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STRATEGIES OF RUSSIAN COMPANIES IN DIFFICULT ECONOMIC CONDITIONS

ABSTRACT

The urgent research task is the studying of experience of functioning of the industrial companies in difficult economic conditions because Russian companies should find new ways of development in the conditions of sanctions and instability economic development. The article presents generalization of the factors and conditions, which characterize the concept of "difficult economic conditions".

Besides, in the article opportunities of Russian industrial companies are defined and threats that they can face are determined as well; and the strategies applicable by the companies in difficult economic conditions are presented also. Also, a comparative analysis of the content aspects of the strategies of Russian industrial companies has also been conducted. Most often the companies apply the strategy of reduction, and usually in the short term prospect. Sanctions and the state strategy of import substitution have served as an incentive for the companies to review the structure of a portfolio of assets and to reduce the operational expenses and they should refuse non-core assets. At the same time, reduction of expenses and assets reduces ability of the industrial companies to further growth and development in the conditions of the subsequent economic recovery.

The analysis of strategy of the Russian industrial companies has allowed revealing four groups of strategies, which can be applied in difficult economic conditions: moderate grocery diversification, protective diversification, rationalization of diversification, conservative rationalization. The direct correlation between types of strategies in difficult economic conditions and follow-up activity on restoration wasn't revealed. This indicates differences in a trajectory of business behavior in the conditions of recession and a share of unpredictability of the received results.

KEY WORDS

STRATEGY, INDUSTRIAL COMPANY, SANCTIONS, RECESSION, INNOVATIVE STRATEGY, CRISIS, CRISIS RESPONSE STRATEGY, STRATEGIC ADAPTATION.

INTRODUCTION

Russian economy is in very instable condition nearly a quarter of the century. From 1990th there was a transformation of the Russian economy at the national level in the form of transition from a team and administrative form to a market form. In less than 10 years, one of the most difficult economic crises in Russia broke out in 1998. This crisis was manifested in the devaluation of the national currency, which was preceded by a sharp decline of the world prices for products of the fuel and energy complex (the main article of Russian exports). The anti-crisis measures taken

after the default in 1998 contributed to the relatively short-term growth of the economy in the 2000s. However, already in 2007, the crisis in the American mortgage market hit the global economy, including the Russian one. The political crisis in Ukraine in 2014 turned into a change in the geopolitical situation. The USA and the countries of the European Union have imposed sanctions against citizens of the Russian Federation and legal entities, including the largest industrial enterprises. In the same 2014 there was a collapse of the world prices for oil from 113 dollars for barrel in June, 2014 up to 50 dollars in January, 2015. This factor has led to essential deterioration in a

financial position of the large companies. For example, the Russian companies serving the oil and gas sector have experienced economic difficulties due to the fact of the high competition from the foreign companies, which have more modern equipment and establishing lower prices for performance of work.

Such aims are set by this research:

- generalization of factors and conditions characterizing the concept of "difficult economic conditions";
- definition of threats and opportunities of Russian industrial companies operating in difficult economic conditions;
- definition and description of strategies adopted by companies in difficult economic conditions;
- assessment of efficiency of the strategy undertaken by the companies, allocation of strategies which have allowed to the companies to react, survive and develop in a timely manner in process of improvement of economic conditions.

The sources for this research were academic works, which are devoted to the response of companies to the recession and other systemic shocks, and analytical reviews of the Russian companies, opinions of the leading scientific experts and consultants for business strategy and management. There are not enough researches, which are devoted to the strategies of the companies in difficult economic conditions. That is why we have also studied researches of strategies for responding to "systemic shocks" and exit strategies in a context of lowering economic activity.

THEORETICAL REVIEW OF LITERATURE

Difficult economic conditions

First of all, we should mention, that there is no one established definition of the term "difficult economic conditions", but in academic studies most often difficult economic conditions are determined in the context of the macroeconomic recession (declining of national GDP) [Ershov M.V., 2017; Heifetz B.A., 2017; Polbin A.V., 2017; Trachuk A.V., 2011], and from the point of view of environmental shocks, including a decline in activity in selected branches [Beliaeva T.V., Shyrokov G.V., Gafforova E.B., 2017; Trachuk A.V., 2011; Vorobiev A.A., 2012; 2011 Trachuk A.V., 2011]. This concept allows carrying out distinctions between factors of decrease in economic activity: recession or other "shocks of the environment" from one side, and unsuccessful adaptation to a competitive pressure in unstable conditions – from the other side.

As we know, the market economy is a subject to fluctuations – we mean rises and recessions. These fluctuations, which relate to changes of economic activity from the point of view of a business cycle or "long waves" of development, they form a tendency (pattern).

The theory of regulation explains how economic, social and cultural institutes and norms can influence the stabilization of market economy and creation of conditions for maintenance of profitability of business [Airapetova A.G., Titov K.A., Valov I.I. and others, 2002; Carlyk A.E., Carmazinova Ya.F., Trachuk A.V., 1999]. In the conditions of the economic crisis the state has to promote restoration of conditions of conducting business activity by revision of the existing institutional and social environment. In this

environment different enterprises conduct business activities. But, at the same time, the state cannot guarantee that any specific state policy and a set of corresponding tools will bring the economy out of the crisis [Carlyk A.E., Carmazinova Ya.F., Trachuk A.V., 1999]. During global financial crisis the world economy has approached a structural gap, by entering the characteristic period of economic development, which has important consequences for the organization of economic activity and the strategy of the operating and new enterprises.

Recession is treated as the period of "creative destruction", economic restructuring, during which some branches are falling apart. But, at the same time, new ideas or technologies, products and branches become the driving force of economic growth in future. [Bryson J., 1996]. Conditions of recession promote restructuring of the economic environment in the form of an entry of new subjects into the market or the forced leaving. These conditions also motivate existing subjects to adapt products and processes to enhance or maintain the effectiveness of activities. Therefore, the economy adapts to changes in population of subjects and to changes in their behavior. In our research the main attention is paid to adaptation of the existing subjects, but we also need to consider cyclic consequences for education of new subjects and an exit of others.

Recession is unevenly affected on branches, on countries, regions and the companies [Connaughton J., Madsen R., 2009] and it contributes to structural economic changes, because resources are redistributed between existing and new industries. Sometimes, recession poses certain threats and opportunities for specific subjects of economy. The International Monetary Fund has prepared the review of economy of 21 developed countries in the conditions of recession and the subsequent restoration. According to the review, the recession is connected with financial crises and synchronized intercountry recessions are more serious and longer, than the recessions connected with other shocks [World 2009a, ch. 3], and the speed of restoration tends to decrease. Credit restrictions influence economic subjects directly, by limiting access to investments or use of working capital, and indirectly, by restriction of consumer ability. That is why it is necessary to determine what experience entrepreneurs and regulators can take from previous recessions.

Over time, many researches were devoted to strategies of companies responding to such factors as market turbulence, hyper-competitiveness, industrial decline, and business cycles. Adaptation to changes of the environment is a necessary condition of survival either at recession or in unstable conditions; the inability to adapt leads to decline in production and leaving from the market. So, under difficult economic conditions we understand the periods of recession of national economies, economic crises, market turbulence, hyper competition, industrial recession and business circulation.

Researches of strategies in difficult economic conditions

Business strategy depends on resources and opportunities, perception by the owner/the leader of threats and opportunities and wide organizational, market, institutional and cultural contexts [Clark P., Mueller F., 1996; Schoenberger E., 1997; Whitley R., 2007]. Markets of capital, labor and goods, where subjects of the economy operate, and the sensitivity of the economic en-

tities to the economic downturn and the wide institutional context, including the volume and quality of state business support, substantially affect the adaptation of the subjects of the economy to the conditions of the recession and their subsequent activity.

Resources and possibilities of the enterprises can be used for the increase in operational efficiency, or dynamic abilities for search of new opportunities to gain income can be created [Trachuk A. V., 2014a]. Companies use different strategies to use their capacities, such as:

- Portfolio strategies (alienation, acquisition, conclusion of alliances, development of a new product);
- Growth strategies (consolidation, withdrawal from the market, start of new products, access to new markets);
- Corporate strategies (for example, price orientation, differentiation or hybrid);
- Financing strategies (restructuring of debt, increase in the capital).

Strategies are implemented by means of a number of the actions, which are aimed to receive income and increase in efficiency. Indicators of efficiency of activity include the sales volumes, profits and shares of the market [Trachuk A. V., Linder N. V., 2016 d].

Recessions generate contradictory tendencies, some hinder the achievement of the goals of the enterprise, others – contribute to it. Fall of GDP turns into decrease of consumer expenses and consumer confidence, which affects productivity of the enterprise, depreciation of assets, and the last mentioned stimulates acquisition of resources. Decrease in a composite demand will probably lead to the exit from business; first of all, it concerns new firms [Geroski P., Mata J., Portugal P., 2007], thereby ensuring to the remaining companies a large market share. During a recession, stimulation and creation of interference to survive occur simultaneously, but unevenly [Trachuk A. V., 2017]. We should mention that there is no single effect of recession. That is why, there does not exist any specific better solution for adaptation, which all enterprises can use. Most likely, successful strategies for overcoming recession will consider contextual specifics, just by changing depending on branch and geographical conditions

Markets exert pressure on economic subjects. That is why the latter should adapt to changing circumstances or leave the market. Subjects of economy interpret market signals differently and express different expectations in relation to stakeholders, including the actual and perspective partners, competitors, clients, suppliers, investors and the state. Identification of concrete threats and opportunities doesn't define how subjects of economy decide to adapt or what consequences of adaptation are. The enterprises always have some freedom of action during the choice of strategy, although possibilities of the choice are often strongly limited to resources or circumstances [Whittington R., 1989]. For example, the large enterprises can have bigger freedom concerning the strategy choice due to the fact, that they have more resource base and resistance to influence of the environment is higher. Firms make strategic decisions about goods and services that they will offer (and, therefore, the markets for an entrance or an exit) and how to produce them, and how to establish the prices and to attract certain groups of clients. It can be applied for enterprises during a recession and during unstable time. All enterprises are involved in the network of relationships with stakeholders, which affect business strategy and performance.

There are different approaches to an explanation of how the enterprises can adapt in the conditions of recession. For example, it is considered that existing enterprises suffer from organizational inertia and prevents them to adapt to new, hostile conditions of the environment. The theory of pit-stop (pit-stop means "stop in the place of repair") assumes that in the conditions of recession, firms are more likely to innovations, because the alternative costs of inaction are lower than in more stable times [Geroski P.A., Gregg P., 1997]. In times of falling sales, enterprises are more likely to face insufficient market capacity, because resources will exceed current consumption. In such circumstances, an enterprise may decide to launch investment and innovation plans to use surplus resources and thereby, they will get advantage.

Researchers, as a rule, don't give definition for "the surviving company". Perception of a situation and action of the survived company remain unsolved because it is unclear, how they differ from those who don't survive. Unlike the strategy of reduction, recession are perceived as an opportunity to make investments, as an opportunity to introduce innovations and to enter the new markets with a purpose to increase the competitive advantage during the recession and beyond it.

The enterprises can adapt to recession conditions by introducing the strategy focused on investments, innovations and diversification of the markets. Such strategies result in higher efficiency of activity.

Means of the adaption are considered such as:

- development of new products and orientation to new market niches [Clifford D., 1977, Hayter R., 1985];
- increase in expenses on marketing [Goodell P., Martin c., 1992, Pearce J. II, Michael S., 1997; 2006; Roberts K., 2003; Srinivasan R., Rangaswamy A., Lilien G., 2005];
- pricing strategies (the enterprises, which are rich with resources emphasize quality and brand); but not low prices for customer acquisition, or, on the contrary, they choose the strategy of "predatory pricing" to keep prices low in price-sensitive markets [Chou T.-J., Chen F.-T., 2002]. In the literature we can find different examples of American companies, implementing anti-cyclical strategies for managing human resources, or capital expenditures, acquiring and using of macroeconomic risk [Navarro P., 2005].

We can allocate the strategy of reduction, investment and dual (ambivalent) strategy.

The strategies of reduction assume reduction of operating expenses and non-core assets. In times of downturn, business horizons are often reduced, and owners/or the management are striving to survive at the moment, ignoring long-term goals. Some enterprises prefer to cut down expenses, believing that it is easier to cut down expenses, than to generate additional income, so that is why many enterprises prefer to cut down expenses. Experts cite the example of reducing working hours and employment, and reducing costs for a wide set of actions, including research and development (R & D), marketing and training of employers [Rones P., 1981; Shama A., 1993; Geroski P.A., Gregg P., 1997; Michael S., Robbins D., 1998; Dedee J., Vorhies D., 1998]. In the "exit strategy" study in the seven US industries during the downturn in the late 1970s, the main attention is paid to how enterprises cope with the projection of decrease in future demand relatively to current demand and, consequently, the possible reduction in the cost of resale of business assets is likely to decrease in the

future [Harrigan K., 1980]. A range of strategies that differ in size of the market share and the degree of reinvestment are defined, which are rather necessary to maintain a certain strategic position. These strategies include:

- increase of investments in order to achieve market leadership;
- maintaining the level of investment to continue using the strategies, which were used earlier;
- selective reduction of assets for business repositioning;
- immediate withdrawal from investment projects in order to reimburse the value of assets.

The strategies of the exit are connected with various characteristics of the market, structural characteristics of branch, requirements of firm, and internal abilities of the enterprises in comparison with branch competitors. Only if the management of the enterprise correlates the chosen strategy to environment conditions, then it will be possible to survive in business and success. The questions of pricing and marginality receive different interpretation depending on branches, the same concerns changes of client base, marketing, technologies and the competition. Strategies in the conditions of recession and the strategy of the exit in branches in which recession is observed can be imposed at each other until recession won't push out all participants into exit conditions. Otherwise, economic subjects may perceive the recession as a temporary interruption of the existing trend of demand and continue to pursue its activities with a focus on the use of opportunities after the recession.

The literature on the "business cycle" shows how to stop the decline in productivity, and then how to improve it [Hofer, C., 1980; Slatter S., 1984; Pearce J. II, Robbins K., 1993; winn J., 1996; barker III V., Duhaime I., 1997]. In the literature, the strategy and actions of the enterprise, on the one hand, and the recession, on the other hand, are not connected, although during recession periods such attempts often arise. The recession is attributed to the fifth, the most indicative trigger of decline. There are 18 of them. [Rumelt R. P., 1984]. Terms of the "circulation" change depending on the nature and scales of the decrease in activities and control indicators, on which the decrease is measured, we mean, for example, according to the historical standard of concrete firm or branch, or national reference points. Analysts differently define also circulation conditions: for example, they define increase in productivity in comparison with historical, industrial or other standard during a certain period. Usually researches define the strategy of reduction and/or the investment strategy for ensuring survival and increase in productivity [Robbins D., Pearce, J. II, 1992; Denis D., Kruse T., 2000], although such attempts can be not very successful sometimes [Slatter S., 1984]. Reduction is a key to successful circulation, it is an independent approach or it is the predecessor of strategy of restoration [Pearce J. II, Robbins K., 1993; Barker III V., Duhaime I., 1997]. We believe that in the conditions of recession and in the conditions of instability, most likely, the companies will try to adapt in a different manner, because threats and opportunities will be perceived unequally. In the conditions of instability we can apply a broader set of strategies, than in the conditions of recession when selection of the market is much more rigid.

Investment strategies. It is interesting that in later researches the recession is emphasized as an opportunity, but not like a threat [Rumelt R. 2009, Williamson P.J., Zeng M., 2009]. The

world financial crisis was global and it was followed by risk of loss of a share of the market. It was so, because the companies turned out to be more agile in emerging markets, than the western companies which have been forced to adapt to crisis. In order to avoid this, Western companies can concentrate on the development of those things, on which emerging markets have succeeded in – they need to offer value for money. Companies need to invest in researches, which are aimed at product innovation or services that offer the same functionality but are cheaper. [Williamson P.J., Zeng M., 2009].

That is why, data on the subjects of the economy choosing investment strategies for management in a recession are inhomogeneous. The strategies themselves are rather risky, and many companies may be too concerned about short-term survival, instead of thinking about innovation and growth. Investment strategies require some resources: finance, management skills, technical expertise. That is why companies with limited resources cannot implement such strategies. Nevertheless, historical experience shows that companies can provide a competitive advantage during downturns by means of innovation, which will affect products, services and business models, as well as access to new markets. In literature there aren't enough attempts to explain why some concrete companies accept investment strategy or to define conditions which make such strategies possible and potential risks in attempts of implementation of such strategies. Therefore, the companies accepting investment strategies are probably successful. The process of implementing investment strategies and achieving successful results is likely to be much more complicated than it is supposed to. Moreover, the question of externalities is smoothed over in the literature: if all companies accept investment strategies, will they all be successful? During recession, when a lot of companies try to buy products cheaper, market conditions may not promote innovation or diversification of firms.

Dual (ambivalent) strategies. Dual strategies involve a gradual change with discontinuous changes, and the use of existing resources to increase efficiency and study of new sources of competitive advantage and innovation [Tushman M.L., O'Reilly C.A., 1996; Wong L., 2009; Raisch S., Birkinshaw J., 2008], thus combining strategies of reduction and investment. Surely, it is quite probable that during recession most of the companies will prefer to reduce costs/assets and selective investments into innovative products and development of the market. According to experts, similar strategies can be applied for the enterprises during the periods either rise or recession. Probably, companies will be forced to combine improving efficiency and innovation, in order to be able to grow further. Independent cost savings can result in companies failing to take advantage of subsequent improvements in the environment and its stabilization. During recession, when selection of the market is essential, the definition of the corresponding investments, which should be implemented, and the costs, which should be reduced receive additional value. In the research of eight large British companies for production of the equipment and office furniture we can see that the enterprises can carry out the strategic choice even during the recession periods [Whittington R., 1989]. The enterprises, particularly large ones, possess resources for formation of their own environment and the choice of strategy which can bring success in this environment. The recession does not dictate the unified logic of reducing costs

or assets in enterprises. The surveyed companies responded to the recession, by combining reduction of expenses, distribution, capacity expansion, and diversification of markets, and by reaching different levels of efficiency.

A research of 172 Turkish companies showed that the most successful during recession are companies, which oriented researches and developments (R & D) towards niche market capture products and cost-optimizing technologies and production methods [Köksal M., Özgül E., 2007].

The review of 64 large American corporations in eight branches of industry, which were staying in difficult economic conditions in the late 1970 have established that, most likely, the companies will manage to reach high efficiency of business only if they will do some things. These companies should be capable to provide either the lowest cost of products, or the maximum differentiation from the point of view of positioning. Probably, those companies that reduce the introduction of assets in the niche and which are significantly diversified will survive [Hall W., 1980].

Previous marketing strategies of 118 American manufacturers in the early 1990s have influenced the degree of economic impact on business and the probability of timely and complete recovery [Pearce J. II, Michael S., 2006]. It was offered to support marketing activity in the main type of activity. But during the peak periods it is necessary to expand it with caution with focusing on efficiency. The best way to adapt to the recession as soon as it appears, and to ease survival and to provide possible growth is the planning of it.

Thus, dual strategies offer either operational actions for survival here and now, or long-term provision of competitive advantage. Actually, neither the strategy of reduction, nor investment strategy can be considered as universal decision in the conditions of recession. A reasonable combination of exploitation (increasing efficiency) with research (finding new sources of competitive advantage) is an important strategy during recession.

The review of the literature that we have made allows us to make the following hypotheses about the nature of the strategies used by Russian industrial companies for adaptation in difficult economic conditions:

- High level of innovation activity and all kinds of innovations (product, process, and marketing) positively influence the company's strategy for adaptation in difficult economic conditions. The necessity of introducing innovations in the business model of companies is shown in the literature [Trachuk A. V., Linder N. V., Antonov D. A., 2014].
- The model of open innovation encourages greater freedom in knowledge sharing and the variety of relations [Kyriatnikov A. B., Linder N. V., 2015].
- An essential obstacle for innovations is the absence or insufficiency of liquidity [Kyriatnikov A. B., Linder N. V., 2015].

THE RESEARCH METHODOLOGY

In our research we have used articles about the industrial companies, which successfully work at the Russian market. The list has included the companies, information about whose activity is available in business economic literature. First of all, we have used the selection of cases in such magazine as "Expert". Examples of

the companies, which have achieved success due to introduction of new technologies, development of products, which have unique characteristics or due to the right choice of target segments and the strategy of advance on the market we have studied in our research. In other words, all these companies have found more effective ways to use their available resources. The unrepresentative (spontaneous) sample of 10 industrial companies became the object of the research. The research was made with the aim of introducing information about strategies of adapting Russian companies to difficult economic conditions in scientific circulation and represents the high-quality generalization, which was carried out on the basis of the business periodical press. First of all, we are talking about interview with the management of the companies, allowing better understanding of their strategic intentions and the websites of the companies; and a comparative analysis of strategic parameters of activity of them.

We have used as the variables for the conducting of the comparative analysis of companies such things as:

- dynamics of net profit (loss) in the Russian market (% increase in profit by 2014 –year of imposition of sanctions);
- competitive advantages in the domestic market;
- competitive advantages on the foreign market;
- types of strategies (type of behavior in the domestic and foreign markets, the geography of the external markets, the degree of risk, the content of the strategy, the types of development of market products, the configuration of business operations);
- size of the company (small, medium, large enterprise).

In table 1 there are a list of materials of the business periodicals and company websites that were used to evaluate and characterize the activities of enterprises.

THE RESULTS OF THE RESEARCH

The selected companies usually operate in the sector of consumer goods, in the sector of production of cars and the equipment, in the sector of construction materials, in the sector of the mining and metallurgical industry, in the oil and gas sector (table 1). We have considered either average, or the large industrial companies.

During recession most of the Russian industrial companies adapted to the situation by business reorientation and control of expenses, particularly, by dismissal of workers and closing of business. Expansion or reduction of product lines was observed much rarely. This can be explained by the fact that during the recession, there is an additional incentive to reduce costs, in contrast to cyclical climbs, when incomes grow and there are less such incentives.

It is previously possible to claim, that the majority of Russian companies have used the strategy "Stop and wait" (pit-stop) during the recession.

The recession mostly has influenced the large and medium-sized companies. Indicators of business efficiency (profit dynamics) vary throughout the entire business cycle. The indicators of profit before the recession are unequal to the indicators during the crisis or after the crisis [Geroski P.A., Gregg P., 1997]. Earlier, profitable companies may experience a certain shock relatively to the costs or demand during a downturn, contributing to lowering profits. And, on the contrary, companies experiencing

Table 1. Sources of data about Russian companies

Company	Site	Business periodic literature
Ltd "Natura Siberica"	http://www.naturasiberika.ru	Wake up as an exporter (2015)
PJSC NPG« Gardens of Pridonia	http://www.pridonie.ru	Wake up as an exporter (2015)
JSC «Diakont»	http://www.diakont.ru	Wake up as an exporter (2015)
C JSC «Medical technologies Ltd»	http://www.mtl.ru	Yudanov A.,Ruban O.,Gurova T. etc. (2011) To To
Ltd «Technonikol»	http://www.tn.ru	Wake up as an exporter (2015)
PJSC «GMK «Norilsk nikel»	https://www.nornickel.com/	Potapov M. (2016)
Ltd «Rusal»	https://rusal.ru/investors/info/	Jumailo A. (2014)
PJSC «NIMK»	http://www.evraz.com/ru/	Perechneva I.,Zayakin S. (2017)
PJSC «Lucoil»	http://nlmk.com/ru/	Starinskaya G. (2015)
PJSC «Mechel»	http://www.mechel.ru/	Gromkovskii V. (2014)

financial difficulties before the recession can adapt to it just by improving their actions.

As a rule, innovative activity during recession was reduced. A more careful analysis has shown that innovative activity varies during all business cycle. So, for example, in the large companies expenses on research and development (Research and Technological Development) were cut after GDP in 2015 - Profit indicators before recession are inadequate to indicators during crisis or after crisis 2016. In such conditions it is possible to expect that innovations will be focused on the optimization of expenses, but not on the improvement of quality. Most of the companies have followed the standard tendency in 2015-2016 by cost reduction, a delay of the planned investments and concentration in the main markets. But the expediency of these actions is doubtful, because according to the results of 2017 (year after recession) - the best results were achieved by the companies which were not afraid with introduction of new business models and which were acquiring strategically important assets, and developing new markets, including niche ones. For example, the export of Ltd "Natura Siberica", which is the first certified Russian brand of organic cosmetics, accounts for about 10% of the company's total revenues. And three international awards, which were received for several last years can show us recognition of its production abroad. Nowadays the company makes direct and indirect exports. That is why during recession, Russian industrial companies most often use reduction strategies, especially in the short term perspective. The sanctions imposed, the import substitution strategy pursued by the state – all these served as an incentive for industrial companies to review assets portfolios. That is why they concentrated on core assets; they reduced operational costs, and implemented non-core assets. At the same time, the reduction of costs and assets reduces the ability of industrial companies to further growth and development when business conditions improve.

The effective response to a recession depends from the fact, how firms can adapt to some specific circumstances.

Not everything can be applied to all businesses, it is rather difficult to borrow and apply any successful strategies. [Trachuk A.V., Linder N.V., 2014].

In difficult economic conditions Russian industrial companies apply strategy, which can be divided into several groups:

- Moderate grocery diversification – PJSC GMK «Norilsk Nickel» and Public company «Lukoil» (preservation of re-

source base during recession; ensuring social stability for the companies staff and regions of presence; production modernization, reduction of prime cost and increase in production along with improvement of ecological indicators; closing of outdated production).

- Protective diversification - PJSC «NLMK», CJSC «Diakont», Ltd «Technonikol» (orientation on improvement of innovative processes, introduction of new products, improvement of existing products and increase of exports, maximum implementation of reserves for increasing the efficiency of production through investment programs).
- Rational diversification. –CJSC "Rusal" (reduction of working capital and working time, improvement of existing products, increase of supplies to the domestic market, increase of efficiency of production equipment, including reduction of scheduled and unplanned downtime, improvement of corporate governance system).
- Conservative innovators - PJSC «Mechel», CSC «Medical technologies Ltd» reduction of capital investments, increase of company's share value, reduction of debt load; an increase in the share in the markets of high margin products).

It should be noted that there were no clear, substantive relationships between types of strategies in a recession and further recovery activities, which underlines the diversity of business reactions in a recession and the uncertainty of subsequent results.

Investment strategies involve costs for innovation and market diversification. We consider recession as an opportunity to implement strategic changes that otherwise would not occur. However, evidence that investment management strategies during a recession are successful, they are rather ambiguous. Such strategies are rather risky and many companies will be more focused on short-term survival or they will lack the resources to effectively implement such strategies.

At the same time, the experience of previous recessions made it possible to get only indicators for a possible business reaction, but taken into account the experience and specifics of the global financial crisis, we can make a conclusion that it is difficult to predict any tendencies or to prescribe an action plan with a high degree of probability in its success.

The influence of recession on the company and the strategy of internationalization can depend from the size of the company. A more limited is the resource base for small enterprises, as

Table 2. Strategic characteristics of the Russian companies adapting to difficult economic conditions

Large companies							Medium companies		
Consumer goods		Mining and smelting industry mining		Metallurgical and industry		Oil and gas sector	Constructional material	Manufacture of machinery and equipment	
Ltd “Natura Sibericg”	PJSC NPG«Gardens of Pridonia	PJSC «GMK «Norilsk Nickel	Ltd «Rusal»	PJSC «NIMK»	PJSC «Mechel»	PJSC «Lukoil»	Ltd «Technonikob»	CJSC «Medical technologies Ltd »	CJSC «Diakont»
Field of activity									
Manufacture of natural cosmetics	Manufacture of juices and baby food	Manufacture of precious and non-ferrous metals: nickel, copper, cobalt, platinum, palladium, etc	Production of aluminum and aluminum alloys, aluminum processing and production of semi-finished products	Extraction and processing of raw materials for metallurgical production	Production of coal, iron ore, steel, rolled products, ferroalloys, thermal and electrical energy	Oil production	Production of weldable roofing material	Manufacture of medical X-ray equipment	Manufacture of medical X-ray equipment
Entering the foreign market									
Export	Export	Export, S	Export, S	Export, S	Export S	Export, S	Export. JV	Export	Export, S
Presence in the world markets									
Present in 31 countries	Present in 8 countries (Belarus, Kazakhstan, Kyrgyzstan, China, Turkmenistan, Tajikistan, Moldova, Ukraine)	Finland, South Africa	Australia, Jamaica, Europe, CIS countries	Assets in Russia, in the United States, Europe	Production enterprises in 11 regions of Russia, as well as in Lithuania and Ukraine	Countries of Europe, Asia, Africa, Mexico, USA	Presence in 11 countries	European countries	Present in 10 countries (Bulgaria, China, USA, Taiwan, Ukraine, Finland, France, Sweden, South Korea, Japan)
Competitive advantages in the domestic market									
Compliance to the European quality standards of organic cosmetics, availability, commodity differentiation, unique, ecologically safe structure of production	Unified technological chain: agricultural production, processing, production and sale of products	Own marketing network, fuel and energy and transport assets, a set of research and project units, a unique Arctic transport fleet	Its own engineering and technological base	Maximum use of strategic advantages of the geographical location of assets	More than 80 units, including 18 service centers	Full control of the production chain - from oil and gas production to the sale of petroleum products, high financial stability, compliance with financial discipline, conservative approach to planning	Training of builders with innovative technologies for the use of new materials in their own training centers	Localization of innovative technologies, access to highly technological methods of diagnostics	More than 60 modern machining centers, automated line of electrical installation, modern integrated control system
Competitive advantages in the foreign market									
Own raw material base, Wide range of products	Promising development of own raw materials base; high technological level of production abroad, constant updating of technologies	Cooperation, exchange with INO best practices in production, environment, social and other spheres of activity	The main production facilities are located in Siberia, which gives access to renewable and environmentally friendly hydropower and proximity to the promising world market-China	Use of steel billet supplied from the main production site, proximity to customers, flexible response to customer needs	The unified production chain: from raw material extraction to production with high added value, three trade ports, own transport operators, sales and service networks	Modern technologies, search for optimal technical solutions, control over costs, creation and use of synergies, vertically integrated production chain, geographical diversification	Constant expansion of the range of products, an advantageous geographical location-the location of the company's plant in comparison with analogues from suppliers from other countries	Unique highly intelligent product in the field of digital diagnostics	Production of exclusive equipment, and effective innovative technologies

S- subsidiaries; JV – joint ventures ,INO – international non-governmental organization

Table 3.
Strategies of Russian companies in difficult economic conditions

Company Activities	The strategy of adapting to recession conditions	Taken actions	Strategy
PJSC NPG “Gardens of Pridonia”	Export was limited to the markets of the CIS countries, only recently it had the supply of products to the PRC. The strategy is aimed at outstripping the development of its own raw materials base and constant technological renewal. The company aims to create an I-plant system - a fully automated production facility that a person can manage online	Change in position in the domestic market, taking into account the situation that has changed for others participants	Multilocal: <ul style="list-style-type: none">• Regionocentric / polycentric orientation;• Development of two regions;• "expansion of horizons" in the new market;• innovation and branding;• local development;• incremental internationalization;• network enterprise
Ltd “Natura Siberica”	The company carries out direct and indirect export, and has opened stores in Tokyo, Yokohama and Hong Kong. The company signed the agreement with the largest European retail network, such as DM, specializing in perfumery and cosmetic products	Change in positioning in the domestic market, taking into account other participants	Replication: <ul style="list-style-type: none">• ethnocentric orientation;• global strategy;• "expansion of horizons" in the "old" market;• focused portfolio;• local development;• "born naturalistic";• network enterprise
Ltd “Technicol”	Rapid and aggressive expansion in foreign markets. Acquisition of foreign companies	Change in positioning in the domestic market, taking into account the changed position of other participants	Multilocal: <ul style="list-style-type: none">• polycentric orientation;• development of the two regions;• "expansion of horizons" in the "old" market;• focused portfolio;• multinational development;• "born naturalistic";• network enterprise
CJCS “Medical technologies” Ltd	At the initial stage, the concentration on the acquisition of imported components is predominant, the priority is the domestic market. Deliveries of finished products to Europe confirm the high level of its competitive position	Changes in positioning in the domestic market, taking into account the changed position of other participants	Replication: <ul style="list-style-type: none">• ethnocentric orientation;• region of the basing;• "expansion of horizons" in the new market;• focused portfolio;• local development;• Incremental internationalization;• an enterprise that is little oriented towards internationalization
CJSC “Diakont”	Orientation to foreign customers, world leaders in nuclear energy, investing in innovations to produce a quality competitive product	Changes in positioning in the domestic market, taking into account the changed position of other participants	Multilocal: <ul style="list-style-type: none">• polycentric orientation;• global;• "expansion of horizons" in the new market;• innovation and branding;• local development;• "The Born Globularist";• network enterprise.
PJSC “GMK “Norilsk Nickel»	Acquisition of rolling capacities in growing and stable markets, study of regions, including the USA, where the company has a market expertise	A change in top management, where the company's acquisitions create synergies, with existing assets	Multilocal <ul style="list-style-type: none">• polycentric orientation;• global;• "expansion of horizons" in the new market;• innovation and branding;• local development;• "The Born Globularist";• network enterprise
Ltd “Rusal”	Non-monetary write-offs and restructuring costs of production (cessation of aluminum production at five inefficient plants in Russia), refinancing of debt	A change in top management,	Multilocal: <ul style="list-style-type: none">• polycentric orientation;• global;• "expansion of horizons" in the new market;• innovation and branding;• local development; "The Born Globularist";• network enterprise
PJSC “NIMK”	Implementation of operational efficiency programs; recently completed investment projects	Suspension of the project to expand the capacity of NLMK Pennsylvania due to the possible introduction of restrictive measures for the supply of metal products in the US	Multilocal: <ul style="list-style-type: none">• polycentric orientation;• global;• "expansion of horizons" in the new market;• innovation and branding;• local development; "The Born Globularist";• network enterprise
PJSC“Lukoil”	Compliance with strict financial discipline, conservative approach to planning and effective risk management; observance of an optimal balance between effective reinvestment and payments to shareholders; the priority of dividend payments in the allocation of cash flows provided that financial stability is ensured; the desire to increase dividends annually for one share not less than the level of inflation in rubles	Decrease of investments in connection with a package of measures aimed at limiting access of Russian companies to technologies and capital markets (September 2014)	Multilocal: <ul style="list-style-type: none">• polycentric orientation;• global;• "expansion of horizons" in the new market;• innovation and branding;• local development; "The Born Globularist";• network enterprise
PJSC «Mechel»	Adoption of the anti-crisis plan; refinancing of accounts payable, the entry of creditors into capital in exchange for writing off part of the debts	Change in positioning in the domestic market, taking into account the changed position of other participants	Multilocal: <ul style="list-style-type: none">• polycentric orientation;• global;• "expansion of horizons" in the new market;• innovation and branding;• local development; "The Born Globularist";• network enterprise

Table 4. Dynamics of net profit (loss), thousand rubles

Компания	Profit, Thousands roubles				loss, %		
	2014	2015	2016	2017	2015	2016	2017
Ltd “Natura Siberica»	519 720	528 726 000	429 488	н/д	2	–19	—
PJSC NPG “Gardens of Pridonia”	393 089	270979 000	533 457	1098 035	–31	97	106
CJSC “Diakont”	No info	No info	No info	No info	—	—	—
CJCS “Medical technologies” Ltd	35 798	28325 000	64 420	No info	–21	127	—
Ltd “Technicol”	68 619	47135 000	20 879	No info	–31	–56	—
PJSC “GMK “Norilsk nikel”	34056 538	146212 750	122770 29	130038 748	329	–16	6
Ltd “Rusal”	3794311	25549 659	13847 978	No info	573	–46	—
PJSC “NIMK”	19933 311	49928 501	36419 484	109466 251	150	–27	201
PJSC “Lucoil”	371881 105	302294 681	182566 224	204363 706	–19	–40	12
PJSC “Mechel”	(23 086)	(31911 489)	(7872 869)	(15204 269)	1381	–75	93

compared to larger enterprises, especially in terms of finance and management capabilities, it can influence their ability to identify, analyze, and respond to major environmental changes. On the contrary, small companies often have the flexibility to adjust resources, processes, prices, and products in response to environmental shocks. The strategic flexibility, ability to fast reaction to the changing competitive conditions has a positive impact on activity after recession. Therefore there is a hypothesis that there is no direct "pure" effect of recession, which depends from the size of the company.

In a broad understanding, innovations are considered as a positive way to successful development of the enterprise [Trachuk A.V., 2012, 2013]. However, during recession expenses on innovations are often cut down because companies are reoriented on the main activities. [Trachuk, Linder N.V., 2016 b].

CONCLUSIONS AND PRACTICAL USE OF THE RESULTS

Difficult economic conditions present new opportunities and threats to industrial companies. [Sull D., 2009a, b; Rhodes D., Slater D., 2009; Deans G., Kansal C., Mehlretter S., 2009; Trachuk A.V., 2017]. In the period of growth and development the enterprise carry the existing programs, and they consider new ways of doing business only with the reduction of sales. [Jacobides M., 2009; Trachuk A. B., Linder N. V ., 2016a]. As our research has shown, in difficult economic conditions most of the Russian industrial companies use the strategy of reduction, which has a negative effect in future on its ability to develop when economic conditions will be better. The strategy of diversification and investment would bring better benefit for further development for the industrial companies. This fact can be proved by the by researches of strategy of the Russian companies [Trachuk A.V., Linder N.V., 2017a, Linder N.V., 2014]. There is an opinion that the companies have to keep expenses on the current activity in former volume either for use of market opportunities during recession, or for providing strong positions during restoration. So, in some researches [Trachyk A.V., Linder N.V., 2017 a; Quelch J., Jocz K., 2009] the practicability of the following actions is provided:

- investments into marketing for studying of change of behavior of consumers during recession, gaining new clients

[Burgers W., 2009] and maintenance of a brand [Jan-Benedict E., Steenkamp M., Dekimpe M., 2009];

- investments into development of new products [Trachuk A.V., Kornilov G.V., 2013 Frey C., Callahan R., 2008; Makioka H., Biragnet J.-P., Booker M., 2009] in IT in order to improve business processes [Trachuk A.V., Linder N.V., 2017 b, Dhar V., Sundararajan A., 2009];
- adaptation of supply chains to provide and ensure of value for clients [Sodhi M, Tang C., 2009; Linder N.V., Arsenova E.V., 2016].
- investment in human resources and employee remuneration system [Trachuk A.V., Sayapin A.V., 2014, Gratton L., 2009, Brenner B., 2009].
- investments in relations with investors and employees for timely and proper fulfillment of obligations [Trachuk A. V., Linder N.V., 2016v; Argenti P., 2009].

Recent studies of the global financial crisis have highlighted the necessity for dual strategies in the process of adaption to difficult economic conditions. Companies should be flexible, they should identify and use changes in the market, be able to absorb, withstand market shifts, and at the same time retaining structural characteristics during environmental changes. [Sull D., 2009a; Trachuk A. V., 2014b]. The flexibility and quick response to the changing conditions are considered as the key goas during the periods of uncertainty. [Trachuk A. V., 2014a; Trachuk A. V., Linder N. V., Ubeiko N. V., 2017; Hartman N., 2009].

The high level of innovation activity and all kinds of innovations (product, process, marketing) positively influence the strategy of companies during adaption in difficult economic conditions. Modern literature shows the need to introduce innovations in the business model of companies [Trachuk A. V., Linder N. V., Antonov D. A., 2014]. To our mind, the model of open innovation promotes greater freedom for the exchange of knowledge and diversity of connections [Kuriatnikov A. B., Linder N. V., 2015]. Thus, for successful adaptation to Russian industrial companies it is necessary to experiment with different business models and a set of goods and services that they can offer. The lack or insufficiency of liquidity is the important obstacle. [Trachuk A. V., Linder N. V., 2017]. The state can partly make the financing of innovations and new technologies, because it owns a share in the capital of a number of banks. To our mind, we should consider financing as the driver for generating the new ideas, business models or kinds of activity, but not as a subsidy for continuation

in a former order. Also, for a successful adaptation to difficult economic conditions, it is necessary a combination of cost optimization and innovation strategy. The reducing of costs should be accompanied by significant innovation and research activities. In this case it will be possible to use all the possibilities, which exist even during the recession.

The research proved the need for marketing, product, technological and organizational innovations, and investment in R&D and training. The success of process of adaptation significantly differs depending on access of the companies to resources.

Those resources, which large industrial companies have – they can be inaccessible for medium-sized companies. And something that can be achieved by companies, which operate in international markets, may not be possible in a situation, where the company is limited to the local market. These distinctions have a direct impact on adaptation in difficult economic conditions.

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