国际化战略、中小企业、国际化模式、外部市场选择、进入外部市场。

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Introduction

Internationalisation decision-making processes are complex [Andersson, 2011] and involve many different decisions [Santos-Alvarez, García-Merino, 2010; Vlacic et al., 2023]: market selection, choice of internationalisation strategy, choice of entry model for a new market analysis and factors influencing the choice of this model [London, 2010; Buckley, Casson, 2019]. At the same time, the authors [Crick, Spence, 2005] suggest that none of the existing theories of internationalisation can fully explain decision-making in the internationalisation process.

The purpose of this study is to analyse various decisions on entering foreign markets and factors influencing these decisions by Russian small and medium-sized enterprises (hereinafter referred to as SMEs).

Research on the internationalisation of small, internationally competitive firms from the early years of their existence began in the late 1980s and gave rise to the concept of internationalisation of new international ventures (INVs). First of all, this concept distinguishes between different types of new international enterprises that differ in their internationalisation strategy. The following were distinguished: export-import start-ups, transnational trading companies, geographically oriented start-ups and global start-ups. Recent studies have described another type of new international firm, the ‘born globalist’ (BG), which differs from the previous types mainly in the speed of internationalisation [Leis, 2024], since this type of firm

is conceived as an international firm from the moment of its creation, as well as in its high innovative activity.

It should be noted that small and medium-sized enterprises differ from large firms in their specific characteristics, which may influence their decisions to enter international markets [Fernandes et al., 2023]. Such specific characteristics include: limited access to financial capital, structural constraints, management and skills constraints, and financial and human resource constraints [Johanson, Vahlne, 2003; Crick et al., 2020].

However, other researchers, such as [Paul et al., 2017], have shown that SMEs can be competitive despite their limitations due to their behavioural strengths. For example, SMEs tend to be characterised by entrepreneurial dynamism, flexibility and higher motivation, while large firms benefit from economies of scale and the availability of financial and technological resources. The works [Zacharakis, 1997; Paul et al., 2017] show that large firms are more effective in overcoming barriers associated with internationalisation because they have greater resources, competencies and capabilities than small firms.

In addition, the studies discuss quite extensively the extent to which firms’ activities in various external markets affect the efficiency of their activities. The discussion relates to the extent to which firms’ activities in external markets contribute to the accumulation of knowledge about how to improve product quality, improve management skills,

use new technologies, build relationships with partners and apply this knowledge to improve their activities. Does accumulated knowledge influence the internationalisation strategy? What characteristics should a company have in order to use the acquired knowledge and skills to improve its performance? These issues are particularly interesting in the context of small and medium-sized enterprises, as they have to operate with limited resources, the acquisition of which in the Russian market depends not only on the amount of free cash in the SME company and access to financial capital, but also on sanctions restrictions, including access to technology and equipment. Therefore, an entrepreneur deciding to enter foreign markets is faced not only with the question of designing the internationalisation strategy itself, but also with the question of contextual factors that can influence the success of doing business in foreign markets.

For SMEs, internationalisation for business expansion is a serious step that requires analysing a complex external environment, finding an optimal balance in resource allocation, and strategically aligning external and internal environmental determinants to make a profit in different foreign markets [Fernandes et al., 2023].

The article is structured as follows. The first part presents studies of factors influencing decisions on entering foreign markets - decisions on internationalisation, choice of internationalisation strategy, choice of market and possibility of cooperation. The second part of the article is devoted to an empirical study of the influence of factors on the decision-making of Russian SMEs. The final part contains the main findings.

1. Theoretical review of the literature

1.1. Decision to internationalise

Currently, there are several classic theories explaining the decision to internationalise: the Uppsala model of internationalisation [Johanson, Vahlne, 1977], the resource-based approach [Barney, 1991], the network approach to internationalisation [Coviello, Munro, 1997] and Dunning's eclectic paradigm [Dunning, 1988].

Thus, the Uppsala model of internationalisation is that a company starts international expansion gradually, using the accumulated experience and knowledge from the domestic market and adapting it to new conditions in foreign markets. In the initial stage, the company starts its international activities by exporting goods to countries that are similar to the domestic market, where risks and uncertainties are lower. The company then increases its presence in foreign markets, deepening its involvement through the opening of representative offices, the creation of joint ventures and, finally, through foreign direct investment (FDI). At the same time, international expansion is based on the experience and knowledge acquired by the company in its home market. The transition to a new market requires the adaptation of this knowledge and skills to local conditions.

According to J. Barney's resource-based view (RBV), the source of a company's competitive advantage is unique resources and capabilities that are difficult for

other organisations to copy or imitate. The resource-based approach explains why some companies successfully enter international markets while others fail. A company with unique resources seeks to transfer them to international markets to increase profits and expand its influence. If a company has rare and valuable resources, such as brands, technology, or management talent, it can take advantage of global opportunities.

The network-based view of internationalisation, proposed by D. Coviello and A. Munro in 1997, focuses on the importance of social networks and inter-firm relationships for the successful development of international markets [Coviello, Munro, 1997]. Within this approach, internationalisation is seen as the result of interactions between different market actors, such as customers, suppliers, partners and government agencies.

Dunning's eclectic paradigm was proposed by M. Dunning in the 1980s and combines several approaches to explain internationalisation. It includes four main components: ownership advantages, market opportunities, investment availability and managerial preferences [Dunning, 1988]. Ownership of proprietary assets suggests that firms with unique technologies, brands or other internal resources are better able to enter international markets; the presence of market opportunities suggests that firms seek markets with the greatest potential for demand and expansion; the availability of investment and the ability to raise capital determine a firm's ability to conduct international operations; and managerial preferences signal that decisions to enter international markets are made by managers based on their assessment of all of the above factors.

However, an increasing number of studies show that internationalisation decisions are influenced by internal and external factors, such as the strategic orientation of the firm making the decision [Kollmann, Christofor, 2014], the foreign language skills of the decision-maker [Cannone, Ughetto, 2014], and the existence of contacts, relationships and cooperation with firms from other countries [Xie, Amine, 2009; Castellacci, 2014]. For example, a quantitative study of 871 Dutch SMEs [Hessels, Terjesen, 2010] showed that the decision maker's perception of the increasing international presence of its network partners (competitors, customers and suppliers) explains the decision to internationalise.

Among the external factors, the influence of the national and institutional context is highlighted. The studies [Meyer, Nguyen, 2020; Meyer et al., 2023], which are devoted to institutional environmental factors that influence the success of business in foreign markets, show the important role of business conditions in developed and developing countries. The work of M. Peng [Peng, 2003] shows that all countries with developing economies differ from each other in terms of institutional rules and the rate of change of the external environment.

Studies of the institutional environment identify three main aspects that influence business behaviour and development: (1) government regulation of business, (2) the knowledge and skills of the country's population, (3) the value system shared by society. These three aspects are

referred to as direct influencing factors (in some studies the microenvironment of the firm) and political, economic, social and cultural factors are referred to as indirect influencing factors (or the macroenvironment of the firm).

In summary, an institutional approach to corporate analysis has emerged in the literature, reflecting the study of the strategy and behaviour of firms as a result of the interaction between institutions and firms.

In addition, a number of studies examine the influence of industry factors on the success of firms in foreign markets. For example, [Chang, 2011] points out that the success of a company in foreign markets depends on the specifics of the industry. Industry factors help to better understand the process of internationalisation [Belso-Martínez, 2006], but the most important factor at the industry level is the level of competition.

1.2. Choosing an internationalisation strategy

The choice of internationalisation strategy plays a key role in determining the future success of an SME's international operations. There are different approaches to classify such strategies. For example, the authors of [Barlett, Goshal, 2000] proposed a classification of strategies according to the level of analysis of local conditions and integration into the international market into: (1) a replication strategy, which does not require special measures to adapt to local market conditions; (2) a multilocal strategy, in which each subsidiary operates autonomously and adapts its products as much as possible to the preferences of consumers in foreign markets, and also focuses on product innovation and marketing; (3) a global strategy, which involves the release of standardised products in each foreign country of presence and the absence of product adaptation to the needs of local markets; (4) a transnational strategy, which involves integration when entering foreign markets and the transfer of competencies from the parent company to the subsidiaries for their most effective use.

In [Jeannet, Hennesey, 2003], a classification of strategies is presented based on the EPRG model [Wind et al., 1973], which identifies the market strategy of adapting products to the needs of foreign markets. This model identifies an ethnocentric (intranational) approach, which does not involve the adaptation of manufactured products; a polycentric (multinational) approach - with a high degree of product adaptation; a region-centric (megaregional) approach - using uniform marketing approaches in similar countries; and a geocentric (global) approach.

The authors [Rugman, Verbeke, 2004] offer their own classification of foreign economic strategies based on the geography of coverage. They focus on the choice between a regional strategy (within a region), a strategy to develop two regions, a strategy to develop distant regions and a global strategy.

In [Finkelstein et al., 2007], a classification is developed that takes into account the level of risk involved in foreign operations. According to the authors, each strategy can be applied in both established and new markets, increasing the number of possible combinations. For example, the strategy

of 'expanding horizons' implies a rapid expansion of the company by entering new geographical markets with proven products and ideas. The 'reshaping' strategy represents a transition to new business opportunities that change the very nature of the company. The 'follower to leader' strategy involves moving to a leadership position under new management and renewing the strategy after a long period of stability. Finally, the 'storming' strategy describes the rapid growth of a young company that quickly achieves a significant position in the market.

The authors of the study [Kotler et al., 2015] consider a classification of internationalisation strategies based on the substantive aspects of a company's behaviour in the market. It includes the management of a portfolio of activities ("focused portfolio", reduction of vertical integration, market presence, consolidation through mergers and acquisitions, network strategies, partnerships and virtualisation) as well as competitive tactics (creation of new rules of the game, innovation and brand strategies).

A careful analysis of the internationalisation process allows us to differentiate between companies according to the type of internationalisation process they undergo. This distinction has been introduced and generalised in [Knight, Liesch, 2016]: some companies enter foreign markets gradually, while others are initially 'born globalists'. The latter is closely related to the choice of internationalisation model.

1.3. Choosing an internationalisation model

Another important decision is the choice of the internationalisation model, which is described in [Pinho, 2007; Nabi et al., 2024] as one of the most critical decisions in the internationalisation process. The study [Root, 1994] dedicated to internationalisation describes models such as selling goods for export, technology transfer, forming strategic alliances, subcontracting, investing, creating joint ventures, opening a branch abroad.

The purpose of this article is not to describe these strategies in detail, but to identify those used by Russian SMEs and to understand the factors that influence the choice of solution.

Among the factors that have a positive impact on the initial decisions about the entry model into a foreign market for small and medium-sized enterprises, the entrepreneurial orientation of the decision maker as well as his ability to establish contacts are indicated [Ibeh, Kasem, 2011; Kaur, Sandhu, 2013; Heydari et al., 2023], and subsequent entries into foreign markets are explained by the factor of accumulated knowledge and experience [Peng et al., 2011]. The study [Hessels, Terjesen, 2010] also shows that the decision maker's perception of favourable conditions for access to knowledge, technology, financial capital and production costs in the domestic market explains the choice of entry model into foreign markets (in line with resource dependence theory). In addition, the work [Liesch, Welch, 2024] shows that the choice of internationalisation model is linked to the desire of firms to find the best (more productive) use of the firm's resources, which requires deep knowledge

of the firm's technological base and access to resources provided by network partners. This knowledge cannot be acquired from outside, as it is unique to each specific firm. That is, experience helps to understand which internationalisation model allows the best use of the firm's resources, including combinations with the resources of foreign partners.

According to the view presented in [Kaur, Sandhu, 2013], decisions on the choice of entry model depend on the nature and state of the industry in which the firm operates.

1.4. Choosing a foreign market

Another important decision considered in internationalisation studies is the choice of the foreign market in which the SME intends to operate [Ojala, Tyrvaänen, 2008; Francioni et al., 2013].

[Appiah, 2023] shows the importance of factors influencing market choice decisions, such as social and business connections, as well as the markets in which network partners operate. However, the authors [Ojala, Tyrvaänen, 2008] also describe an exception: the decision of Finnish software SMEs to enter the Japanese market, which was based on strategic factors and not simply on network relationships with partners. The company explains this choice by saying that its products are niche and that there are many IT-based manufacturing companies in Japan, so there are many target customers.

1.5. Decisions on cooperation

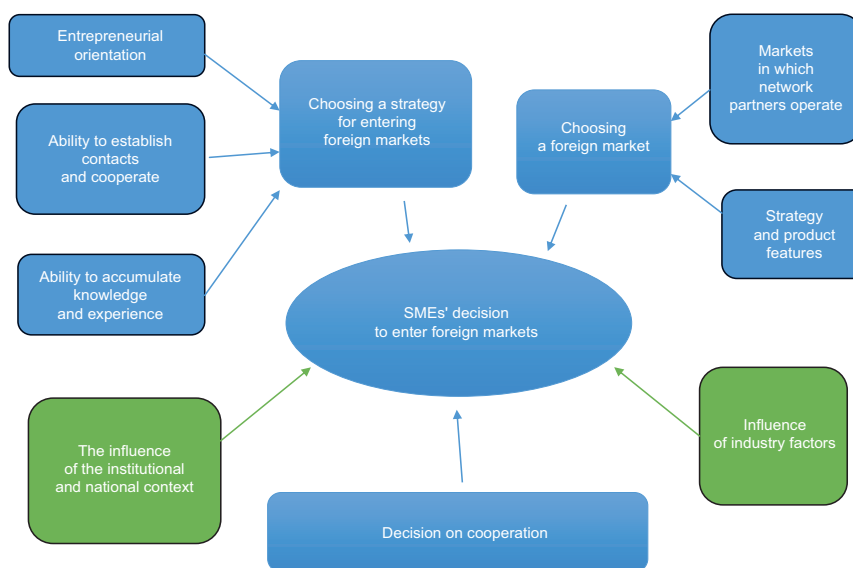
Research describes two types of decisions regarding collaboration and engagement. According to [Spence et al., 2008], firms decide on collaboration and its forms depending on their objectives and the position of the partners in the value chain. The author of the article [Castellacci, 2014] found that SMEs decide to collaborate to support their activities in a foreign market or when they lack the necessary resources. [Camuffo et al., 2007] shows that collaboration places greater obligations on SMEs to maintain international activities and that such firms tend to devote more resources to achieving success in a foreign market.

The conceptual model of this study is shown in Figure 1.

2. Methodology and findings of the study

The empirical analysis is based on panel data of Russian small and medium-sized enterprises from three industries: IT, manufacturing and retail - from 2019 to 2023. The sample includes data from 409 observations of firms with 8 to 417 employees. A limitation of the sample is its bias towards companies located in Moscow and the Moscow region, St. Petersburg and the Leningrad region, due to better accessibility of respondents. The characteristics of the enterprises are shown in Table 1.

Fig. 1. Conceptual model of the study



During the research, we analysed the following characteristics of SME export activities:

- presence of export activities (export of products);
- volume of export activity (share of exports in total turnover);
- presence of a foreign affiliate (subsidiary, etc.);
- participation in different forms of cooperation in foreign markets;
- the market in which the SME operates (developed or developing markets).

Since we assume that the decision to enter foreign markets is influenced by the accumulation of knowledge and experience, which is reflected in the duration of work in foreign markets, we analyse the company data over 5 years - from 2019 to 2023.

In order to analyse the decisions on the choice of the internationalisation strategy, we divided the studied SMEs into four groups - according to the use of one of the internationalisation strategies (Exp_strat):

- Group 1 includes companies with an 'expanding horizons' strategy - these are companies that have demonstrated rapid expansion into new geographic markets based on existing products that have proven effective in foreign markets (Exp_strat1);
- Group 2 includes companies that have adopted a transformation strategy, i.e. they have transformed their enterprise to operate successfully in foreign markets (Exp_strat2);
- Group 3 includes companies with a 'from laggards to leaders' strategy, where a company that has been operating without change for a long time reaches high positions thanks to leadership in a new strategy (Exp_strat3);
- Group 4 includes companies using the 'storming' strategy, i.e. those that have demonstrated a quick and successful start to their activities (Exp_strat4).

Table 1
Statistics of SME respondents (%)

Company characteristics	2019	2023	Panel study
<i>By sector</i>			
IT	14	14	14
Industry	32	32	32
Retail	54	54	54
Total	100	100	100
<i>By average number of employees</i>			
Up to 15 people	5	3	4
16–49 people	9	7	8
50–99 people	14	16	15
100–149 people	44	49	47
150–299 people	16	14	15
300 people and more	12	11	12
Total	100	100	100
<i>By export activities</i>			
Share of exporters that only sell goods	35	38	37
Share of exporters with a foreign affiliate	17	34	25

As factors influencing the choice of internationalisation strategy, we use factors of the internal environment: strategic orientation of SMEs, indicators of innovation activity, the presence of a foreign branch/subsidiary dependent companies (hereafter referred to as SDCs), the presence of cooperation agreements with foreign companies.

Table 2 shows the characteristics of SMEs in the context of the groups formed.

The Pearson chi-square test and the Kruskal-Wallis test for comparing means were used to assess the significance of differences.

It should be noted that most of the enterprises using these strategies have reduced their R&D expenditure, but at the same time they have started to introduce more new products to the market, focusing on the needs of the local market. This trend can be explained by the increased competitive pressure in the market, with SMEs more involved in imitation than in in-house development.

To analyse the influence of factors on the choice of market, the following variables were added: the industry in which the enterprise operates and the direction of the export markets (developed countries or developing countries (Exp_market)) (Table 3):

- Exp_market1 – companies that do not export during the period analysed;

Table 2
Descriptive characteristics of enterprises surveyed by export groups

Company characteristics		1 st group	2 nd group	3 rd group	4 th group	Statistical significance of differences
Average number of employees	2019	106	124	62	38	0.000
	2023	179	97	38	34	
Participate in different forms of cooperation with foreign enterprises (%)	2019	15	22	11	9	0.000
	2023	42	36	7	12	
Have a foreign branch (%)	2019	89	63	0.0	0.0	0.005
	2023	92	87	0.0	0.0	
Implement process innovations (%)	2019	15	34	28	6	0.002
	2023	22	39	31	11	
Implement product innovations (%)	2019	6	9	11	8	0.002
	2023	18	22	24	12	
Engage in marketing innovation and creating better value for customers (%)	2019	35	24	18	19	0.002
	2023	52	39	31	29	
Engage in research and development (%)	2019	0	0	0	0	0.021
	2023	0	12	0	0	
IT companies (%)	2019	4	1.3	0	4	0.000
	2023	12	36	3.9	2	
Industrial companies (%)	2019	23	29	17	38	0.001
	2023	28	36	13	31	
Retail companies (%)	2019	48	27	25	76	0.000
	2023	54	42	4	74	
Number of observations		49	111	136	113	

- Exp_market2 – companies that exported only to developing countries throughout the period;
- Exp_market3 – companies that only exported to developed country markets throughout the period analysed;
- Exp_market4 – companies that exported to both developing and developed countries throughout the period analysed.

The Pearson Chi-square test was used to assess the significance of differences.

It should be noted that all groups of enterprises exporting to developed markets or to developed and developing markets differ significantly from enterprises exporting only to developing markets in terms of their involvement in product and process innovation. In both 2019 and 2023, exporters operating in developed markets were more likely to be involved in all types of innovation activities than exporters operating only in developing markets.

In addition, the industry affiliation factor is statistically significant at a level of less than 0.001, indicating its importance for all groups of exporting enterprises.

In order to analyse the influence of factors on the choice of internationalisation model, the variables of the internationalisation model (Regim) were added:

- Regim1 – companies that only export goods or technologies;
- Regim2 – companies that form/are part of a group of companies in a strategic alliance abroad;

- Regim3 – companies that have made foreign investments;
- Regim4 – companies working on a subcontracting basis with foreign firms;
- Regim5 – companies that create joint ventures in foreign markets or open their own divisions, branches, and subsidiaries.

As a general approach to the empirical assessment of factors and their influence on the decision to internationalise, we use models of the form:

$$Y_i^t = \alpha_1 + \sum_{j=1}^4 \alpha_{j+1} \text{Exp_status}_j + \alpha_5 \text{Size}^{t-1} + \alpha_6 \text{Foreing}^{t-1} + \sum_{k \in (1)}^3 \alpha_{k+6} \text{age}_k + \sum_{l=1}^3 \alpha_{l+3} \text{sector}_l \cdot$$

We use the following indicators as dependent variables to characterise the influence of the export strategy and other factors on internationalisation decisions: the number of foreign markets in which the company operates, the introduction of a new product to the market and/or the introduction of a new technology, an increase in the share of exports, and the opening of its own branch/subsidiary/associate abroad. To estimate the dependent variables, which take discrete values from 0 to 1, we use a standard probit regression of the dependence of the corresponding indicator in 2023 on the value of this indicator in the previous observation period - 2019,

Table 3

Percentage of companies in groups with different decisions regarding the choice of markets for internationalisation, 2019–2023 (%)

Company characteristics		Export to emerging markets only	Export to developed markets only	Exports to both developed and emerging markets	Statistical significance of differences
Have a foreign branch	2019	46	23	29	0.001
	2023	49	12	15	0.013
Participate in various forms of cooperation with foreign companies	2019	15	22	11	0.000
	2023	42	36	7	
Implement marketing innovations and create better value for customers	2019	35	24	18	0.002
	2023	52	41	29	
Implement process innovations	2019	56	62	36	0.000
	2023	64	73	15	0.004
Implement product innovations	2019	34	73	65	0.027
	2023	58	76	72	0.004
Engage in research and development	2019	45	63	69	0.001
	2023	51	66	64	0.000
IT companies	2019	47	59	57	0.003
	2023	45	53	52	0.002
Industrial companies	2019	64	63	64	0.082
	2023	68	71	64	0.024
Retail companies	2019	24	46	42	0.000
	2023	37	51	48	0.001

the export strategy and other characteristics of the enterprise.

Table 5 presents the results of the analysis of the influence of factors on the decision to internationalise of SMEs.

When analysing the data obtained, it can be seen that some factors influencing the decision to internationalise have a low explanatory power (*R*-square is less than 0.2), which means that other factors that also have a significant impact on this decision are not included in the model.

The choice of internationalisation strategy by SMEs is significantly influenced by the performance of innovation activities as well as by the industry in which the SME operates. For example, firms that chose the 'expanding horizons' strategy (Exp_strat_1) were more likely to use product and marketing innovations; firms that chose the 'changing form' strategy (Exp_strat_2) were more likely to use organisational and managerial innovations as well as the introduction of new technologies; the 'from laggard

to leader' strategy (Exp_strat_3) and the 'taking by storm' strategy (Exp_strat_4) are characterised by the introduction of new products to the market and an increase in the share of exports.

It can therefore be concluded that SMEs that have decided to enter foreign markets are committed to a strategy of innovation and development of their own internal resources and capabilities. The choice of internationalisation strategy depends on which innovations and competences are predominant in the company.

However, the survey data show that, despite the successful experience of international activity (SMEs with productivity growth between 2019 and 2023), companies are experiencing certain difficulties in the current climate, with many reducing their investment in innovation. In addition, the unfavourable geopolitical situation leads to additional costs for firms implementing the 'expanding horizons' strategy (Exp_strat_1) and forces them to abandon new foreign markets,

Table 4
Variables of the study

Model	Dependent variable designation	Description of the dependent variable and predictors
Y ₁	R&D	The existence of a knowledge management system in the enterprise (takes values 1 or 0 for each period)
Y ₂	R&D_cost	Availability of R&D expenditure (takes values 1 or 0 for each period)
Y ₃	NewProduct	Introduction of a new product (takes values 1 or 0 for each period)
Y ₄	NewTechnology	Introduction of a new technology (takes values 1 or 0 for each period)
Y ₅	Exp	Increase in the share of exports (takes the value 1 if the share of exports increases or 0 if it decreases for each period)
Y ₆	Market_innov	Presence of marketing innovations (takes values 1 or 0 for each period)
Y ₇	Org_innov	Presence of organisational and management innovations (takes values 1 or 0 for each period)
Y ₈	patents	Presence of patents (takes values 1 or 0 for each period)
Y ₉	performance	Labour productivity growth (takes values 1 or 0 for each period)
<i>Predictors</i>		
—	Exp_strat	Choosing a solution to implement one of the internationalisation strategies: 1 - companies following the 'expanding horizons' strategy 2 - companies following the 'changing shape' strategy 3 - companies implementing the 'from laggard to leader' strategy 4 - companies following the 'taking by storm' strategy
	Exp_market	Decisions on the choice of market for internationalisation: 1 - companies that exported only to developing countries throughout the period analysed. 2 - companies that exported to developed markets only during the whole period analysed 3 - companies that exported to both developing and developed markets during the entire period analysed
—	Regim	Decisions on the internationalisation model 1 - companies that only export goods or technology 2 - companies that form/are part of a group of companies in a strategic alliance abroad 3 - companies that have made foreign investments 4 - companies working with foreign companies on a subcontracting basis 5 - companies setting up joint ventures in foreign markets or opening their own divisions, branches, subsidiaries and affiliates
	Foreign Inter-firm relations	Existence of inter-company relations in the enterprise (yes - 1; no - 0)
	Size	Enterprise size (logarithm of number of persons employed)

Table 5
Results of the regression analysis of the factors influencing the decision to internationalise

Indicators	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9
Y_01	1.0013***	0.9972**	0.1782**	0.528*	0.492***	0.913**	0.1442***	0.2251**	0.3418**
Exp_strat_1	0.672***	0.638**	0.736***	0.3342**	0.344**	0.3552**	0.4472***	0.3389***	0.4541***
Exp_strat_2	0.4522***	0.331**	0.125***	0.134**	0.4711**	0.4861**	0.2231***	0.1872**	0.3781**
Exp_strat_3	0.321***	-0.218**	-0.288***	0.3712**	0.539**	0.4791**	0.2792***	-0.2931***	0.377**
Exp_strat_4	0.277***	0.296**	0.306***	0.299**	0.4801**	0.3972**	0.1479***	0.3651**	0.4211***
Foreign Inter-firm relations	0.235**	0.141**	0.382**	0.273*	0.527**	0.342***	0.225**	0.131***	0.259**
Size	0.4013**	0.255**	0.198***	0.214**	0.1599**	0.1415***	0.325**	0.118**	0.257**
Exp_market 1	0.15	0.224	0.206	-0.721	0.274	0.341	0.551	0.194	0.237
Exp_market 2	0.617	-0.544	dropped	0.311	0.416	0.233	0.182	0.429	0.371
Exp_market 3	dropped	0.439**	-0.399	0.512	-0.992	-0.337	0.551	0.547**	0.662
Regim1	0.262***	0.428**	0.436***	0.412**	0.514**	0.452**	0.372***	0.299***	0.317**
Regim2	0.245**	0.341**	0.472**	0.474*	0.517**	0.359***	0.415**	0.261**	0.382***
Regim3	0.212**	0.205**	0.218***	0.214**	0.292**	0.215***	0.220**	0.227**	0.231**
Regim4	0.145**	0.141**	0.172**	0.174*	0.117**	0.151***	0.125**	0.161**	0.182***
Regim5	0.112**	0.107**	0.118***	0.114**	0.130**	0.115***	0.135**	0.127**	0.111**
cons	0.132**	-0.237**	0.437**	0.0027***	-1.639**	-1.087**	-2.12***	0.324**	0.227***
N obs	311	305	302	311	307	311	311	311	311
R-square	0.345	0.277	0.201	0.203	0.181	0.194	0.293	0.316	0.428

Note: * – significance $p < 0.10$; ** – significance $p < 0.05$; *** – significance $p < 0.01$.

i.e. sanctions reduce the number of firms implementing the ‘expanding horizons’ strategy (Exp_strat_1).

Enterprises implementing the internationalisation strategy of ‘change of form’ (Exp_status_2) have a negative value of the coefficient, indicating a decrease in their willingness to invest in innovation, launch new products and implement technologies. The main business transformation of such enterprises is the entry into foreign online trading platforms and the marketing promotion of existing products.

When deciding which foreign markets to enter, SMEs use personal and inter-firm relationships to identify the benefits of a foreign market and to gain support for entering it. It is also worth noting the significant influence of the ‘export learning’ factor: the longer a company operates in foreign markets, the more often it decides to enter the markets of developed countries. Most Russian SMEs start the internationalisation process by choosing geographically close markets in developing countries (Exp_market 1). However, the longer the companies operate in foreign markets, i.e. the longer the ‘training’ lasts, the more noticeable is the change in their innovative behaviour, which is expressed in changes in the company’s business processes, renewal of employees, their creativity and

changes in the business model. Changes in the innovative behaviour of SMEs in turn influence the decision to choose markets in developed countries (Exp_market 2).

The decision on the internationalisation model for Russian SMEs is characterised by direct entry into the foreign market through the establishment of subsidiaries, branches or representative offices (Regim5), i.e. without a step-by-step internationalisation strategy. However, such decisions are typical for 2023. In 2019, most SMEs tended to export their products (Regim1) or subcontract work to foreign companies (Regim4). This can be explained by the characteristics of the introduction of sanctions and the willingness of companies to act on behalf of foreign organisations. However, the presence of a foreign branch/subsidiary/affiliate does not have a significant impact on the firm’s choice of internationalisation strategy and innovation activity. Moreover, SMEs usually choose developing country markets to establish subsidiaries, branches or representative offices (Regim5).

It should be noted that internationalisation models such as joining a group of companies in a strategic alliance abroad (Regim2) and making foreign investments (Regim3) are not very attractive for SMEs.

Conclusions

The current conditions for the internationalisation of Russian SMEs are characterised by a high degree of uncertainty associated with not only economic but also political conditions. However, the development of SMEs is inextricably linked to the realisation of their export potential.

Our analysis shows that Russian SMEs tend to favour simple models and less risky internationalisation strategies. However, the choice of internationalisation strategy is strongly influenced by the effectiveness of innovation activities.

The choice of foreign markets is influenced by the existence of personal and inter-firm links, as well as the 'learning by exporting' factor.

The decision-making process regarding the internationalisation model for Russian SMEs is characterised by direct entry into the foreign market through the establishment of subsidiaries, branches or representative offices, i.e. outside the logic of a step-by-step internationalisation strategy, which is explained by the sanctions regime introduced.

Despite the generally unfavourable situation of foreign trade, SMEs manage to exploit their competitive advantages based on innovation.

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About the authors

Arkady V. Trachuk

Doctor of economic sciences, professor, head of the Department of Strategic and Innovative Development, Faculty of Higher School of Management, Financial University under the Government of the Russian Federation (Moscow, Russia); general director of Goznak JSC (Moscow, Russia). ORCID: 0000-0003-2188-7192.

Research interests: strategy and management of the company's development, innovation, entrepreneurship and modern business models in the financial and real sectors of the economy, dynamics and development of e-business, operating experience and prospects for the development of natural monopolies.

ATrachuk@fa.ru

Natalia V. Linder

Doctor of economic sciences, professor, professor of the Department of Strategic and Innovative Development, Faculty of Higher School of Management, Financial University under the Government of the Russian Federation (Moscow, Russia); head of the Marketing Department of Goznak JSC (Moscow, Russia). ORCID: 0000-0002-4724-2344.

Research interests: strategy and development management companies, formation of development strategy of industrial companies in the context of the fourth industrial revolution, innovation transformation of business models, dynamics and development of e-business development strategies of companies in the energy sector in the fourth industrial revolution, exit strategies of Russian companies on international markets.

NVLinder@fa.ru

作者信息

Arkady V. Trachuk

经济学博士、教授、俄罗斯联邦政府财政金融大学管理学院战略与创新发展系主任（俄罗斯·莫斯科）；Goznak 股份公司总经理（俄罗斯·莫斯科）。ORCID: 0000-0003-2188-7192。

科研兴趣领域：公司发展的战略和管理，金融和实体经济部门的创新、创业和现代商业模式，电子商务的动态和发展，自然垄断企业的运作经验和发展前景。

ATrachuk@fa.ru

Natalia V. Linder

经济学博士、教授、俄罗斯联邦政府财政金融大学管理学院战略与创新发展系教授（俄罗斯·莫斯科）；Goznak 股份公司的市场营销经理（俄罗斯·莫斯科）。ORCID: 0000-0002-4724-2344。

科研兴趣领域：公司发展战略与管理，第四次工业革命条件下工业公司发展战略的制定，商业模式的创新与转型，电子商务的动态与发展，第四次工业革命条件下能源行业公司的发展战略，俄罗斯公司进入国际市场的战略。

NVLinder@fa.ru

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