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MASTER THESIS

LIABILITY OF ORIGIN OF RUSSIAN COMPANIES IN GERMANY, POLAND AND HUNGARY: INFLUENCE OF STATE OWNERSHIP AND INNOVATION

Master's Thesis by the 2nd year student

Concentration – MITIM

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Кацпер Пупин, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Бремя происхождения российских компаний в Германии, Польше и Венгрии: влияние государственной собственности и инноваций», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата.

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23.05.2018 (Date)

АННОТАЦИЯ

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Описание цели, задач и основных результатов:	Цель исследования состоит в объяснении феномена бремени происхождения российских компаний (LOR) и влияние на него государственной собственности и инноваций. В качестве принимающих рынков для анализа были выбраны Германия, Польша и Венгрия. Методология исследования представлена двумя направлениями: (1) экспертные интервью с представителями российских компаний и (2) кейс стади шести отобранных компаний, работающих на трех рынках четырех разных отраслей: Сбербанк, Руст, Лукойл, Газпром, Лаборатория Касперского и Луксофт. Проведенный анализ сочетается с углубленным исследованием литературы. Результаты исследования позволяют делать вывод о том, что наиболее высокая степень LOR наблюдается в Польше, более низкая в Германии и самая низкая в Венгрии. Российские компании, работающие на польском рынке, сталкиваются с серьезными трудностями, такими как недостаточная прозрачность бизнеса, недоверие со стороны потребителей, и юридические сложности. В Германии и Венгрии LOR российских компаний определяется участием России в международных конфликтах, что приводит к плохой репутации и низкому уровню доверия. Государственная собственность существенно увеличивает LOR российских компаний в Польше и ведет к выходу с рынка российских государственных предприятий, тогда как в Германии и Венгрии она связана с санкциями, введенными в отношении России. Инновации, которые доставляются на принимающий рынок, помогают российским компаниям преодолеть LOR, в том числе за счет сокрытия российского происхождения в случаях, когда это необходимо.
Ключевые слова:	Эффект страны происхождения, бремя происхождения, бремя иностранца, государственная собственность, российские МНК, Польша, Германия, Венгрия.

ABSTRACT

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Description of the goal, tasks, and main results:	The goal of the study is to explain the sources and displays of the liability of origin (LOR) of Russian companies and the influence on it of state ownership and innovation in a host-country-specific context. Also the mitigations strategies followed by the companies are introduced. Host markets selected of the analysis are Germany, Poland and Hungary. The research methodology followed in the paper consists of two main pillars: (1) expert interviews with the representatives of Russian trade and business and (2) case studies of six selected companies operating on the three selected markets of four different industries Sberbank, Roust, Lukoil, Gazprom, Kaspersky Lab and Luxoft. All this analysis is combined with the in-depth literature research. Based on the study it is concluded, that a very high degree of LOR is to be observed in Poland, low in Germany and very low in Hungary. Companies framed as Russian on the Polish market encounter serious difficulties such as bad publicity, consumer boycotts or legal issues. In Germany and Hungary the LOR of Russian companies comes from outside the host market and it is rooted mostly in the tensions over international disputes, in which Russia is involved. This leads to bad publicity and trust concerns. The state ownership significantly increases the LOR of Russian companies in Poland and leads to market exits of Russian state-owned enterprises, whereas in Germany and Hungary it supports the emergence of trust concerns and issues derived from the sanctions imposed on Russia. Innovation delivered to a host market helps Russian companies overcome the LOR. Besides that, the perception of innovativeness supports hiding the Russian origin, when it is needed.
Keywords:	Country of origin effects, liability of foreignness, liability of origin, state ownership, Russian MNE's, Poland, Germany, Hungary.

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1. Introduction

Entering a new market is a challenge for any company. The factors specific for a country, which an enterprise expands to need to be taken into consideration and carefully analyzed by the managers in order to get the best possible start for their organization in a new market environment. The emergence of the multinational companies generated the interest of the scholars and the professionals to investigate the potential difficulties companies face due to the fact of coming from another country, what constituted a theory of liability of foreignness. As more and more studies on the matter emerged, the researchers have noticed, that there are certain difficulties organizations need to face on foreign markets, that are attributed to the characteristics of their home markets, what is called liability of origin.

The companies are impacted on different levels. It may refer to the attitude of the customers, media from the host market, suppliers, business partners and any kind of stakeholders. Although the research progresses, there has been no study on the Russian multinationals in the host country specific context. The following paper is devoted to the investigation on the effects of Russian origin of multinational companies. The title of the following dissertation is "Liability of origin of Russian companies in Germany, Hungary and Poland: Influence of state ownership and innovation".

Russia's characteristics as a home to international enterprises are very peculiar. The country is in the phase of emerging economy, in the transition after the dissolution of the Soviet Union and it is still one of the key economic and political powers in the world. The perception of such background of the companies coming from this market varies among the host countries, where the organizations expand to, causing them potential additional difficulties.

On the one hand the Russian companies suffer from being treated as any other emerging economy, what generates quality concerns among the customers, but on the other hand they are very sensitive to the international political situation in the way, that they might be perceived as a tool of Russian government to implement its policy on the foreign markets. What is more, the current sanctions imposed by the EU and the US on Russian Federation make the market rivalry even more challenging for Russian companies.

The study has the characteristic of the exploratory research combining the in-depth interviews and case studies of selected companies. The liability of Russian origin will be presented with regard to three selected markets of Germany, Hungary and Poland. This choice of countries promises delivery of a broader perspective on the topic considering country-specific characteristics of the effects of Russian origin of the organizations.

In the paper the sources and displays of the liability of Russian origin are investigated. Also the mitigation strategies of the multinationals from the relevant country are presented in order to create a broad picture, how the companies react to the effects of origin. Another point to be discussed in the following paper is the influence of state ownership on the Russian multinationals. State-owned enterprises coming from Russia in the times of the geopolitical tensions are accused of having ties to the Russian government, what makes doing business more challenging for them. Innovation is another factor being studied here in order to check, how it can contribute in mitigating the effects of Russian origin.

The main motivation to choose this topic for my final dissertation at the end of my Master’s studies is the observation, how the sanctions imposed on Russian business and national economy by the European Union and USA have changed the way the Russian organizations operate in the Western countries. This led to a literature research, in which the term of liability of origin was identified. This inspired me to investigate the topic with a broader perspective, to define the peculiarities of the way Russian companies operate with regard to their origin, since it was identified that it can cause difficulties or hurdles the companies of other countries of origin do not encounter when doing business out of their home markets.

This dissertation contributes to the current studies in the following ways. It presents the differences in intensity of liability of Russian origin among the three countries of Germany, Hungary and Poland in the way, that it states in the Hungarian market this phenomena has the lowest intensity, in Germany the effects of Russian origin are on the low level as well, whereas in Poland it is highly challenging for the Russian companies to do business due to very intense liability of Russian origin. As mitigation strategies followed by them the most popular ones are operating under a non-Russian name, lack of the emphasis of the Russian origin in communication toward market or emphasizing the private ownership.

The study also proves, that the multinationals coming from Russia experience a higher degree of the liability of origin when they are state-owned. It makes them very sensitive to the international political tensions, and it puts them at an additional disadvantage comparing to the other market players. For the Russian state-owned companies it is hardly possible to enter the Polish market. The research on innovation reveals also, that it may help the companies put the Russian origin in the background when needed delivering an additional value to the market.

The paper consists of an extensive literature review, introduction of the methodology and the exploratory research. At the end the managerial implications are formulated to prove the relevance of the study to the managers of the Russian companies. The recommendations will help them further develop their businesses in the three selected markets and will contribute to the way, they analyze new markets before the entry.

I hope that the studies on this topic will be continued and the problem will be investigated with a broader perspective. The recommendations for the further studies are formulated in this paper and should be followed in order to better understand the phenomena, improve the way Russian multinationals operate in the world and this way increase the level of international cooperation, what will make the markets a better environment for all the parties involved, including each of us acting as customers.

2. Literature review

2.1.Theoretical background

2.1.1. Concept of liability of foreignness

With the growing number of businesses expanding internationally over time, not only the motivations to go international was gaining attention of the researchers and academics, but also the problems enterprises operating in foreign markets had to face, became a significant field of research in the business literature. It was observed, that the internationalization process does not only provide a company with additional advantages like, for example, economy of scale, access to new clients and resources or diversification etc. International expansion means also encountering issues and additional costs companies would not experience on the domestic market. This observation is an underlying basis for the concept of, so called, liability of foreignness (abbr. LOF) introduced first in 1960 by S.H.Hymer[1].

The theory of liability of foreignness is perceived to be so valuable for the research on internationalization, that more and more researchers have been studying this topic looking for theoretical and managerial implications. Generally it lays a foundation for an assumption, that all businesses operating abroad need to face some additional costs and risks unlike the companies concentrated only within their domestic market. According to the first researches on liability of foreignness, it is rooted in the differences in the cultural, political and economic environment. The unfamiliarity of the new market and geographic distance require the international enterprises to put more attention to these non-business-related factors, when planning to expand their operations in order to avoid significant difficulties in the internationalization process[2].

By the time there were more and more attempts firstly to analyze if and how liability of foreignness finds it practical empirical implications and secondly to generate a more specific definition of the newly introduced theory. Another path-breaking work by S. Zaheer did both. On the one hand it systemized four categories of sources for LOF and also proved the factual existence of liability companies have to deal with abroad due to their foreignness. She claimed there are at least four groups of costs being reflected by LOF. The first set of sources are caused by the spatial distance to the foreign market like travel costs or transportation, second one is rooted in the firm-specific characteristics, which are unfamiliarity with the foreign market and lack of experience, third one is associated with the host country environment like for example

[1] Hymer, S. H. "*The International Operations of National Firms, a Study of Direct Foreign Investmen*t." Massachusetts Institute of Technology, 1960.
[2] *Ibid*.

a negative attitude towards foreign companies or economic nationalism and the forth one refers to the barriers incurred by the home country e.g. a special law on exports[3].

What needs to be mentioned is the national culture of the host country, that might influence the level of the LOF international companies (regardless of their size) experience abroad. Culturally different environment does not incur direct costs for the internationalizing enterprise. However culturally distant markets may create an additional challenge not only at the beginning of the process of international expansion. In terms of liability of foreignness the cultural differences influence the organizational structure of the companies. Depending on the company size the organizations need to involve both expatriates from the host country as well as local managers in the management process of the foreign subsidiaries to reduce a negative impact of cultural diversity[4].

This is not the end of the list of potential factors reflecting the LOF. The researches of the early 2000's postulated that there one may also find two additional sources of such kinds of costs[5]. First one refers to the costs of doing business incurred by both host and foreign companies. Any operating enterprise sometimes needs to generate extra efforts to face the challenges on the market, which are not necessarily linked to their business, such as labour lawsuits. It was empirically proven in the USA, that the subsidiaries of the foreign companies have to face significantly higher number of lawsuits brought to the court than the domestic American firms. It is being argued, what is the origin of such discrimination, but the assumption, that it might be caused by a misrepresentation of host experts in the management structure of the subsidiary in the US is stated as the most likely factor. The more operations a foreign company has in a host market, the smaller becomes the difference in the number of lawsuits comparing to the domestic organizations. Learning process might be here one of the mitigating factors. The more experience, the fewer lawsuits[6].

Also the subsidies domestic companies are provided with can be considered as a potential source of liability of foreignness. These cannot be called "costs" anymore, but it definitely is a disadvantage for a foreign company on a host market, when the local authorities apply special supporting measures for the enterprises originated in their country not providing the same to the

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[3] Zaheer, S. "*Overcoming The Liability Of Foreignness*." Academy of Management Journal 38, no. 2 (1995): 341-63.
[4] Matsuo, H., 2000. "*Liabilities of foreignness and the uses of expatriates in Japanese multinational corporations in the United States*". Sociol. Inq. 70 (1), 88–106.
[5] Mezias, J. M. "*How to Identify Liabilities of Foreignness and Assess Their Effects on Multinational Corporations*.", Journal of International Management 8, no. 3 (2002): 265-82.
[6] Mezias, J. M., "*Do Labor Lawsuits Represent A Liability Of Foreignness For Foreign Subsidiaries Operating In The United States*?" Academy of Management Proceedings 2000, no. 1 (2000)

foreign subsidiaries in their market. This kind of disadvantages should be attributed to the liability of foreignness as well, since it makes the internationalization process of the companies on a certain market a more challenging thing, when they not only need to face the main four categories of costs described earlier in this paper. They also have to compete with the organizations, that have additional resources on their domestic market they will never be able to reach[7]. Additional challenges can arise from a different characteristic of factors generating the liability of foreignness. Some of them like spatial distance or national culture have a fixed nature and do not get changed over time, whereas the legal environment created by the host or home countries may change dramatically in a relatively short period of time depending on a political situation[8].

In addition to that, the company operating abroad may also face internal problems, that can be attributed to the liability of foreignness. Within the organization headquarter might have significant problems in the management and internal communication process at a foreign subsidiary. The way local people from a subsidiary perceive and cooperate with the representatives of a headquarter is directly impacted by the liability of foreignness. Management at a headquarter will suffer more difficulties managing people abroad than in its original environment. This combined with a negative feedback from suppliers, customers, and local government can become a true hurdle for an organization[9].

It is very important to state it already at the beginning of the paper, that the theory of the liability of foreignness should not be confused with the liability of newness and liability of expansion. The first one refers to being new to the market, what all new companies would face and the latter one to the limited resources that could contribute to the coordination of the expansion process. This clear division of theories is significant to understand the uniqueness of the liability of foreignness[10].

An assumption one would make is that liability of foreignness may have a very negative impact on the performance of the foreign subsidiaries of the multinational enterprises, in the way, that they would exit the market much sooner than the domestic competitors. This hypothesis has been argued among the researchers till this day. The differences between the

[7] Mezias, John M., "*How to Identify Liabilities of Foreignness and Assess Their Effects on Multinational Corporations*." Journal of International Management 8, no. 3 (2002): 265-82

[8] Sethi, D., Guisinger S., "*Liability of Foreignness to Competitive Advantage: How multinational enterprises cope with the international business environment*." Journal of International Management 8, no. 3 (2002): 223-40.

[9] Mata, J., and Freitas E., "*Foreignness and Exit over the Life Cycle of Firms*." Journal of International Business Studies 43, no. 7 (2012): 615-30.

[10] Cuervo-Cazurra, A., Maloney M. M., Manrakhan S. "*Causes of the Difficulties in Internationalization*." Journal of International Business Studies 38, no. 5 (2007): 709-25.

markets, where the researchers are done seem to be so big, that a general conclusion might be problematic to achieve, but the attempts are at a place. Already first research approaches in this field from the beginning of 2000's resulted in unclear statements if the exits of the foreign companies from the host market can be attributed to the foreignness. The study on the sample of Japanese companies in the US clearly defined, that the liability of foreignness can be one of the factors of the exits, but it could not be stated if it is the only factor leading to such managerial decisions. Although foreign subsidiaries may be somehow encouraged to leave the host market due to the obstacles in the unknown business environment, the main reason why they do so may still be the low costs of the exit[11].

On the contrary the study on the foreign companies operating in Denmark revealed a different way liability of foreignness may influence the survival non-domestic companies. The researchers stated, that the foreign companies can enjoy special premium advantages for being a foreign business. They have a twice as low risk of the exit from the market as the domestic companies. They can benefit from more access to capital, perception of the brand, experience and knowledge from the internationalization process and a set of other resources the domestic companies do not have. Still, what was observed, is that the presence of more and more foreign companies on a particular market dramatically decreases that premium until it eventually disappears. The more globalized a market becomes, the fewer advantages a foreign company might have, according to the research[12].

The most recent study on the correlation between foreign ownership and market exit rates puts the issue in another light. As the number of exits of the domestic companies decreases with age, the one for the foreign enterprises significantly increase with the time spent in the market. The policymakers attract the foreign investors to start their operations in the host country with plenty of supporting measures like e.g. tax relaxation, better real-estate pricing or generally with better investment conditions. From the perspective of the liability of foreignness this only works in a short perspective. When the incentives are not felt anymore by the company it may start noticing more and more obstacles regarding the foreignness. This can eventually lead to an exit[13].

Since the topic of liability of foreignness is directly linked to the research area of international business the main focus of the available studies in this matter are devoted to the

[11] Hennart, J. F., Roehl T., and Zeng M. "*Do Exits Proxy a Liability of Foreignness? The Case of Japanese Exits from the US*." Journal of International Management 8 (2002): 241-64.
[12] Kronborg, D., Thomsen S. "*Foreign Ownership and Long-term Survival*." SSRN Electronic Journal, 2007
[13] Mata, J., and Freitas E., "*Foreignness and Exit over the Life Cycle of Firms*." Journal of International Business Studies 43, no. 7 (2012): 615-30.

influence of this phenomena on the internationalization process of the companies and on the ways the companies may mitigate the impact of being foreign. It has been widely investigated, how the foreignness of organizations may influence their decisions on the market entry strategy. A research on Taiwanese multinational enterprises concluded, that these companies internationalize through wholly-owned subsidiaries (WHO) in order to be able to be fully control process of establishing linkages to local partners and customers. From this perspective WHO is considered to be a better solution than joint venture, that would be less costly in terms of money, but more challenging to make it to the successful project. All this to respond to the liability of foreignness[14].

Also culture as one of the factors constituting liability of foreignness may have an impact on the market entry decision. In this case it is not surprising to expect, that companies tend to expand to culturally less distant countries, since it could cause potential intercultural issues. However, if they do decide to start operations in a very culturally distant market, they set up a Greenfield project. Like in the previous example, it will give them a wide range of control over the process[15]. Another study on venture capital firms from Singapore confirms the previous conclusions, that due to the liability of foreignness, at the beginning of the internationalization seek direct control on all the stages on the internationalization, to be ready later to delegate some of the responsibilities to other parties[16].

It is clear that the headquarters seek full control over the internationalization process, considering the potentially negative impact of liability of foreignness, but there are several other ways the companies nowadays react to this challenge. In particularly the most recent research is oriented on defining those methods. First one to be mentioned is a strong and effective competitive advantage comparing to the competitors on the host market. Such one offered to the local market can offset the negative impact of liability of foreignness. Another approach followed by the internationally operating companies is a very high grade of involvement in the learning process prior the market entry and right after it. The organization should put as much effort, as it is feasible to them in order to get to know the market and prepare the right response to its characteristics[17].

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[14] Chen, T. J. "*Liability of Foreignness and Entry Mode Choice: Taiwanese Firms in Europe*." Journal of Business Research 59, no. 2 (2005): 288-94.
[15] Beugelsdijk, S., Kostova T. , Kunst V.E. "*Cultural Distance and Firm Internationalization: A Meta-Analytical Review and Theoretical Implications*." Journal of Management 44, no. 1 (2018): 89-130.
[16] Lu, Q. Hwang P. "*The Impact of Liability of Foreignness on International Venture Capital Firms in Singapore*." Asia Pacific Journal of Management, 2010.
[17] Petersen, B., Pedersen T. "*Coping with Liability of Foreignness: Different learning engagements of entrant firms.*" Journal of International Management 8, no. 3 (2002): 339-50.

According to the literature, the companies should take into consideration the fact, that through the lances of the foreignness things that become an issue on the domestic market will probably imply the presence of additional unnecessary problems on the host market abroad (like e.g. too wide range of products with very few profitable ones). At the same the international organizations should also focus on setting up or joining business networks on the local to gain a direct access to the local business environment, what will directly support the learning process[18].

Another strategy the companies can follow in the foreign market to reduce the liability of foreignness is to establish partnerships with more experienced players or high status local players[19]. Such cooperation between a multinational enterprise and a small or medium enterprise entering new business environment is beneficial for both parties and can be a significant success factor when operating abroad. Creation of partnerships contributes to a new competitive advantage or sustains the well-established one[20]. It is also a source for a market-specific knowledge, which is a crucial resource on a new market. Trust generated between the partners is an additional value of the partnership, what can only help the involved parties in the future[21].

There are multiple ways to mitigate the liability of foreignness, a company should be open for gaining market knowledge and experience. It should be ready to establish networks or partnerships with the local partners or other foreign organizations on the host market, that are more experienced operating in a particular business environment. As stated before also the company-specific competitive advantage a company naturally has, reduces the negative effects of foreignness[22].

To sum up, one observation needs to be done. The studies on liability of foreignness are very country- or industry-specific, only few of them present a holistic view on the issue. Characteristics of this phenomena may differ among the countries and industries. It is important to distinguish what elements of liability of foreignness can be attributed to being foreign in a market itself and which ones are linked to the factors unique for companies coming from particular countries. It is an important finding for the following parts of the paper.

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[18] Elango, B. "*Minimizing Effects of 'liability of Foreignness': Response Strategies of Foreign Firms in the United States*." Journal of World Business 44, no. 1 (2009): 51-62.
[19] Yu, Y., Sharma R. R. "*Dancing with the Stars: What Do Foreign Firms Get from High-status Local Partners?*" Management Decision 54, no. 6 (2016): 1294-319.
[20] Merino, P. B., Grandval S. "*Partnerships between SMEs and MNEs on Foreign Industrial Markets: A Strategy to Reduce the Liability of Foreignness*." International Business Research 5, no. 6 (2012).
[21] *Ibid*.
[22] Gorostidi-Martinez, H., Zhao, X. "Strategies to avoid liability of foreignness when entering a new market", Journal of Advances in Management Research, Vol. 14 No. 1, (2017):. 46-68.

2.1.2. From country of origin to liability of origin

High complexity of international business required coming up with an additional concept beyond the liability of foreignness. This one is called country of origin effect. First it was constituted under the assumption that the products or companies from less developed countries would be perceived worse by the customers than the goods from more developed ones. So not only is the foreignness itself, that might create potential obstacles for a company operating abroad, but also the origin of the company can have positive, neutral or negative impact on the organization’s performance, what led to a definition of a concept of liability of origin (abbr. LOR).[23] When the theory was introduced first in 2000 only a poor technological background of a country was considered as a potential ballast to company’s international operations[24]. By the time the view on the matter has evolved. More factors has been taken into consideration to five a broader perspective about the liability internationally operating firms need to face due to their origin.

Over the time with the progressing globalization and an increasing level of interconnection between the companies operating globally more and more specific studies have been conducted to investigate this in depth, how the organizations are affected by their origin. Indeed the choice of the customers is influenced by the several factors directly linked to the country, where the company comes from. There are three types of such factors. First one refers to the cognition of the buyers like beliefs about the country of origin and its level of technological and industrial development. Second one is affection, what means that while choosing products customers take a purchasing decision being impacted by their feeling and emotions about the people of the country a company comes from. Third one is a conative component, which is determined by the level of interaction a customer would like to have with a country of origin[25]. It is a so called hello effect, in which the attributes of the market a company comes from are directly and indirectly associated with a brand itself. The origin can directly impact the perception of product value, where a positive country of origin effect would increase that value and the negative one would lead to a decrease of the perceived value.

[23] Papadopoulos, N., Heslop., L. A. "P*roduct country images: Impact and role in international marketing.*" Journal of International Marketing 3, no. 2 (1995): 107-09.
[24] Barlett, C. A., Ghoshal., S. "*Going Global: Lessons from Late Movers*." Harvard Business Review, Issue March-April.(2000).
[25] Laroche, M., N. Papadopoulos, Heslop, L. A. , Mourali., M. "*The Influence of Country Image Structure on Consumer Evaluations of Foreign Products.*" International Marketing Review 22, no. 1 (2005): 96-115.

Excluding other influential factors a customer would rather buy a product he or she considers to be of a higher value. Thus, a country of origin effect can result in a decrease of sales. [26]

Country of origin is used by the customers as a very comfortable way to assess the product. Country name is treated as a brand itself. Depending on industry and sensitiveness of the product category the customers may stick to their presumptions and may tend to choose just the companies of the origins perceived by them as reliable. Globally, customers would choose rather a French cheese than of any other origin, since France is historically considered to be a source of good cheese. Also the manufacturers of ecological food products should enjoy in Europe a very good perception of their goods as originated in a "green" country. The same refers to the industrial German products. Over the decades of the XX century the "Made in Germany" gained the perception as high quality products for a reasonable price. Now, globally, the customers are ready to pay an additional premium for the industrial goods originated in Germany like cars, home appliances etc[27].

In specific countries, there can be a different perception and, what follows, a different attitude of the customers towards the products, or even brands originated from a certain market. Even changing the location of manufacturing activities from one country to another can already impact the country of origin effect. Nevertheless, it should not be taken for granted, that the audience is well informed about each particular brand and its origin, that is why the companies can escape from being negatively framed by the country they come from. The study on technological Asian companies in the UK revealed, that the customers' knowledge about the companies and their origins is also industry-specific as the concept being described itself as well. Companies also tend to start their international businesses under a brand name, that would not be associated to the country of origin. Several Asian technological brands operate under international names like e.g. Panasonic Corporation, known before as Matsushita Electric Industrial Co., Ltd, Sharp or LG Electronics. At the time when they were expanding to foreign markets their Asian origin was perceived bad by the customers and they expansions would have not been that successful if they had started the international operations under an Asian name. This way they solved also the issue of language (which is directly linked to the country of origin as well) problems. The target groups in the European market may have found it difficult to

[26] Knight, J. G., Holdsworth, D. K., Mather D. W. "*Country-of-origin and Choice of Food Imports: An In-depth Study o f European Distribution Channel Gatekeepers*." Journal of International Business Studies 38, no. 1 (2007): 107-25.

[27] *Ibid*.

pronounce their brand names. High level of brand recognition would have been hardly possible to achieve[28].

The perspective of resource-based view on the organizations puts the matter in another light. Like any other companies, also the foreign companies would go to another market seeking success based on their competitive advantages. Bias caused by the country of origin may significantly make it more challenging for the international enterprises to transfer this competitive advantages from one market to another. A study done on the Japanese MNE's suggested, that a national culture can be an important factor, that reduces the transferability of the competitive advantages from the home country to other regions[29].

From the point of view of this paper it is worth to point out, what kind of influence the country of origin can have on the policy makers in a host country or business environment including suppliers and labour. Local authorities may take preventive actions towards the companies from particular countries in specific industries like energy industry to stop them from actions on their market. Also the suppliers can get discouraged to start a partnership with a negatively framed company. There can be several reasons for that, like historical background, political situation or accusations of rules violation. Based on the conclusions introduced above a modern concept of liability of origin was constituted. It is now understood that unlike it was with the liability of foreignness, it is not a common phenomena shared in the same way by all the foreign organizations operating on a host market[30].

Nevertheless the concepts of liability of foreignness and liability of origin are similar in the way, that both of them may influence the internationalization process of the organizations causing firms several difficulties (Figure 1). However they are not the only factors impacting the international expansion (also the inabilities to create value and to transfer advantages are such). Both described concepts depend on generalizations, on the one hand generalization of foreignness itself, where a company may lack capabilities to work in another foreign environment and on the other hand a generalization about a particular country of origin[31].

[28] Balabanis, G., Diamantopoulos A. "*Brand Origin Identification by Consumers: A Classification Perspective.*" Journal of International Marketing 16, no. 1 (2008): 39-71.
[29] Collinson, S., Rugman, A. M., "*The Regional Nature of Japanese Multinational Business*." Journal of International Business Studies 39, no. 2 (2008): 215-30.
[30] Kolk, A., Curran, L. "*Contesting a Place in the Sun: On Ideologies in Foreign Markets and Liabilities of Origin*." Journal of Business Ethics 142, no. 4 (2015): 697-717.
[31] Cuervo-Cazurra, A., Maloney M. M., Manrakhan S. , *Op. cit.*

Causes		*Difficulties*
Relationship to advantage:	*Specificity:*	*Type:*
Loss of an advantage	Specific to a firm	*Inability to transfer advantage:* A resource that was the source of advantage in existing operations loses its advantageous characteristic when transferred to the new country
	Common to a set of firms	*Inability to create value:* A set of firms in an industry do not obtain value from the transferred resources that were a source of advantage in existing operations because their products are not useful in the new country
Creation of a disadvantage	Specific to a firm	*Disadvantage of transfer:* A resource becomes disadvantageous when transferred to the new country
	Common to a set of firms	*Government-based disadvantage of foreignness:* A set of firms from the same country are discriminated against by the host government because it dislikes their country of origin
		Consumer-based disadvantage of foreignness: A set of firms from the same country are discriminated against by consumers because they dislike their country of origin
Lack of complementary resources	Specific to a firm	*Liability of expansion:* The firm lacks complementary resources needed to operate at the larger scale required by the expansion in the new country
		Liability of newness: The firm lacks complementary resources required to compete in the industry of the new country
		Liability of foreignness: The firm lacks complementary resources required to operate in the institutional environment of the new country

Figure 1: Difficulties in the internationalization process and its causes (from: Cuervo-Cazurra, A., Maloney M. M., Manrakhan S. "Causes of the Difficulties in Internationalization." Journal of International Business Studies 38, no. 5 (2007): 709-25.)

Another observation out of the literature can be done, that unlike it is with the liability of origin, where companies can follow some general strategies or approaches to reduce the impact of foreignness, it is not the case for liability of origin, where the mitigation measures may vary among the companies of different countries. It will be further investigated in the following parts of this paper.

2.1.3. State ownership and country of origin

Another influential factor on the internationalization process of firms is the grade of the state ownership they represent. State-owned enterprises are described as wholly or partially owned by a state (government) entities which commercial activities are devoted for the fulfilment of the governmental goals[32]. For the purpose of the paper state ownership will be described as directly linked to the country of origin, since this is the government from the

[32] Investopedia, "*State-Owned Enterprise - SOE*.", August 23, 2009. Accessed March 30, 2018. https://www.investopedia.com/terms/s/soe.asp.

domestic market, that has the ownership over the organization. A partial or wholly ownership of other non-domestic to a company state will not be considered as such.

On the one hand a company managed by governmental parties do not need to internationalize, since their main goal would be to fulfil the local needs of their domestic market, but on the other hand they are considered to be a government's tools to seek additional profits and political influence abroad. Such organizations are called multinational state-owned enterprises, these are directly managed by the governmental parties with the presence of value adding activities outside the country of origin[33].

There is an important paradox to be noticed in the research on the state ownership's influence on internationalization. State-owned enterprises, that decide to start operating abroad have the exclusive access to resources a private company would hardly ever be provided with. Such organizations can be supported by the government in a political, legal, financial and organizational ways. Authorities can use diplomatic channels to ensure for the companies some special treatment in the new foreign market. Despite that state ownership may make companies less active in the field of developing the advantages needed abroad due to the bureaucracy. Additionally such state-owned companies can be perceived as an extended tool of the government of a country the company comes from – a possible political threat.[34]

The government has also a tool of legislation, that can be potentially adjusted to the company-specific needs. At the end of the day a company managed by the governmental parties has access to the capital at a large scale and can count on organizational support from the country's administration private companies do not have. Having taken into consideration all the advantages listed above it has to be pointed out, that state ownership does not always bring an organization advantages. State-owned enterprises that internationalize need to face a higher degree of bureaucracy and the decision making processes may also take longer than in case of privately-held companies[35].

The companies from less developed countries in terms of technology, democracy and rule of law when expanding to well-developed countries need to cope with not only with the standard liability of foreignness, but also with the liability of origin. From the perspective of this paper one additional assumptions has been introduced by the international business researchers for

[33] Cahen, F. R. "*Internationalization Of State-Owned Enterprises Through Foreign Direct Investment*." Revista De Administração De Empresas 55, no. 6 (2015): 645-59.
[34] Meyer, K. E,, Ding, Y., Li, J., Zhang, H. "*Overcoming Distrust: How State-owned Enterprises Adapt Their Foreign Entries to Institutional Pressures Abroad*." Journal of International Business Studies 45 (2014): 1005-028.
[35] *Ibid*.

a further study, if the state ownership increases this liability. It is presumed, that an international state-owned company that expands to a market, where the country of origin is negatively perceived (political issues, rule of law concerns, low value perception) may face a stronger country of origin effect than the private enterprises from the same country would need to cope with[36].

Based on the research on the American and Canadian oil and gas companies there was no significant difference identified between the country of origin with the performance of state-owned multinational enterprises and non-state-owned multinational organizations. It means that there is an available study, which might exclude the assumption, that state ownership might increase the importance of country of origin[37]. As it was stated before, the liability of origin is very industry- and country-specific, that is why a study on one market and on one particular industry cannot exclude the possibility of finding significant results in this field on other markets and among other industries.

2.1.4. Innovation mitigating the liability of origin

According to The Organisation for Economic Co-operation and Development innovation can be defined as the implementation of a product (good or service) that is significantly new. It also refers to a process a new method in marketing, new method in organizational development in the business, organization of a workplace or external relations[38]. For the purpose of this paper any kind of innovation will be considered as such with no limitations. That will provide a broader perspective to the research that will follow in this study.

As stated before in the paper, generally a company should exploit its competitive advantages to be successful on the foreign markets to overcome the liability of foreignness and presumably the liability of origin too. For this an organization should use both its tangible and intangible resources. A competitive advantage used for a home market might not be enough abroad due to the considered obstacles of spatial distance, culture, legislation, political, technological and historical background of a country or transfer costs. For this reason an organization needs to focus on the transferability of the competitive advantages, since it can be

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[36] *Ibid*.
[37] Zeng, R., Grogaard, B.. "*Do the Origins of Foreign Direct Investment Matter For Target Firms in Developed Host Countries?*" Academy of Management Proceedings 2016, no. 1 (2016).
[38] OECD Statistics Directorate. "*OECD Glossary of Statistical Terms - Innovation Definition*". Accessed on March 20, 2018. http://stats.oecd.org/glossary/detail.asp?ID=6865.

limited due to the factors described above. That is why a company should seek an additional value delivered to the foreign markets[39].

Innovation has long been considered as a tool of a company to support and improve its internationalization process in the way, that it can be considered as a tool used to sustain the competitive advantage to be exposed globally. Such observation was already done in the 1990's of the XX century[40]. This finding will help a lot stating the conclusions of the research in the paper.

The way innovation can help the companies overcome the liability of foreignness and liability of origin is worth investigating for the purpose of this study. There is a very limited number or researches available particularly on this topic, but some attempts to empirically prove not only, that innovations support the companies during the internationalization process, but also their mitigating influence (combined with Research & Development activities) on liability of foreignness and, what is essential for this paper, liability of origin, have already been done.

The subsidiaries of foreign companies are on average more innovative than the domestic organizations (they offer a higher amount of innovative products to the market). The companies that manage to expand abroad might have higher internal capabilities than the domestic ones, also in terms of innovation generation, so this difference can be explained by that finding. However it is still unknown to what extent the foreign organizations innovate more than the organizations from the host market due to the liability of foreignness or origin[41]. This field of study is definitely worth a further research.

An empirical study on the Italian multinational organizations proved, that innovation is one of the main drivers of internationalization of firms. It helps firms attract more and more customers and establish their brands as an innovative one, positively perceived by the clients. Innovation, in particularly technological one significantly reduces the difficulties of the geographical expansion of a business. The study revealed that the companies should focus on R&D activities also abroad, not only developing them in their home countries. Among the researched set of Italian companies most of them focus mostly on seeking innovations in the home market, whereas it is a foreign market where innovation could bring additional profits. Confronting new product or new technology the customers are much less biased by the fact that

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[39] Rugman, A. M., Verbeke, A. "*A Perspective on Regional and Global Strategies of Multinational Enterprises*." Journal of International Business Studies 35 (2004): 3-18.
[40] Barney, J. B. "*Firm Resources and Sustained Competitive Advantage*." Journal of Management 17 (1991): 99-120.
[41] Un, C. A. "*The Liability of Localness in Innovation*." Journal of International Business Studies 47, no. 1 (2016): 44-67.

it has a foreign origin or that it comes from a country they might have negative presumptions about. Obviously innovation cannot reduce the country of origin effect to zero, but it can significantly mitigate it, ensuring higher sales results than the ones of the products, which are not considered as innovative by the market and customers. This positive effect is so large in scale, that it can be concluded, that innovation leads the companies to global market orientation[42].

Definitely, more research on the mitigating role of innovation on liability of origin is needed. Companies facing issues rooted in their origin should investigate all possible ways to reduce the bias of the domestic market towards the new foreign host markets. One study from the Italy cannot be generalized and its conclusions cannot refer to all the markets, in particularly considering a matter of country of origin effect, that clearly varies from one country do another depending on a specific industry as well. However, it cannot be excluded, that such phenomena would be applied on the international level.

2.2. Characteristics of the international operations of Russian firms

2.2.1. Peculiarities of internationalization of emerging market firms

Before introducing the specific character of international operations of the firms from emerging market it is worth to define, what an emerging market really is and how it can be distinguished from the developed markets. The literature does not provide one clear definition of an emerging market, but a general understanding is at place. An emerging market is characterised by a nation's economy which has been progressing towards a state of a developed and advanced economy. It does not entirely mean that all the industries of an emerging market economy would be technologically and organizationally less developed than the any other branch of industry of a developed country. Despite this in a general economic picture it still performs worse than a well-developed market[43].

There are five main factors that characterize an emerging market economy. First one is a lower per capita income. Second one is a relatively faster market growth than the one of well established economies. Third one is a high market volatility due to a lack of political stability. Fourth characteristic refers to a lower maturity as an international market, which leads to a limited access to the historical data on the international market performance and a general lack of transparency for foreign investors. Fifth one is represented by a higher return on investments,

[42] Cerrato, D. "Does Innovation Lead to Global Orientation? Empirical Evidence from a Sample of Italian Firms." European Management Journal 27, no. 5 (2009): 305-15.
[43] Investopedia, "*Emerging Market Economy*.", August 11, 2015. Accessed March 21, 2018. https://www.investopedia.com/terms/e/emergingmarketeconomy.asp.

what is obviously a result of a higher risk taken by the investors. A business perspective should be added here as well, that an emerging market has a relatively poorly developed institutional system of helping sellers and buyers do the business together. Poor regulations, lack of informational support and a defective juridical system makes it still more challenging both for domestic as well as foreign entrepreneurs to do business in an emerging market[44].

There are several internationally approved rankings and classifications to provide an overview what countries can be described as emerging (developing) markets with International Monetary Fund, Standard and Poor's or FTSE Russell. In all these rankings Russian Federation is considered to be among the emerging market countries[45].

The international business has long been a domain only for the companies from developed countries, that have organizational capabilities to invest abroad. The advantages and drawbacks of doing business in emerging countries for organizations from the markets presenting the highest degree of development have been widely studied and are easily available in the literature. A new topic in the research has emerged when also the organizations from developing countries like e.g. Russia, Brazil or India intensified the international expansion. Even a term Emerging market multinational companies (EM-MNC's) was constituted to describe this phenomena. Significant differences regarding internationalization process between the multinational organization and EM-MNC's have been observed and more and more empirical studies follow.

The first thing, that determines the way internationalization process of the companies from emerging markets goes, are the difficulties it has to face due to the characteristics of the origin market. A weak institutional infrastructure of the country they come from might lead to the issues with adaptation to a new business environment abroad and lack of acceptance from the home market parties. A company brand might not be well-perceived by the customers from the new local market, since the EM-MNC's need to face the issue of not being known in another countries, especially in the developed ones. Another characteristic of such internationalization process is that the organizations from emerging markets tend first to expand to other emerging market economies and then to advanced economies, what make them late comers. Usually they start competing in the foreign market, when the rivalry is already well-established. It makes it

[44] Khanna, T., Palepu, K. G. "*Why Focused Strategies May Be Wrong for Emerging Markets*." Harvard Business Review 75, no. 4 (July–August 1997): 41–51.
[45] Investopedia, *Op. cit.*

difficult to find a way to overcome the habits of the customers and become successful in a new environment, where all “rules of the game” are already set[46].

From the perspective of the internationalization from emerging markets and this paper itself it is crucial to point out, how important is the role of emerging country of origin. What was states also partially before is that the goods produced by the companies originating from emerging economies suffer from a worse perception of the customers than it is in case of products and services from developed countries. In addition to that, a stronger effect has been observed, that the EM-MNC’s are more exposed to a negative country of origin effect when expanding to developed countries than to other emerging markets. Through the lances of the emerging market the customers tend to assess the quality and, what follows, also the value of the products itself worse than the ones produced by the companies with home in developed countries[47]. As stated before this effect varies from one country to another, also among the industries, but the home market specific advantages like legitimacy or successful interactions with the developed market they expand to, they have a significant impact on the grade of difficulties EM-MNC’s might face[48].

The origin from the emerging market even has an influence on the perception of innovation in the developed countries. On the one hand the customers from the advanced markets tend to be sceptic about radically new luxury (hedonistic) products from the emerging markets, where they stick to the ones of well-established brands, but on the other hand they are ready to easily accept utilitarian innovative products (food, other consumer goods, etc.) of EM-MNC’s[49]. Nevertheless innovation can be a successful mitigating factors of a negative reputation of a less developed country in a new host market[50].

Another determinant influencing the process of international expansion of the firms from the emerging markets is the limited access to the capital, especially in the case of privately-held organizations. They cannot be provided with so much financing from the third parties as the well-established multinational enterprises from developed countries would receive. This situations refers both to the home markets of the EM-MNC’s as well as to the advanced

[46] Amal, M., Awuah, G.B., Raboch, H., Andersson, S. “*Differences and similarities of the internationalization processes of multinational companies from developed and emerging countries*.” European Business Review, Vol. 25 Issue: 5 (2013), pp.411-428.
[47] Thanasuta, K., Patoomsuwan, T., Chaimahawong, V., Chiaravutthi, Y., "*Brand and country of origin valuations of automobiles*", Asia Pacific Journal of Marketing and Logistics, Vol. 21 Issue: 3 (2009), pp.355-375.
[48] Amal, M., Awuah, G.B., Raboch, H., Andersson, S. *Op. cit*.
[49] Arora, A.S., Arora, A., Xiao, G., “The *Role of Developed Versus Emerging Country-of-Origin in Product Innovativeness*.” Summer AMA Proceedings (2017).
[50] Cuervo-Cazurra, A., Ramamurti, R., "Home *country underdevelopment and internationalization: Innovation-based and escape-based internationalization*", Competitiveness Review: An International Business Journal, Vol. 27 Issue: 3 (2017), pp.217-230.

economies[51]. There is also a factor of cultural openness of the host market, what means a degree of acceptability of the products of other cultures in a society[52].

As signalized before generally, state ownership does have an influence on the internationalization of the companies. For the organizations from the emerging market it can be a crucial factor for the successful instate internationalization process. State-owned EM- MNC's benefit from a strategic role, that is being assigned to them by the government. They are provided with additional financing, political support, organizational resources and cooperation possibilities, that are unavailable for the privately held corporations. Nevertheless, state ownership does not only mean additional benefits for the EM-MNC's. It supports their internal processes of management, but might be problematic in terms of the operations in the way, that the emphasis of state ownership and origin in marketing (external) activities can cause a negative response from the customers, suppliers or, generally, business environment in a developed country[53]. Again, state ownership may highlight the country of origin effect leading to an increased liability of origin, especially in the case of EM-MNC's.

To sum up, there are both industry-level and firm-level determinants of the internationalization process of EM-MNC's. Macro-level institutions of an emerging market affect the access to capital, technological development and the infrastructure intensity. On the micro-level the government relationships (politics) may affect the readiness of the companies of the host market to establish partnerships and networks. Political factor is here very significant to be emphasized. All this combined affects the decision over international expansion an EM-MNC's may take (Figure 2)[54].

[51] Khanna, T., Palepu, K., "*Emerging Giants:Building World Class Companies From Emerging Markets*." Harvard Business School (2004).
[52] Benito, G. R. G., Rygh, A., Lunnan, R. "*The Benefits of Internationalization for State-Owned Enterprises*." Global Strategy Journal, 6 (2016): 269–288.
[53] Hong, J., Wang, C.i, Kafouros, M.. "*The Role of the State in Explaining the Internationalization of Emerging Market Enterprises*." British Journal of Management 26, no. 1 (2014): 45-62.
[54] Mihailova, I., Panibratov, A."*Determinants of Internationalization Strategies of Emerging Market Firms: A Multilevel Approach*." Journal of East-West Business 18 (2012): 157-84.

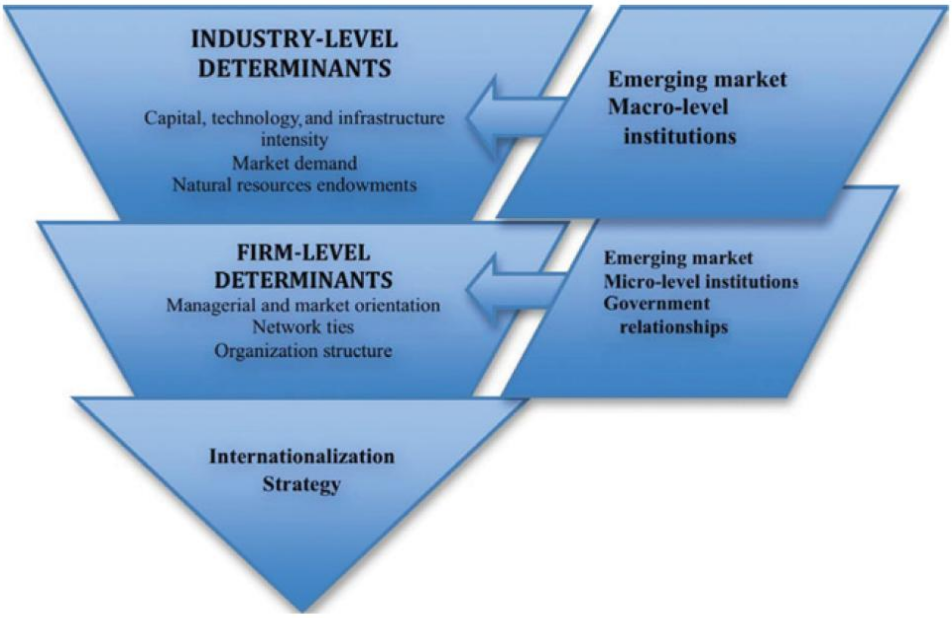

Figure 2: Determinants of the internationalization of emerging market firms (from: Mihailova, I., Panibratov, A."Determinants of Internationalization Strategies of Emerging Market Firms: A Multilevel Approach." Journal of East-West Business 18 (2012): 157-84.)

2.2.2. Internationalization of Russian firms

For many years Russian companies have been the second most investing abroad among the enterprises from BRICS (five main emerging market economies of Brazil-Russia-India-China-South Africa) countries. In 2013 Russian OFDI (Outward Foreign Direct Investment) peaked 70,7 billion dollars to shrink rapidly after the Crimean crisis of 2014, when the investment activity of Russian enterprises slowed down as a consequence of sanctions imposed on the country by the European Union's countries and the US. In 2016 the sum of the direct investments abroad realised by the companies (both state-owned and privately-held) from Russia reached more than 27 billion dollars (Table 1)[55].

Table 1: Foreign direct investment of BRICS countries: Inward and outward flows and stock, annual, 1970-2016 (UNCTAD report on FDI 2016)

Year	2010	2011	2012	2013	2014	2015	2016
ECONOMY							
Brazil	22060	11062	-5301	-1180	2230	3092	-12434
China	68811	74654	87804	107844	123120	127560	183100
India	15947	12456	8486	1679	11783	7572	5120
Russian Federation	41116	48635	28423	70685	64203	27090	27272
South Africa	-76	-257	2988	6649	7669	5744	3382

[55] UNCTADstat - *Table View*., UNCTAD. Accessed March: 20, 2018. http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx.

Nevertheless Russia as economy is still a home for around 400 EM-MNC's, that invest abroad[56]. The Russian OFDI is mostly shaped by the state-owned companies from the Oil & Gas, Banking and Heavy industries like Gazprom, Sberbank, VTB Bank, Rosneft or Surgutneftgas. At the end of 2014 there were 33 multinational companies from Russia, that were among top 500 enterprises in Europe[57].

Having taken into consideration all the characteristics of international activities of the companies from emerging markets, there are special peculiarities of the internationalization process of Russian companies. This topic has been studied and in-depth analyzed in the field of International Business research, but there is still much space for further studies. It can be presumed, that the internationalization of Russian enterprises is shaped at the same time by the emerging characteristic of the national economy and the country-specific factors.

The first thing to be mentioned here is that these were the Russian companies operating in the area of natural resources, which were the first ones to internationalize with global players like Gazprom, Severstal and Lukoil. The industries of natural resources do not require a high degree of adaptation, so it was easier for those companies to internationalize without a necessity of high efforts[58].

As it was introduced before the companies from emerging markets tend to invest first in the other emerging countries. In the Russian case this argument is strongly support. At the beginning of their international expansion EM-MNC's decided to invest in the former Soviet Union countries, to which Russia as a country has strong historical and political ties. Here the role of the Russian state has to be pointed out. The policymakers set a direction for the Russian state-owned companies to maintain their strong position in the surrounding former Soviet countries. A close political, geographical and cultural distance is of a high importance for the Russian managers, who are rather risk-averse[59]. What follows, the Russian companies, especially from the field of natural resources seek their opportunities to invest abroad in the countries with a high external demand on gas and oil. Self-sufficient economies would not be an attractive market for these enterprises[60].

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[56] Annushkina O., E., Trinca Colonel, R., "*Foreign market selection by Russian MNEs – beyond a binary approach?*", Critical perspectives on international business, Vol. 9 Issue: 1/2 (2013), pp.58-87.
[57] Handelsblatt, "*Wo Europas Top 500 zu Hause sind*", Accessed March 16, 2018, http://www.handelsblatt.com/downloads/12111888/2/grafik_wo-europas-top500-zu-hause-sind.pdf.
[58] Annushkina O., E., Trinca Colonel, R., *Op. cit*.
[59] *Ibid*.
[60] Kalotay, K., Sulstarova, A.,"*Modelling Russian outward FDI",* Journal of International Management, Vol. 16 (2010), pp. 131-142.

In the 2000's an interesting shift has been observed. Beforehand the majority of Russian investments abroad were oriented on the CIS markets (Commonwealth of Independent States) represented by the former Soviet countries. By the end of the decade this tendency had changed. It was then the European Union countries that started attracting the Russian enterprises (Table 2). What is more it was not only the Oil & Gas organizations or the ones of Heavy industry but also Telecom, IT and banking (service) sectors followed. Looking for new markets (CIS are is not enough), new technologies, new resources and efficiency improvements were the main motivations for them to internationalize also to politically and culturally distant countries[61].

Table 2: Russian acquisutions 2000-2010 (from: Dura, C., "The Rise of Emerging Multinationals from Russia: Models, Drivers and Internationalization Strategies" (2013))

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

The innovative practices of the Russian multinationals have also been studied. They seek partnerships with the host market companies to acquire knowledge and R&D results of other parties. The process of transformation of the Russian economy from the outdated industry and management practices to modern one is still in progress. The potential of highly-skilled labour supporting innovations and acquisitions of the formerly state-owned research institutes contribute to the development of the innovative projects. It needs to be mentioned that the most represented Russian multinationals are from the industries, where innovation is not necessarily a main success factor. Nevertheless mainly the development of the Russian IT sector can change this situation[62].

[61] Dura, C., "*The Rise of Emerging Multinationals from Russia: Models, Drivers and Internationalization Strategies*" (2013).
[62] Filipov, S., "*Innovation and R&D in emerging Russian multinationals*." Economics, Management, and Financial Markets Volume 6(1), (2011), pp. 182–206.

The internationalization characteristics of the Russian companies and what strategies they follow is shaped mainly by the two factors: the degree of the state control and degree of infrastructure intensity. Accordingly the enterprises from various sectors tend to use different approaches while expanding abroad. As Oil & Gas sector is mostly controlled by the state and very infrastructure intensive Joint Ventures and Alliances, since it gives them a chance to overcome entry barriers. The expansion in this field is strongly influenced by the politics, when the international operations are realised to fulfil the political plans, not necessarily linked to the economic factors. Russian metallurgy, telecom and automotive enterprises internationalize mostly through acquisitions due to the high entry barriers. It is worth mentioning that the role of state is here rather limited, what gives these companies some sort of freedom when internationalizing. The process of international expansion of the Russian banks can be described as slow, since they enter new markets through country offices. Host market institutions may perceive here the influence of the Russian government as lower as it really is. IT and construction enterprises go into partnerships and carry the lowest risks among the organizations from the described sectors, since they are not that much influenced by the state and the entry barriers are rather low (Table 3) [63].

[63] Mihailova, I., Panibratov, A., "*Determinants of Internationalization Strategies of Emerging Market Firms: A Multilevel Approach*." Journal of East-West Business, Vol. 18, Issue 2 (2012), pp.157-184.

Table 3: Internationalization strategies followed by Russian companies among sectors (from Mihailova, I., Panibratov, A., "Determinants of Internationalization Strategies of Emerging Market Firms: A Multilevel Approach." Journal of East-West Business, Vol. 18, Issue 2 (2012), pp.157-184.)

State control	Technology and capital intensive: Yes	Technology and capital intensive: No
High	(1) Oil and gas. Alliances and IJVs are preferred as they give the companies the chance to integrate themselves in the global industry. Significant initial investments in the joint projects help to overcome the high entry barriers (due to expensive infrastructure and technologies). The political motives often dominate over economic ones. The expansion is aggressive and the scale of acquisitions is huge.	(2) Banking. The representative offices are the most common form of first entry. Acquisitions are made when the foreign market is approved as the prospective one. The economic motives dominate, despite that the real role of the Russian government is much greater than the one which is perceived by host markets' institutions. Through representative offices they move slowly into foreign markets.
Low	(3) Metallurgy, telecommunications, and automotive. Acquisitions are the most common form of international expansion. In most cases M&A are the only possible form due to the high requirements of infrastructure and the lack of capacity to create this from scratch and on their own. The role of the state is moderate and companies are independent and possess large capital. They are not interested in control and backup of their operations and they tear their targets especially if the latter are attractive.	(4) IT, construction. The partnerships are the most common form of both entry strategy and post entry operations. The financial risks are relatively low in the process and internationalization occurs through the various types of projects following the logic either following the market or the client. In some cases the IJVs help to strengthen the innovations and R&D capabilities of the firms. There are almost no political motives in the internationalization in this group of firms. They often follow other large firms in their international expansion and are not aggressive.

Of course, it is a simplified way of describing the internationalization strategies followed by the Russian enterprises, but it is a very good foundation for the further study, in which company-specific and host-market patterns need to be considered and the specific conclusions need to be drawn. With no doubts political factors, cultural and geographical distance, market entry barriers have to be taken into consideration when talking about the expansion of Russia-originated companies.

2.2.3. Context of liability of origin of Russian firms

As stated before liability of origin may negatively influence the performance of the multinational company in specific host countries. In the Russian context the image of the country may increase (or potentially decrease) the presence of this phenomena. There is a very limited number of studies, where it is described, how the market entries of the Russian EM-MNC's are impacted by the origin. A negative country of origin effects on "Made in Russia" products was studied once in the USA, 24 years ago in another, which is one generation of customers and businessman ago[64]. Nevertheless more attempts have been identified, mainly in the IT are.

Due to the liability of origin Russian companies may face difficulties in recruiting the local stuff (which is so important in the internationalization process) caused by a negative political image of Russia. They need to seek special advantages like expertise in a particular field of industry (like e.g. IT) where the employees would be attracted to join[65].

In order to react to a potentially negative country of origin effect the Russian multinationals may hire board members from abroad to seek an additional networking potential with the home market players. A study on the management boards of the Russian EM-MNC's revealed that 30% of the boards' seats in the privately-held organizations are given to the foreigners: mostly Americans, Germans and the British, whereas it is only 10% for state-owned enterprises[66]. Based on this a hypothesis for further research can be stated if the presence of so many Russians in the management boards does not negatively impact the country of origin effect.

Due to its historical heritage of the Soviet Union Russian products can be perceived of significantly lower quality than the ones from the developed countries. On the one hand the political situation of Russia in the international affairs, the Russian origin can imply additional risks for the partners in the foreign host markets of the Russian multinationals. On the other hand Russian origin does not necessarily have to be an obstacle for them. Due to the market-specific characteristic of liability of origin Russian IT sector is able to experience a positive effect of Russian origin[67]. The Russian IT experts are known for a high level of their education, high technological knowledge and all this can be generated with relative low costs comparing to other markets[68].

Due to the latest developments in the international politics Russian companies may become hostages of the international rivalry between the countries, especially the state-owned organizations. The Crimean crisis of 2013 and 2014 made the Western companies much more reluctant towards the partnerships with the Russian companies and in many cases sanctions even

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[64] Johansson, J., Ronkainen, I., Czinkota, M., "*Negative Country-of-Origin Effects: The Case of the New Russia*.", Journal of International Business Studies, Volume 25, Issue 1 (1994), pp 157–176.
[65] Holtbrugge D., Kreppel H., "*Russian Multinationals in Germany: Brand Image and Employer Attractiveness*." Vestnik of the Saint Petersburg State University, Issue 4 (2012).
[66] Liuhto, K., "*Foreign Board Members in Russia's largest corporations: A special emphasis on on the country's 10 biggest firms investing abroad*." Vestnik of the Saint Petersburg State University, Vol. 33, Issue 3 (2017).
[67] Panibratov, A., "*Liability of Foreignness of Emerging Market Firms: The Country of Origin Effect on Russian IT Companies* ." Journal of East-West Business, Vol. 21, Issue 1 (2015), pp. 22-40.
[68] Panibratov, A., Latukha, M., "*Obtaining international results through partnerships: evidence from Russian MNEs in the IT sector*." Journal of East European Management Studies, Vol. 19, Issue 1 (2014), pp. 31-57.

blocked any possibility of further international expansion for the Russian multinationals. A. Panibratov even came up with a term of “Liability of Russianness” to describe this phenomena[69].

Russian companies suffer from the liability of origin from the emerging market, but there are also some peculiarities that make Russia stand out among the other emerging countries. These are: the background of the Soviet Union, sill very important role of the state and a negative influence of the perception of Russia’s actions in the international affairs. All these factors make it more demanding for the Russian multinationals to successfully perform internationally, establish networks and partnerships and attract local employees. A limited number of studies on liability of origin of Russian companies gives a space for a further research in this field. Mitigation strategies need to be introduced as well.

2.3.Summary

2.3.1. Research gaps definition

Literature reviews was not only done to better understand the topic of the paper, but to better define the need for the research by defining the research gaps. First the theory of liability of foreignness was introduced in order to set up the foundation for understanding the liability of origin described as liability caused by an impact of country of origin on the operations of the international enterprises derived from technological development of the country, historical background, political situation or influence of the state. The difference between these two concepts needs to be emphasized. All companies that internationalize are exposed to the liability of foreignness to an extent depending on their organization capabilities, whereas the liability of origin is directly linked to the country a company comes from, sector within which it operates and a host market itself.

State ownership may also shape the degree of the liability of origin, in the way that it helps organizations get access to financing, political and organizational support, but it can also lead to an increased emphasis on the organization’s origin, what may lead to a worse international performance.

Multinationals may use different strategies to mitigate the consequences of this phenomena, but from the perspective of this paper it is relevant to describe the role of innovation in that process. It can help the companies overcome a potentially negative perception of their

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[69] Panibratov, A., “*International Strategy of Emerging Market Firms: Absorbing Global Knowledge and Building Competitive Advantage*.” Taylor & Francis (2017).

origin in the home market they may face in a daily business abroad. Both the concept of liability of origin itself as its mitigating measures depend on the home market a company comes from, host market where a company expands, industry in which it operates and company capabilities as well.

The context of Russia in this case has a dualistic characteristic. On the one hand Russian companies experience the liability of origin common for all emerging market countries but also "Russian"-specific liability with its historical heritage, role of state ownership and impact of the international affairs.

There is a very limited number of studies investigating the liability of origin of Russian companies. Additionally it has not been widely studied what way state ownership impacts the international operations of Russian companies from different sectors and how it can be mitigated with innovation.

The focus of the study should lay in the country-specific approach. It refers both to the home-market specific factors, as well as to the host-market specific ones. From the perspective of this paper thanks to the literature review the following research gaps were identified

1. **State ownership and its influence on liability of origin of Russian companies**

   As state above, liability of origin might be increased by the state ownership. Nevertheless it has not been studied yet, if this influence varies among the single countries and how. The context of Russian origin combined with the host country-specific conditions requires a further investigation.

2. **Innovation as a mitigating factor of liability of origin of Russian companies with the host-country-specific context.**

   Although there is an empirical evidence, that innovation helps Russian IT companies overcome their liability of origin, it has not been studied how does it work in other sectors. There is a need to study this field and come up with a theory if no direct conclusions would be available. There is a lack of host-country specific context.

3. **Sources and displays of liability of origin of Russian firms among the countries.**

   It was already studied, what can be the sources of liability of origin of Russian firms, but any of the available studies have not been oriented on particular host markets. Only generalizations have been made. There is a need to study specific host markets to find out about the particular sources varying from one host market to another. Since it was already proven that the level of liability of origin depends on the home country, host market, industry and a company itself it is now worth checking out, how the liability of origin varies among countries (it has never been done yet) and industries.

4. **Differences between the mitigation strategies of Russian companies among the countries and industries**

Mitigation strategies among the host markets and industries need were partially introduced in the literature, but neither with the home-market-specific context nor in the host-market-specific one. It needs to be investigated, how the Russian companies mitigate the effects of country of origin and how it varies among the host markets and, potentially, among the industries.

For the purpose of the study as host markets of the subsidiaries of Russian companies, that will be investigated, the contexts Germany, Poland and Hungary will be chosen. An additional justification of that choice will be provided in Chapter 3 of this paper.

2.3.2. Research problem and research questions

Definition of the research gaps was crucial to come up with the research problem of this paper. As presented in the literature review there is a need for a better understanding of extent and sources of liability of Russian origin of companies among countries (and industries). Also the mitigation strategies vary among the countries and it is essential to define what mitigation strategies work best in the chosen host markets, since it is unknown yet. Additionally, as stated in the title of the paper, the role of innovation and state ownership among the countries should be defined. The literature on International Business available so far presented a quite complex view on liability of origin, but there is a very limited number of sources on this phenomena on particular markets where the host country characteristic would be taken into consideration. There is a clear necessity to study this topic on specific markets, not to offer some general view on the issue, but to finally deliver specific findings, that are attributed to single markets and industries within them. Not solving this research problem may lead to further efficiency issues of the Russian multinational companies operating in the chosen countries, due to generalization of the issue without considering market-specific factors.

Based on the defined research gaps the following research questions have been formulated and listed:

RQ1: What are the sources and displays of liability of origin of Russian companies in Germany, Poland and Hungary?

Justification of relevance: It is presumed, that the sources of liability of Russian origin may be different among the countries, and the sources also have different level of importance. For example, the influence of the Russian government may be differently perceived among different host markets. The liability of origin so far has always been explained from the perspective of Russian companies operating abroad missing the host-market perspective at the same time and peculiarities of that. Since liability of origin varies among the host market it is important to define the differences among the chosen countries. Mitigation strategies as a response to these potential issues will be covered here as well.

RQ2: What is the impact of state ownership on the liability of origin of Russian companies in Germany, Hungary and Poland?

Justification of relevance: Although it was already partially studied, if the level of state ownership increases the liability of origin, it requires a further investigation what is the impact of state ownership of Russian organizations in the host markets of Germany, Hungary and Poland.

RQ3: What is the impact of innovation on liability of origin of Russian companies in Germany, Poland and Hungary?

Justification of relevance: After the literature review it is clear, that innovation may contribute in mitigating the liability of origin. Nevertheless it is presumed, that the impact may differ among the countries, what is worth investigating in the host-country-specific context. An additional point needs to be done to broaden the scope the issue is analyzed. On the one hand it needs to be assessed what is the role of company's innovativeness, understood as being perceived as innovative organization, when operating on a host market with regard to the liability of origin and on the other hand it requires an investigation what is the impact of innovation delivered by the Russian companies on the liability of origin of the organizations from this country.

2.3.3. Relevance of the topic for management

Answering the research questions will contribute to the management decision-making. The topic of liability of origin itself is not new in the field of international business research, but the Russian origin of companies in the contexts of Germany, Poland and Russia has not been studied yet. Even if some publications on the implications of state ownership and innovation on that phenomena are available, no attempt to define a combined impact of these combined factors on liability of origin of Russian companies has ever been done.

Additional findings on innovation as a mitigating factor for liability across sectors of the Russian industries can help the managers of multinationals from that country shape their internationalization activities and put right emphasis on the innovative projects. A better knowledge on the sources of liability of origin among the countries may become a very relevant contribution for the international business strategies of Russian companies. The awareness of the management boards, that the liability of origin varies among different host markets, can be one of the success factors of internationalization. This paper can be of a high importance not only for the Russian managers themselves but also for the managers of the host countries, so that they can know what to expect from the Russian competitors on their markets.

As no study on liability of Russian origin in Germany, Poland and Hungary is available, any finding in this field will be a contribution to international business research and will deliver managerial implications for the Russian organizations operating in these markets. A better understanding, how the liability of origin varies among countries and industry sectors will help the companies implement adjustments in each of these host markets to improve the performance.

This paper by presenting the mitigation strategies of the top Russian international companies may be a good indication for the organizations that has just started their international expansion or are about to expand to Germany, Poland and Hungary, on how to avoid being negatively impacted by the liability of origin. Lack of the experience could be compensated with the ready-to-use strategies presented in the paper.

3. Methodological framework for the study

3.1. Justification of choice of the countries for the study

The liability of origin of Russian companies will be studied in the market-specific contexts of Germany, Poland and Hungary. There are several factors, that can justify the selection for the relevant markets.

Historical background

As it was stated in the literature review, the Russian multinationals tend to choose former Soviet countries as first destinations of their international expansion. Among the three countries there is a decent distribution of the background from a modern history. Firstly, Hungary and Poland were under a Soviet influence in the aftermath of the World War II until 1991 when the Soviet Union officially collapsed. Secondly, Germany, in the aftermath of the war was divided into two parts, one free market-oriented under the influence of the Allies and the other one the German Democratic Republic, that went under the influence of the Soviet Union. In the historical area not only is the Soviet Union influence high of importance here, but also the old history, when Germany, Poland and Hungary shared different affairs with Russia.

In each of these countries there is a different perception of the Russian political influence and presumably it may differently affect the liability of origin of Russian multinationals.

EU membership

Each of these three countries is a member of the European Union. Selection of Germany, Poland and Hungary helps to avoid a bias caused by non-EU membership. It would be risky to take for the analysis a country, which does not belong to that organization. EU members have very similar, if not the same, legislation regarding the imports and working visa regulations towards Russia and Russian citizens. The results of the study will not be biased by a distinction in this field and additional legal barriers beyond the ones between Russia and EU will be excluded.

Language and culture

In any of the chosen countries neither is Russian an official language, nor is the Cyrillic alphabet officially in use by the state institutions. Choosing the three countries and not having any Russian-speaking one among them will help avoid the bias of the language, what could potentially lower the liability of foreignness of the subsidiaries of Russian companies biasing the clear picture of liability of origin. The same refers to the national culture itself, where the countries differ in cultural distance towards Russia. Based on this factor, Bulgaria, a country that potentially could have been chosen for the study, it will not be selected. The fact, that the Cyrillic alphabet is used in Bulgaria might significantly bias the liability of origin of Russian companies in this country due to much lower language barriers.

Close geographical distance

Germany, Poland and Hungary are all in a close geographical distance to Russian Federation. Poland is even its neighbouring country through the region of Kaliningrad. Thanks to the close distance it is presumed before the empirical part, that the relatively the same geographical distance will not cause any bias to the research findings.

Different economic development

Among all the factors that helped to decide upon what countries should be chosen for the research, the most important one is the economic development. These countries represent different economic development. The GDP per capita of Germany for 2016 was at the level of 42 162 US dollars, whereas the ones of Poland and Hungary reached 12 414 US dollars and 12 820 US dollars accordingly (based on World Bank data)[70]. Germany has always (since 1987 when World Bank began issuing the country classification based on GNI) been considered as a high income country, Hungary was first considered to be one in 2007 and Poland in 2009[71]. Nevertheless it is the economy of Poland, that represents the highest GDP growth rate among the countries with 2,9% in 2016, comparing to 2,1% of Hungary and 1,94% of Germany[72].

According to the FTSE Russell Germany has always been considered as a developed market economy, whereas Poland's status of the emerging market has changed into a developed one in 2018. Hungary still remains an emerging market[73]. This way all these three countries may represent a different stages of market economy development with Germany as a well established developed market, Poland as a newbie in among the developed markets and Hungary as an emerging market in the same group with Russia.

Different FDI distribution

Already a quick look on the distribution of Russian OFDI among these three countries reveals, that there might be differences in the liability of origin, its level and sources. According to the data from the Central Bank of the Russian Federation in 2016 the Russian OFDI (outflows

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[70] The World Bank, "*GDP per capita*", Accessed on March 18, 2018, https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=PL-HU-DE
[71] The World Bank, "*How does the World Bank classify countries?",* Accessed March 18, 2018, https://datahelpdesk.worldbank.org/knowledgebase/articles/378834-how-does-the-world-bank-classify-countries
[72] The World Bank, "*GDP growth*", Accessed on March 18, 2018, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=PL-HU-DE
[73] FTSE, "*Quality of Markets criteria (Europe Developed) as at March 2018*", Accessed March 19, 2018, http://www.ftse.com/products/downloads/Europe-Developed_latest.pdf

minus inflows) to Germany was at the level of 393 million US dollars, for Poland it was 55 million and for Hungary only 13 million. This may prove a different distribution of the liability of Russian origin among these countries. It will be checked in the empirical part[74].

Germany as a representative of the West-European countries and Poland and Hungary for the CEE region

Germany is taken for the study as a representative of the West-European countries with a very high level of the economic development. This will be confronted with the two countries from the CEE region that may present a different attitude towards Russia and the effects of Russian origin might differ among them. Choosing one country from the CEE region (out of Poland, Hungary, Czech Republic and Slovak Republic) would not be representative for the whole region, but selecting two of them will increase the level of representativeness showing a broader perspective.

To sum up, there were seven factors, why Germany, Poland and Hungary were chosen for the study of the liability of Russian origin. It is historical background of the Soviet Union, common EU membership, different language and culture, close geographical distance, different economic development and a distribution of Russian OFDI among these three countries. What is more Germany is taken for the study as a representation of the West-European highly developed countries, whereas Poland and Hungary represent the CEE region, which presumably is not homogeny, when it comes to the effects of Russian origin. Similarities and differences between the three markets in relations to Russia will ensure a holistic picture for the conclusions of the research considering the host-market-specific peculiarities of the liability of origin of Russian companies.

3.2.Research methodology

3.2.1. Qualitative characteristic of the study

For the study a qualitative research approach is chosen to better understand the phenomena of liability of origin of Russian companies in the specific host markets with respect to the industries within which they operate. A qualitative research will provide a researcher with a knowledge in a better way, than the a quantitative one would do. In the case of liability of origin there is a very limited possibility of drawing certain conclusions out of numbers or

[74] Bank of Russia, "*Russian Direct Investment Abroad*", Accessed on March 19, 2018, http://www.cbr.ru/eng/statistics/?Prtid=svs

quantitative correlations[75]. Choosing this approach is crucial for understanding the patterns of operating by Russian organizations abroad in the three chosen countries.

A general aim of this research is to understand the sources of liability of origin of Russian companies in the chosen countries, define the difference among the countries and industries and check for importance of innovation and change in state ownership as mitigating factors. A further investigation about other mitigating strategies among the host markets will follow.

Qualitative research will allow a higher degree of flexibility and adjustments on the track of research, where no strict rules of sticking to certain factors will be followed. The study is on three similar but still very different markets about the companies with different historical and industrial background. As no hypotheses were formulated for this qualitative study, there is a limited risk for a bias of a researcher, who would seek approving or declining a hypothesis.

3.2.2. Exploratory research methods to be implemented

The methodological approach to answer the research questions can be described as exploratory combining the qualitative elements of both theoretical and empirical research. Exploratory research was selected, since the research will explain the areas of a certain phenomena – liability of origin of Russian companies – which has not been yet studied with regard to the three chosen host markets of Germany, Poland and Hungary.[76]

There are two main pillars of the exploratory research, that is aimed to be implemented. The first one are the expert interviews with the representatives of Russian trade and business and the second one are case studies of Russian companies operating abroad in the three relevant markets. This all is supported with an in depth literature research.

In depth literature research

The object of the empirical research are the Russian multinational companies operating in the host markets of Germany, Hungary and Poland. This is why apart from the literature presented in the literature review (Chapter 2), where the available findings on liability of origin were introduced and a foundation of the study topic selection was drafted, in the empirical part the literature analysis will be extended with industry and market reports on the international trade between Russia and relevant countries Germany, Poland and Hungary. National (National central banks databases, Chambers of commerce reports, governmental databases, etc.) and

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[75] Walle, A. H., "*Qualitative Research in Business : A Practical Overview*", Cambridge Scholars Publishing, (2015). pp. 9.
[76] Mack, N. "*Qualitative Research Methods Overview*." In Qualitative Research Methods: A Data Collector's Field Guide., (2005).

international (World Bank database, OECD database or IMF database, etc.) statistical sources will be analysed to present a country specific overview for a background on a further study. Also the historical insights and the social studies will be included here.

Analysis of market and industry reports from each country and Russia will allow for a better understanding of both market- and industry-specific observations on the liability of Russian origin. It will be checked, in what sectors the Russian companies are mostly represented in the relevant countries, what is the motivation of their presence and what are the difficulties with regard to their origin. What is more the trends will be investigated and the sources of them will be aimed to be identified.

The in depth literature analysis will help define more precisely the drivers of liability of origin in each of the relevant countries and among different industry sectors. Besides that it will help the researcher and the reader better understand the environments Russian multinationals operate in with the market and industry insights.

Case studies with expert interviews

The case study methodology will directly imply a practice-oriented characteristic of the study. It is not just the theories that need to be analyzed, but there are real cases of real multinational Russian companies, what can bring relevant managerial conclusions. The ideal scenario for the case study will be to pick the companies which operate in Germany, Poland and Hungary at the same time. Unfortunately there is a very limited number of such companies. This is why it will be aimed to have at least an equal or close to equal distribution of the companies among countries, industries and ownership structures in order to present reliable conclusions.

The case studies will include the companies from IT, oil and gas, banking and FMCG industries. International expansion with focus on the three markets of Germany, Poland and Hungary will be introduced. What is more, only the companies with at least slight physical representation in the three relevant markets will be presented with the presumption, that there are the ones, which experience the potential liability of Russian origin on a daily basis.

The available literature like press releases of the companies, available statements of the representatives of the companies, interviews and reports available in the business press and media will make up a significant part of the case studies, since the access to this information is not limited at all.

Case study methodology will be supported with the answers given by the respondents to the questionnaire on liability of origin shared with the top managers from the three countries of the relevant companies chosen for case studies on the purposive sampling basis with the assumption that they might experience the liability of Russian origin of their companies. The questionnaire was created to save the time for the respondents, who are top managers. 25 General Managers, Country Managers, Sales Managers, Board Members or Supervisory Board Members were asked directly via LinkedIn platform to participate in the survey, but only five of them agreed to do so. Although they were informed that the survey would be anonymous, they were explaining their reluctance with a "sensitivity" of the topic. All the participants were asked to share their experience on the difficulties they might have been facing in the host market due to the liability of origin of the company they work for. The goal was to assess difficulties in this field they might face from the suppliers, customer, labour market, local authorities, legislation, local media and what mitigation strategies they use to overcome it. Due to the very limited number of responses, the results of the questionnaire cannot be treated as relevant for the conclusions of the study, but they can help to better shape the direction of the study.

What is more expert interviews with the representatives of the three markets were done to elaborate more on the peculiarities of liability of origin of Russian companies in the three countries. The experts chosen were people representing Russian business and trade in the selected relevant markets. The interviews took up to 60 minutes and were based on the set of questions agree upon with the interviewees. They were interviewed via Skype or phone call. Some interviewees stayed anonymous and all of them pre-authorized the interview results. Their knowledge and experience will positively influence the precision of the conclusions from the case studies. One interviewee from each country was involved in the study. Again, due to the "sensitivity" of the topic many declines were noted, but the goals of one person per country was achieved.

In the end the exploratory research will be a combination of the two research pillars introduced above. On the one hand it will allow to get host country-specific peculiarities of the liability of Russian origin of the companies but on the other hand the industry-specific factors will be taken into consideration. The discussion over the role of innovation and state ownership will be included in both parts of the empirical study as an inherent part of the analysis.

It is known in advance that the study will have its limitations with the limited accessibility to the respondents to the questionnaire as a main one. What has been observed is a rather negative attitude of the business people to share their experiences from working for Russian companies abroad. This is an issue, that will be faced throughout the whole empirical part.

Nevertheless the proposed methodology will provide reliable deliverables to answer the defined research questions. This claim is supported by the other studies in this field introduced in the Literature Review (Chapter 2), where the same or very similar research approach was followed. What is more, the expert interviews will present the view of the representatives of Russian business or companies in the chosen countries and the case studies on selected Russian organizations will describe the response from the market with regard to the Russian origin.

The time period, within which the empirical research is done, is from the beginning of March 2018 until May 10th 2018.

At the end of the study, the answers to the research questions will be formulated, the conclusions will be drawn and the managerial implications of the research will be defined. It cannot be excluded that a call for a further study in this field will be stated.

4. Empirical research

4.1. Introduction: Russia and the European socio-economic environment

In this section it will be analyzed, what is the social and economic environment that might determine the liability of origin of Russian companies in the chosen countries. Social factors refer to the attitudes of the German, Hungarian and Polish societies toward Russia. As economic or business related factor the Index of Economic Freedom and statistics on FDI will be added. For the purpose of historical background, that has been impacting the recent developments between Russia and the selected countries, the information on the sanctions imposed on Russia will be given. The cultural differences between the countries and Russia are to be described as well in order to see if culture could potentially explain the liability of origin experienced by the Russian companies abroad.

4.1.1. Attitudes toward Russia

The opinions about Russia might have influence on, how the Russian companies abroad are perceived by the societies. If there is a direct link between the social attitude of a nation toward a single country and the perception of companies originating from it, it is still under question. Nevertheless, the attitude toward Russia will help to explain the negative (or positive) effects of Russian origin in Germany, Hungary and Poland, since the people of these countries turn out to be potential customers, suppliers, partners or generally stakeholders of Russian companies working abroad.

According to the study done by the PEW Research Center in 2017 Russia is perceived unfavourably in most of the countries, that have been surveyed by the Institute. Among the 37 nations surveyed the median results were as follows: 40% of people view Russia negatively, whereas 34% perceive the country in a positive light[77].

Among the three countries chosen for the analysis Polish nation has the most unfavourable view on Russia (see Figure 3). 69% of the population see Russia in a negative light, whereas only 21% of Poles perceive the country positively. In Germany the situation is only slightly better than in Poland, according to the research. 67% of Germans perceive Russia negatively and 27% of the population have a favourable opinion about the country. The best situation is in Hungary. According to the PEW Research Center less than a half of population – 48% have see Russia in a negative light and 39% (which is a high score comparing to the other countries) perceive the country positively[78].

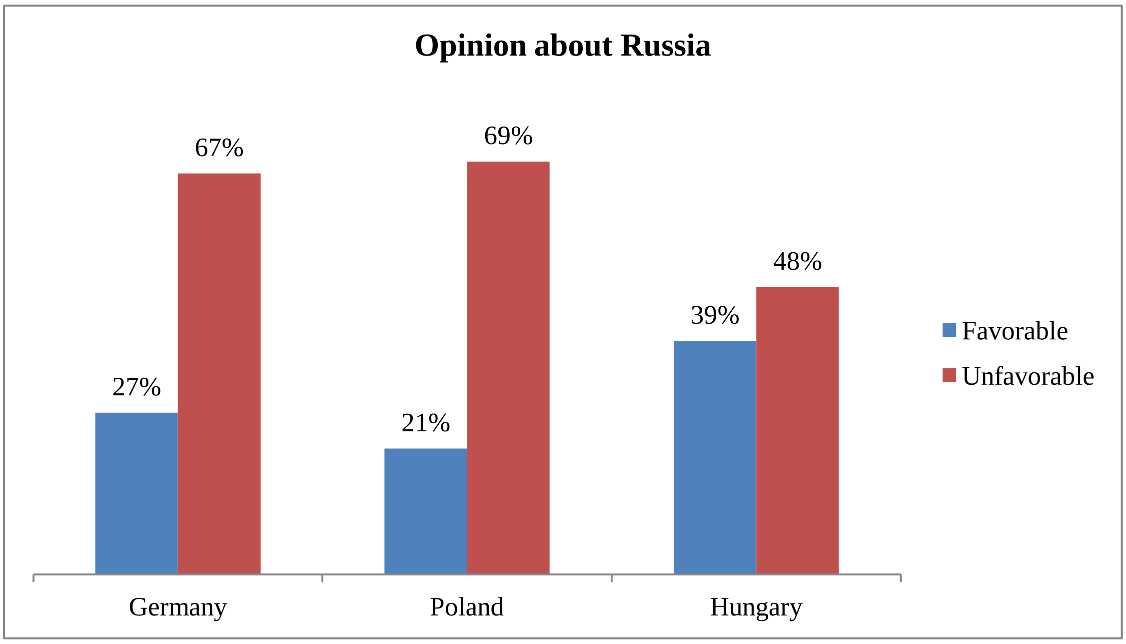

Figure 3: Opinion about Russia in the chosen countries (from Vice, M., "Publics Worldwide Unfavorable Toward Putin, Russia", (2017), Accessed March 21, 2018, http://www.pewglobal.org/2017/08/16/publics-worldwide-*unfavorable-toward-putin-russia/)*

Another statistics that might be relevant for the further study is the perception of Russia as a major threat to a country. It is presumed, that the results would partially explain the liability of Russian origin of the state-owned companies in the chosen countries in the part of case studies. Again, the worst situation is in Poland, where according to the research 65% perceive of people consider Russia to be a major threat to the country (see Figure 4). Unlike it was in case of

[77] Vice, M., "*Publics Worldwide Unfavorable Toward Putin, Russia*", (2017), Accessed on March 21, 2018, http://www.pewglobal.org/2017/08/16/publics-worldwide-unfavorable-toward-putin-russia/
[78] *Ibid*.

the opinion about Russia, in Germany the results are much different than in Poland. There only 33% of people perceive Russia as a major threat. Like it was in the previous statistics, the people of Hungary are the most pro-Russian among the selected countries, or at least the least anti-Russian. Only 28% of the Hungary's population consider Russia to be a major threat to their country, which is even better than the median worldwide among the surveyed countries, that was on the level of 31%.

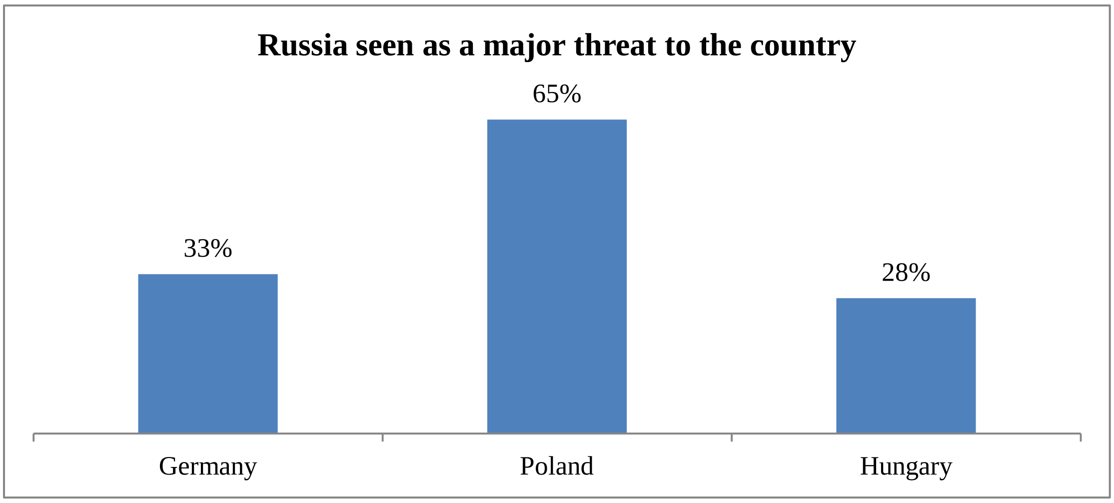

Figure 4: Russia as a major threat to the country (from Vice, M., "Publics Worldwide Unfavorable Toward Putin, Russia", (2017), Accessed on March 21, 2018, http://www.pewglobal.org/2017/08/16/publics-worldwide-unfavorable-toward-putin-russia/)

The results presented above lead to a conclusion, that overall Russia is perceived rather bad by the people of selected country. The worst perception of Russia is to be found in Poland, what is presumably rooted in the historical issues between the two countries. There is a moderately negative perception in Germany and almost neutral one in Hungary. It will be interesting to see, if such results are confirmed by different intensity of liability of Russian origin in these countries, based on the case studies of chosen companies.

4.1.2. Russia's business environment as origin of the multinationals

A very accessible way to describe the Russian business environment, where the Russian multinational companies come from is to analyze the Economic Freedom Index which is being continuously updated by the Heritage Foundation. The way, how the economic freedom is described in a country of origin of a company may impact the way it is perceived abroad in the host market.

The Economic Freedom Index of the Heritage Foundation refers to the four main pillars describing it, which are Rule of Law, Government Size, Regulatory Efficiency and Open Markets. 186 countries are classified based on the level of economic freedom they present[79].

Russia is ranked 107th freest economy in the world and 41st out of 44 countries classified in Europe. When it comes to the Rule of Law Russia is considered very negatively. The Russian government is accused of influencing the legal cases. The corruption level is very high and the bureaucracy spread around the state institutions allows the bureaucrats to impose unfair decisions on enterprises[80]. This may negatively impact the perception of Russian companies abroad and lead to the lack of trust, presumably mostly towards the state-owned multinational enterprises.

When it comes to the Government Size indicators like government spending, tax burden and fiscal health Russia is high graded. It keeps the public debt on a good level comparing to other European countries, the same refers to the budget deficits[81]. The internal spending of the Russian government should not cause additional issues for the companies abroad in the host markets.

The Regulatory Efficiency is considered to be poor in Russia. There is a lack of regulatory transparency and the level of uncertainty running a business is high. The freedom of labour is graded very low as well, due to an old-fashioned labour laws, which do not guarantee the employees needed rights[82]. The partners of Russian companies abroad may have concerns about their practices from the home market, that could be transferred to the host one causing additional troubles.

Russia is also not considered to have an open market. There is a lack of transparency in terms of the investment and financial freedom, what leads to a further uncertainty of doing business in Russia. State-owned enterprises gained the strategic importance when it comes to the exports, what might cause a negative response of the buyers or business partners in the host market of the selected countries[83].

As stated above Russia is ranked 107th in the ranking of the Economic Freedom, whereas the countries selected for the case studies present a much higher level of the index. Germany is ranked 25th, Poland 45th and Hungary 55th, what itself already may create some concerns in the

[79] The Heritage Foundation, "*About the Index*", Accessed on March 18, 2018, https://www.heritage.org/index/about
[80] The Heritage Foundation, "*Russia*", Accessed March 18, 2018, https://www.heritage.org/index/country/russia
[81] *Ibid*.
[82] *Ibid*.
[83] *Ibid*.

host market towards the companies of Russian origin. Definitely it is not a supporting factor for the Russian enterprises to have the Russian origin and to try to expand to the markets that are considered to be economically free (in case of Germany) or at least moderately economically free (in cases of Poland and Hungary).

4.1.3. Cultural differences

The analysis of culture differences may be a useful tool to explain the liability of Russian origin in specific countries. Culture shapes the way people behave and it is relevant to check the cultural distance between Russia and the chosen countries. For this reason widely acknowledged Hofstede's dimensions of Power Distance, Individualism, Uncertainty Avoidance, Long Term Orientation are to be used.

In the Figure 5 the comparison can be seen. In terms of Power Distance, in Russia there is a strict attitude towards the hierarchy in the organizations. The business roles need to be taken care of by the employees and business partners. The situation is completely different in Germany, where the hierarchy in the organizations is supposed to be flat. In Hungary the Power Distance is also low, unlike in Poland, where this indicator is moderately high[84].

Russian society is characterized by collectivism, whereas the societies of other three countries analyzed are rather individualistic. In Russia the business decisions would need to be taken collectively and for the sake of some ultimate purpose of the whole group/nation. In the three selected countries it is the individual, that is in the middle of attention.

Russian culture is characterised by the long-term orientation, the same like German. A moderate long-term orientation is a domain of Poland and Hungary. This may lead to potential issues in the scheduling between the partners in the host market and the Russian company.

[84] Hofstede Insights, "*Country comparison*", Accessed on March 18, 2018, https://www.hofstede-insights.com/country-comparison/germany,hungary,poland,russia/

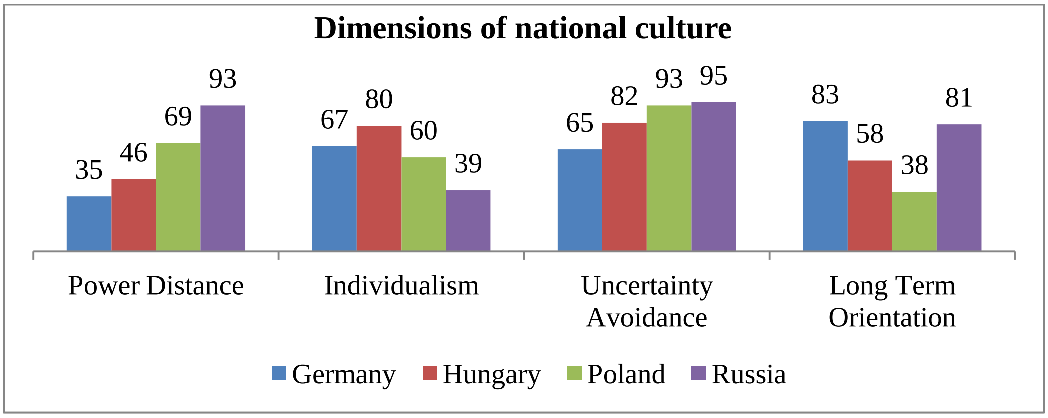

Figure 5: Dimensions of national culture of Germany, Hungary, Poland and Russia (from: Hofstede Insights, "Country comparison", Accessed on March 18, 2018, https://www.hofstede-insights.com/country-comparison/germany,hungary,poland,russia)

As it was found in the literature sources, the researchers are not sure, if a culture can directly be a source of liability of origin, but the case studies of single markets or single companies may reveal such correlation.

4.1.4. Economic sanctions imposed on Russia

After the outbreak of the crisis in Crimea and Annexation of the peninsula by the Russian Federation, which is considered to be illegal by the Western countries, in 2014 apart from the diplomatic sanctions the European Union issued also economic sanctions towards the Russian individuals from the business and politics as well as specific companies.

The sanctions limited the access to the capital of Russian businesses in the European Union including Hungary, Poland and Germany and made the European business environment a more challenging place for the Russian multinationals. The European Union issued a set of lists of individuals and entities to be banned from entering the EU.

For over four years the following sanctions have been continuously extended. They refer to the following areas:

- Limited access of the Russian companies to the capital markets of the EU
- Trade ban on exports and imports of arms
- Limited access to technologies and services used for oil exploration and production
- Suspension of bilateral international and regional cooperation programs with Russia
- Suspension of new financing programs of the European Investment Bank with Russia[85]

[85] Council of the European Union, "*EU restrictive measures*" , Accessed on March 21, 2018, http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/

Even before the beginning of the analysis of the case studies it is almost certain, that the sanctions imposed on Russia are a source of liability of origin of Russian companies operating in Germany, Hungary and Poland and can further increase the level of difficulties related to them. No differences among these three countries should be observed, since the sanctions refer to all members of the EU with no exceptions.

4.1.5. Foreign Direct Investments

Looking for the differences in the intensity of liability of origin of Russian companies in the three selected countries, one can compare the activity level of Russian investors. Germany is an absolute leader of Russian Outwards Foreign Direct Investments among the selected countries. In 2017 the Russian OFDI in Germany was eight times that high as the ones in Hungary and Poland combined (see Table 4). In 2014, when the sanctions of Russia were imposed, the OFDI in Germany and Poland decreased, whereas, it surprisingly increased in Hungary. As of 2017 8,5 billion dollars were invested by Russians in Germany, 647 million dollars in Poland and 272 in Hungary. As the statistics show these countries are not the main destination of Russian OFDI. OFDI to Germany is only about 1,8% of the whole Russian OFDI, in the case of Poland it is only 0,14% and in the case of Hungary only 0,06%[86].

Table 4: Russian OFDI to Germany, Hungary and Poland 2012-2017 in million dollars (from: Bank of Russia, "Russian Direct Investment Abroad", Accessed March 19, 2018, http://www.cbr.ru/eng/statistics/?Prtid=svs)

Country of direct investment	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**	**2017**
Total Outward Direct Investment (million, USD)	**409 567**	**479 501**	**411 270**	**384 379**	**367 593**	**418 034**	**455 410**
Germany	9 111	9 886	9 709	9 337	9 427	8 144	8 496 (1,8%)
Hungary	107	237	280	231	230	264	272 (0,14%)
Poland	589	627	510	558	563	578	647 (0,06%)

[86] Bank of Russia, *Op. cit*.

The Russian OFDI in Germany, Poland and Hungary is also very low comparing to the total inward FDI of these countries. Considering the values from the table above it is worth pointing out, that the total FDI in Germany in 2016 was at the level of 771 billion dollars, in Poland it was 186 billion dollars and in Hungary 78 billion dollars. Comparing these results with the level of Russian OFDI to these countries would lead to the conclusion, that the contribution of Russian investors to the economies of the selected countries is low[87].

Even if, as stated above, the activity level of Russian investors in Germany, Hungary and Poland is low, it cannot be neglected. Russian companies operating in these markets can be identified. Germany, among these three countries is a main direction of Russian foreign investments, followed by Poland and Hungary. It is important to check if the degree of this activity is somehow correlated to the liability of origin experienced by the Russian enterprises in these markets.

4.2. Reality of the liability of origin of Russian companies through the lenses of the experts

In order to get a first-hand experience on liability of origin of Russian companies in the relevant markets, three extensive expert interviews were done with the people, who either work on the top managerial positions in the Russian companies abroad or are in charge of organizations helping Russian enterprises on the relevant market. In each country selected for the analysis one expert interview was done. To give a better overview on the liability of origin the interviews may also supported with the supportive secondary sources, when required.

4.2.1. Germany

Valuable insights on the liability of origin of Russian companies in Germany were delivered through an interview with the President of the Representative Office of Russian Chamber of Commerce and Industry in Germany Dr. Sergey Nikitin was done. This organization helps the Russian businesses expanding to Germany and provides support to the German enterprises, that seek opportunities on the Russian market. The interviewee Dr. Nikitin has been representing the Russian business environment in Germany for over 22 years and is one of the top experts in this field, if not the most experienced one. On a daily basis he participates in business meetings with Russian businessmen and entrepreneurs, who operate or start operating in Germany or working with German partners. His experience brings an additional value to the analysis.

[87] UNCTADstat - *Table View*., UNCTAD. Accessed March: 20, 2018. http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx.

According to his organization, there are about 2000, mostly small, companies in Germany, which originated in Russia. The director of Russian-German Chamber of Commerce and Industry Dr Sergey Nikitin finds the cooperation between the two nations of Russia and Germany a real success. Although the sanctions, that have been imposed on Russian authorities and business representatives are an important disturbing factor from the perspective of LOR, this successful bilateral collaboration can still get improved in other areas, especially in terms of communication.

We suit really good to one another and the further potential is simply huge. Definitely there are disturbing factors, that complicate the Russian-German collaboration, like for example, sanctions imposed on Russia, but there is also space for improvement in the field of communication to bring the cooperation even to a higher level. Representatives of both parties should inform one another better to clarify anything that might cause misunderstandings between the involved countries.

As mentioned before, Germany is a hub for the operations of Russian businesses in Europe. The German business and political environment as well as the customers are more familiar with the activities of the companies of Russian origin than it is the case for other European countries with slight exceptions like, for example, Austria. This is why, one can distinguish two groups within the business and political environment in Germany representing two different views on the operations of Russian multinationals, depending on the level of experience they have gained working with Russians, cooperating with Russian organizations or buying Russian products. Bad publicity on Russia in Germany and other European countries or US is a very important factor, that increases a negative country of origin effect for Russian multinationals. Those people, that have the least or no experience with Russia in general are the ones to be the most affected by the negative media publications on Russia. They have a projection that all the money in the Russian business comes from illegal sources, like it is described by the press.

There are two ways to describe the image of Russian companies in Germany. On the one hand Russian companies are very well perceived by the German partners which already have some experience from working with Russian firms, but on the other hand the ones, who have never had a chance to work with Russians may negatively perceive Russian companies due to bad publicity on Russia. This is why German businessmen are sometimes concerned about the sources of financing or business transparency of Russian organizations

The experience on both sides is still missing. Neither the representatives of the German business environment nor the German consumers are always aware that they use products manufactured in Russia or by Russian companies on a daily basis. It leads to an interesting finding, that on the one hand any effect related to the Russian origin disappears, when there is lack of awareness about it, but on the other hand a potential awareness and good experience with a particular product or company could lead to a better perception of Russian origin.

. In majority of cases they are not even aware of the fact, that they use Russian products on a daily basis, like, for example, Russian software or that the bodywork of Mercedes cars is manufactured in Russia. Generally the lack of awareness is an issue.

The origin does not just mean further disadvantages for the Russian companies in Germany. In certain industries like IT or space industry the Russian expertise is highly valued and “being Russian” might rather be positively perceived. Dr. Nikitin sees a huge potential for the Russian IT sector to contribute in the digitalization process of the German economy. In the industries, where the Russian expertise is not known at all, the origin might generate additional obstacles for a company in Germany.

Assuming, that the digitalisation in Germany will be developed like it has been so far, there is a big chance for Russian IT sector to support this process. Their products are very well perceived by the German partners, who welcome a collaboration with Russian organizations. Russian origin can be both considered to be an obstacle and as an advantage. In the space industry, where Russian expertise is highly valued, the Russian origin helps the companies. Nevertheless, in the industries, in which Russia is relatively unknown, the Russian origin is an additional obstacle for the companies operating in Germany.

The role of media is strongly emphasized, when it comes to creation of negative perception of Russian origin in Germany. Positive news on Russia are not equally exposed as the negative ones, at least this is the opinion presented by Dr. Nikitin. This cannot be called a direct discrimination by the media, but it definitely deserves to be called an indirect negative influence of content shared by the press.

I cannot say, that the Russian companies in Germany are directly discriminated by the media, but there is an indirect negative impact of bad publicity on Russia. Positive news about Russia and Russian business are not that much exposed as the negative ones. I shall not say the publications on Russia are not sincere, but the balance between good and bad news is missing.

From the discussions with the German journalists I learned, that unfortunately it is not done without a purpose.

According to the research done by Russian Chamber of Commerce and Industry in Germany the German businesspeople put sometimes to much attention to the negative statements on Russia spread around the country, what makes them very sensitive when working together with Russian companies. Due to the liability of Russian origin the companies need to put more effort on the German market than other market players. Their mistakes gain more attention than the ones of other companies. A negative reaction to a problem caused by a Russian company, will be much more intense, than it would be the case for organizations coming from other countries.

It would be difficult to measure what is the impact of the attitude of the society towards Russia on the attitude of the German business environment towards the German companies. From my experience I can say, that a small mistake done by a Russian company in a cooperation with German partners can lead to a more negative than expected reaction from their side. Anyway, in most cases the Russian companies in Germany are very much appreciated by the partners from the host market. Nevertheless there is always space for improvements. A higher level of communication is definitely required.

Dr. Nikitin considers the above mentioned lack of awareness as the most important factor, that is impacting the liability of Russian origin of the organizations in Germany. According to the previous studies done in this matter, it is a quite typical issue for the organizations from the emerging markets. For many years most of the Russian businesses were not operating in the Western Europe and their actual international expansion started over 20 years ago, which is a short time comparing to period of time the competitors coming from other markets had.

There are various factors that impact the image of Russia in Germany. The most important is the lack of awareness about the Russian companies, since the Russian businesses were not present in the Western countries for dozens of years. The German companies and customers do not have much experience buying from or working with Russian partners.

Another factor, apart from the negative publicity introduced above, it is history. It lets all the parties involved to create a kind of generalization about the companies coming from Russia based on historical issues between the two countries of Russia and Germany. German managers, according to Dr. Nikitin tend to follow some prejudices about the Russian companies and Russia as a whole. It significantly changes when they eventually get some experience from working with Russian companies or travelling to this country. Somehow it is all rooted in the lack of awareness and experience about Russia.

Everyone has his or her own picture of Russia influenced by the history, what clearly impacts the attitude towards the Russian companies. There are also stereotypes about Russia and prejudices people have towards Russia. I have heard from many German managers, that they totally change their opinion about Russia after their first visit to this country.

What is then the perception of "Made in Russia" products in Germany? Dr. Nikitin shares the finding, that positioning itself as a "Made in Russia" brand does not help a company to become successful in the German market. Of course in the industries like IT, space industry or even pharmaceuticals it might be a different case. Russian products are generally perceived to be of lower quality than the ones produced by the companies from other markets. Dr. Niitin hopes, that one day this situation will change, like it was in case of Japanese companies, which in the 60's or 70's were poorly valued in Germany, but now they are trendsetters in many areas.

In most cases the management consultants working for Russian companies advice not to emphasize the Russian origin in the marketing activities. It could be perceived negatively by the customers. Nevertheless, there are industries like pharmaceutical industry or space industry where Russian companies and products are highly valued. Also the Japanese companies used to be negatively perceived by the German consumers in the past, but it has significantly changed positively. In the future it can be the case of Russian companies as well.

Russian products are very rarely considered to be high-tech and Russian companies to be highly innovative delivering complex products and services. With this being stated, it needs to be pointed out, that the gas and oil deliveries or other processes from a supply chain of heavy industry are very complex and require a cutting edge technology to be done according to the highest quality and safety standards.

People usually do not associate Russia with high-tech companies, but at the same time they forget, that Russian companies are specialized in the transportation of natural resources, what is a very complex and technologically demanding process. This remains undervalued.

As it is stated in the literature, state-owned enterprises may suffer more negative effects of country of origin than the privately-held ones, but Dr. Nikitin does not see such a simple correlation on the German market. In Germany, what is private has been better perceived by the people than what is of the state. In Russia the state gives a guarantee of quality, but even this, according to the interviewee does not impact the country of origin effect of Russian organizations in Germany. The German customers are not capable of distinguishing public from private Russian companies due to the lack of knowledge, so the correlation offered in the literature does not apply here with the exception of the oil and gas market, where Gazprom is clearly seen as a state-owned Russian company and depending on a political situation (what increases the liability of origin) it might be treated as a threat to the German state.

Privately held Russian companies are not perceived better in Germany than the state-owned ones. It depends on industry and in most cases the customers do not even know if a particular company is private or state-owned. Although you can say, that depending on a political situation Gazprom as a state-owned organization can be perceived as a threat on a German market, it has nothing to do with the facts. Gazprom absolutely always fulfils all the agreed terms of the contracts with its German partners.

According to Dr. Nikitin, also the cultural difference are not that big either to influence the liability of origin of Russian organizations in Germany. Apart from the language, he says, the national cultures are very similar to one another. It stays in a contradiction to the results of Hofstede's studies on national culture stating big differences between Germany and Russia, but in business such differences do not matter, according to the expert.

In my opinion the German and Russian national cultures are very similar to one another. Obviously the language is totally different, but in the areas where it does not matter at all like it is in the classical music, one can clearly see, that Germans and Russians have a very similar sensitivity.

When it comes to the mitigation approaches of Russian companies towards the liability of Russian origin, one that Dr. Nikitin immediately identifies is operating abroad under a non-Russian brand. There is no awareness about the origin of a particular Russian company, so there will not be a negative country of origin effect. Just the quality of the product and services matter in this case, if a company name sounds linguistically familiar to the German (and general) consumer. In areas, where Russian origin might bring advantages the companies use it as a leverage, but where it causes additional obstacles, there is no point of emphasizing the origin.

I know many Russian companies which operate abroad under a non-Russian company name in order to cover the Russian origin. Sometimes even their customers do not know, that a software they use is delivered by the Russian company. Company Abbyy is a good example of such actions. The companies emphasize in such cases more the quality of the products and services *and the company origin is either fully covered or remains in the background. Simply, if a Russian origin may bring you disadvantages, you do not manifest it in the media and marketing activities.*

According to the expert a growing experience from operating with the Russian companies in Germany may help them overcome difficulties they encounter in this country. The bigger the scale of bilateral cooperation on the business level will get, the lower the importance of Russian origin will become.

Growing experience is the way to reduce the liability of origin. The more projects will be done, the better will be the image of Russia in Germany.

The interviewee also agrees, that innovation significantly decreases the level of liability of origin of Russian companies, choosing Russian IT sector as an example of this phenomena. They offer innovative solutions to their German clients, what helps them encourage their partners to establish a successful cooperation.

It is clear, that innovation is also a mitigating factor. Russian IT companies are considered to be very innovative and creative partners of German companies and it definitely is a key to their success.

From the perspective of this paper it was very important to ask Dr. Nikitin for sharing his experience on Germany as a hub of Russian companies in Europe. What is so unique about Germany, that so many Russian multinationals choose this country to be the centre or an important spot for their international operations in Europe? The expert believes that it is all about business. "Made in Germany" brands are very well perceived worldwide and Russian organizations seek the opportunity to positions themselves better towards other markets thanks to their operations in Germany. Operating in German or working with German partners is a sign of high quality products and services, what can be communicated towards other markets. According to his research 34% of the Russian companies in Germany state this quality of the German market as a main reason, why they expanded their operations to that country. Only Germany creates such a big advantage of location, that Poland or Hungary would never offer. Dr. Nikitin adds an interesting point for a further analysis stating, that it is not the "Pro-Russianness" or "Anti-Russianness" of a country that matters when choosing the location, but it is the business infrastructure of a country, what makes Germany a unique place as a hub of Russian companies.

Germany simply has the best business infrastructure. Also, what is manufactured in Germany is always well perceived in other markets. "Made in Germany" products can only be produced in

Germany. The same refers to the companies, that do not produce in Germany, but still manage to establish cooperation with German partners. Operating in Germany or cooperating with German partners always means that a company is reliable and that its products are of high quality. There is no other country than Germany, that would offer such value based on location.

An interesting additional observation done by the expert, is that there are Russian entrepreneurs who even set up a new enterprise in Germany to enjoy the positive effects of having "Made in Germany" brand. Everything is managed by Russians, but the company is registered in Germany or even manufactures there in order to turn "Made in Russia" into "Made in Germany" products like it is for example in cases of shoemaking company Thomas Münz and home appliances manufacturer Bork[88].

The role of the media creating the negative view on Russia in Germany is strongly emphasized by the expert. Negative publicity depending on international political situation increases the liability of origin of Russian companies in Germany. It creates the lack of trust of German partners and financial institutions towards the Russian businessmen and entrepreneurs or sustains the quality concerns.

Nevertheless considering all disadvantages on the German market, that Russian organizations need to encounter, the cooperation, according to the expert, is on the very good level. In some industries like IT, pharmaceuticals or in space industry the Russian companies enjoy even an advantage of origin. The facts about the operations of Russian organizations in Germany are better than it might be expected from the content found in the press. In the business statements, claims and stereotypes about Russia do not matter to such a high extent as one would think it does.

4.2.2. Poland

The Trade Mission of the Russian Federation in Poland did not find the time to give a long interview, but it shared an official exclusive statement about the situation of Russian companies in Poland delivered by the Head of the institution Dr. Vladimir Nefedov. He is responsible for supporting the Russian businesses in Poland and taking care of the existing economic and business ties between the two countries. He has a dual perspective on the way, the Russian organizations work in Poland, since on the one hand he is an official representative of

[88] Lokshin P., "*Deutsche Pseudomarken in Russland*", Der Spiegel, Accessed on April 6, 2018, http://www.spiegel.de/wirtschaft/unternehmen/made-in-germany-deutsche-pseudomarken-in-russland-a-1007512.html

the Russian government to Poland and on the other hand he cooperates with the business environment.

Since the statement delivered by the Trade Mission is limited in content, in order to present a broader perspective, some statements from Russian businessmen in Poland will be added.

The Head of the Trade Mission to Poland blames the Polish side for a misperception of the Russian business in Poland, what leads to a disrespectful treatment of international norms towards Russian investors. According to Dr. Nefedov, the activities of Russian enterprises in Poland are not perceived like any other business activities oriented on the profit generation, but rather as threat to the national interests.

Unfortunately, Poland does not always respect the international norms regarding the bilateral affairs with Russia. Any approach to enter the Polish market with Russian capital to the important Polish companies fails, since it is always perceived as a threat to the Polish national interests, not like a typical business transaction.

Russian businessmen even complain, that whatever you want to do in the Polish market, as a Russian citizen you are never welcome. They often, as they say, suffer from the obstacles “made up” by the Polish authorities, when they try to enter the Polish market. First stages of the market entry go smoothly, but the closer it gets to a physical presence of the company in the country, the more difficult it gets to really make it happen. They need to face additional “irrational” hurdles[89].

As an example of such practices Dr. Nefedov uses the case of Acron, Russian chemical company, which wanted to buy the controlling share of the Polish Azoty Tarnów. The Treasury of the Polish State is a main owner of the shares. Right before the settlement of the transaction Acron was blocked by the counter-actions of the Polish government and managed to buy only 10% of the shares. Afterwards the representatives of the Polish authorities admitted, that under any circumstances they did not want to allow the Russian company to be in charge of a Polish strategic chemicals manufacturer, even if the Russian one was the only one to be willing to buy it out[90]. Probably these limitations would not have existed towards the bidders from other

[89] Rabij, M., “*Czy i dlaczego rosyjscy inwestorzy są dyskryminowani w Polsce*?” Newsweek Polska (2014), Accessed on April 7, 2018, http://www.newsweek.pl/biznes/dlaczego-polski-biznes-dyskryminuje-rosjan-rosyjskie-inwestycje-w-polsce-biznes,artykuly,285326,1.html
[90] *Ibid*.

countries. Similar situations happened also to the Russian buyers of another Polish corporation Ciech.

One of the examples is the reaction of the Polish government towards Russian Acron, which tried to buy a controlling share of the Polish Azoty. Acron was following all the rules defined for such transaction, but when it turned out, that the Russian company is the only one, which wanted to buy the controlling share, the Polish government dropped the transaction and changed the reprivatisation plan for the company. They started making up things to complicate the business for Acron.

Dr. Nefedov as well as the Russian businessmen complain about the mistreatment of Russians in Poland among many industries, where they know in advance, that they can expect issues to occur sooner or later due to the source of their capital, which is Russia.

This kind of stories were also already experienced in other industries, like oil and gas, heavy industry or energy industry, where the rule is "We do not serve Russians".

What is strongly emphasized by the expert is that there is an imbalance in the bilateral relations between Poland and Russia. The official statement of the Russian Trade Mission is that the Polish companies would never suffer from such discrimination as Russians do in Poland.

Such kind of discrimination, that the Russian companies in Poland suffer from would never happen to Polish companies in Russia.

Sanctions imposed by the EU on Russia are a clear source of liability of Russian origin of the companies in Poland, but they do not fully explain scale of decrease in Polish-Russian trade and activity of Russian companies in Poland. The quality of cooperation on the business level worsened significantly.

Over the last years the intensity of Polish – Russian trade decreased dramatically. Even considering the sanctions, the situations worsened much more in Poland than in other EU countries. The reason for that is a very weak development of bilateral relationships both on the governmental and on the business level.

Another source of the liability of origin in Poland stated by the expert are the stereotypes followed mostly by the Polish authorities and business environment of the country. Politics involved in the business relations causes additional issues and according to Dr. Nefedov it should be taken out of the business. Good intentions towards one another should be a key to success.

What turns out to be a problem in the trade relations between Poland and Russia are the stereotypes, which should not be important at all. I believe the right way to overcome this issue is to take the politics out of the business relations and to show good intentions towards one another. The Russian companies (in Poland) would like to have reliable and predictable partners in the countries, which they could work with sticking to the rules they agreed upon on a very beginning.

A very relevant issue, that causes a bias of Russian companies in Poland is a "Nord Stream" pipeline set up by Gazprom through the Baltic Sea avoiding Ukraine, Baltic States and Poland[91]. This is considered to be a political project developed mostly by the Russians in a cooperation with the Germans that frames the activities of state-owned Russian companies in Poland, which are treated as a tool of the Russian government to generate an additional political pressure on the Polish government. Dr. Nefedov disagrees with the way the project is perceived and claims "Nord Stream" is only an economic initiative to sustain the safety of the Western countries in terms of the gas deliveries.

The pipeline „Nord Stream" was not built to show something to Poland and other countries in the region, but to increase the safety level in terms of gas delivery to the countries of EU. Whatever can be said in Poland about Gazprom, for 40 years it has been a reliable gas supplier for Europe.

What is more, according to the official statement delivered by the Head of the Russian Trade Mission political and business interest groups in Poland spread a bad publicity about Gazprom and Russian business, although there is no economic justification of negative publicity on this matter.

Before the crisis with the Ukraine arose, Gazprom used to be a reliable supplier for its European partners for 40 years. Talking public in Poland, that Russia may use gas deliveries as a tool for blackmailing the country in case of political issues is spread by some interest groups in Poland with specific purposes. It is hard to find in all this story an economic justification.

Like it is in the case of gas delivery from Gazprom, Russia is also accused in the Polish publicity, that it also wants to influence the coal mining sector in Poland. It is considered to be a nonsense by Dr. Nefedov. According to him, the approach is being followed, that Russia should be blamed for everything.

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[91] Trusewicz, I., "*Nord Stream 2: Gazprom pewny swego*", Rzeczpospolita (2018), Accessed April 7, 2018, http://www.rp.pl/Energianews/301319954-Nord-Stream-2-Gazprom-pewny-swego.html

It is also spread by the media and some representatives of the Polish authorities, that the main problem of the Polish coal mining industry is the imports of coal from Russia. It is just nonsense, since the share of Russian coal in the whole coal consumption in Poland is just minor and it is used only by the household, not industrial production.

From the perspective of the Russian Trade Mission, that cooperates with the Russian businesses in Poland on a daily basis, their situation in the country is rather bad. Due to the Russian origin they face the issues the organizations from other countries would never experience on the Polish market.

According to the expert Russian organizations feel discriminated on the Polish market, since they are treated as a threat to the interests of the Polish state. An effort from the Polish authorities and the media is done to present Russian capital as a danger to the independency of the Polish economy. The Polish partners may follow negative stereotypes about the Russians and this combined with the negative influence of the politics make it difficult for the Russian companies to operate in Poland. Even the EU sanctions themselves cannot be considered as a main source of liability of origin for the Russian enterprises in Poland.

Gazprom, as a state-owned Russian company creates a kind of bias for all the Russian capital, that wants to enter the Polish market in the way, that it is all treated as a political tool of the Russian government to generate an additional influence on the Polish authorities. According to the expert it is very difficult to overcome, and indeed, many companies, such as Acron used as an example, have failed due to these issues.

It is worth pointing out, that the Head of the Trade Mission focused himself in the statement mostly on the issues between the polish state and the Russian state-owned enterprises or Russian private companies that tried to acquire the controlling share in the Polish state-owned companies. That obviously led to a bias, since no activities of privately-held enterprises towards Polish private ones were discussed here.

4.2.3. Hungary

The interview to get a first-hand experience from the Hungarian market an interview with the top Director of a well-known Russian IT company was done. For the purpose of anonymity neither the name of the company nor the name of the interviewee can be revealed. The expert has an experience of more than 20 years working for several organizations with different countries of origin. At the current organization he / she has been responsible for over three years mainly for Hungarian market, but also for Czech and Slovak markets. The expert is not a Russian citizen.

The interviewee is a true business developer who has developed several businesses in the IT industry. He / she has much experience from the Hungarian market and is able to assess the Hungarian business environment and the customers from this country with regard to the topic of liability of origin. His / her statements might be limited only to one industry and might be biased this way, but the approach was made to get a more generalized view on that matter.

The expert clearly states, that from his / her experience the liability of Russian origin is high for the Russian organizations in Hungary, for the products they produce as well as the partnerships they establish. He / she emphasizes the strengths of the Russian IT sector, but even despite the expertise they have, the negative effects of country of origin exist.

The liability of origin of Russian companies operating in Hungary is very high. It refers both to the products they manufacture, as well as to the collaborations they establish with their partners. I am aware of the facts that in certain industries Russian companies are not the best in their segments, but in IT and security, where Russian companies deliver top quality products the liability of Russian origin still remains high.

According to expert's experience, even the fact that the quality of the service and products is on the very high level does not mean, that the liability of origin would not exist. Russian companies still need to face additional difficulties other market players do not encounter.

In the IT sector, especially in the company I work for, we have the best and very experienced software engineers, who make our brand famous worldwide for our quality products. Nevertheless it is a company of Russian origin, what sometimes makes us face additional challenges.

The Russian companies are perceived in a different way than the companies of other countries of origin, mostly worse, in the way, that they need to encounter additional difficulties. As expert states, the challenges related to the Russian origin of the organization he works for are not crucial for the business in Hungary and do not stop the company from achieving good results.

I can definitely see the difference in the way the Russian companies are perceived abroad. From the perspective of Hungary I would say we might face some additional challenges due to the *geopolitical situation, but it is not something that would stop us from doing a successful business. I agree, that at the Russian company I work for, we face more difficulties due to the origin of the firm than in case of my previous experiences from the organizations of other origins like Czech, American or Chinese ones.*

As a main source of liability of origin, specifically for the company the expert works for, the international political situation was highlighted. In the time when political tensions arise, a negative tendency towards the Russian businesses may increase as well.

Russian origin causes a kind of an obstacle for our business, especially in time of international political tensions not only in the US, but also in Europe, what we have been experiencing recently, after the political tensions arose.

The company of the expert is absolutely aware of the presence of liability of origin and needs to do more than other market players to attract the customers. Even if the company the expert represents is a private one the origin still matters to the potential buyers of the software. The interviewee even calls his organization (and generally Russian companies) to be "hostages" of the geopolitical situation between the three relevant geopolitical players for the company which are Russia, Europe and US.

Our customers have some concerns about cooperating with a Russian company like ours, but we put much effort in explaining them, that yes we are a Russian company, but a privately held one, so the entire focus should be shifted to the best quality service and products we deliver to them. I would call our company a "hostage" of the geopolitical situation between Russia, Europe and the US, so whatever happens we need to be prepared to react to this.

The company still tries to emphasize, that is the privately-held enterprise to avoid being framed as an organization, that has ties to the Russian government, what is negatively perceived by the corporate partners in Hungary. The expert agrees, that from his experience he finds it much easier to operate abroad for a Russian private companies than state-owned ones, it is an interesting finding for the purpose of this paper. The expert even adds he is happy with his company being private, since doing business as a state-owned enterprise would be much more challenging.

From my experience I agree, that the private ownership helps our company overcome the liability of Russian origin. Also, I would say that generally for the Russian companies in Europe it is easier to do business being a private enterprise. This way you cannot be accused of any political influence or ties to the Russian government what could create a disadvantage towards *the local competitors. I am very happy we are a privately held company, what we emphasize quite often. If we were a state owned one, doing business in the IT sector would be much more difficult in Europe.*

Even despite the difficulties the company encounters due to a negative perception of origin, the organization does not want to cover the fact it was set up by the Russians in Russia. He is sure, that they deliver the best products and services available on the Hungarian market and the problems they need to face right now are rather temporary.

In any case we would not like to mitigate the Russian origin of our company. We are proud of being a Russian company in the Hungarian market. We have the best products available on the Hungarian and European market and the difficulties we are facing are rather linked to a current geopolitical situation.

As stated before, the Russian IT sector does not suffer from a bad perception of the quality, but there are mostly trust issues due to the political tensions. According to the experience of the expert, in other industries Russian organizations might suffer from the liability of origin also in terms of poorer quality perception.

Generally speaking, in the IT sector the Russian companies do not need to face a bad perception of quality of their products. In other industries like, for example, in the automotive sector, the situation might be quite different.

The interviewee also compares the situation he experiences in Hungary, Czech and Slovakia with the realities of the Polish market, what is a significant contribution to this paper. He clearly states, that his Polish colleagues managing the subsidiary of the company encounter more difficulties than he does in Hungary and this situation is even threatening the presence of the company in the Polish market due to the geopolitical tensions.

The situation in Hungary, Czech Republic or Slovakia is much better than it is on the Polish market, where our colleagues face serious difficulties due to international tensions. Doing business on this market as a Russian company in our industry is a much more challenging task than it is in the region I am responsible for, however even among the three countries I am in charge of at our company, I notice differences in terms of the liability of Russian origin.

Generally speaking the expert assesses the situation of Russian companies in Hungary as a much better one than in the Western Europe and in Poland, based on the experience of his colleagues. It is also proven by the bilateral relations between the governments of Hungary and

Russia. On the one hand Hungary was very critical about the sanctions imposed on Russia, but on the other hand it did not veto them. Also in terms of the energy policy, the dependency of Hungary on Russian gas is increasing, and Russia's Rosatom is responsible for setting up a new nuclear plant Peks II, what according to the analysts will lead to a further dependency of Hungary on Russian technology[92].

Due to the pro-Russian policy of the Hungarian government, the best situation is in this country. From what I hear from my colleagues, generally doing business in the CEE region (excluding Poland) is much less challenging for our subsidiaries than in the West-European countries, considering the liability of origin.

Also the culture is not considered to be a source of issues for Russian enterprises in Hungary. For the purpose of doing business they are in the background not determining the way, how the companies work.

In terms of language we do not face any difficulties of Russian origin, since the corporate language is English. There are cultural differences of course, despite that we are almost the same in terms of culture.

The expert agrees, that innovation helps his / her company overcome the liability of Russian origin on the Hungarian market. He presents it using an interesting example, that the IT people representing the customers of the interviewee's company use the argument of innovativeness to encourage their supervisors to buy the software of this Russian organization.

The product quality and innovation definitely help our company overcome the liability of Russian origin. What we experience quite often is that the IT people of our clients have to "fight" with their management to get the approval for our products and services due to the Russian origin of our company. They use the facts on the product quality we deliver and innovation we bring to the market to encourage the decision makers at their organizations.

A very interesting finding shared by the Director is that, the competitors of the company try to discourage the customers from buying the products and services of the expert's organization using the argument of Russian origin. They use this fact to emphasize the trust concerns towards he company due to its origin. It is a valuable insight contributing to the paper, that the market players may use the Russian origin of their competitor as a kind of weapon in the rivalry for the client and increase the liability of origin at the same time.

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[92] Kalan D., "*Hungary in the grip of a bear hug*", European Council on Foreign Relations (2016), Accessed on April 10, 2018, https://www.ecfr.eu/article/commentary_hungary_in_the_grip_of_a_bear_hug_7019

Our competitors are trying to use the fact of Russian origin of our company against us in the market rivalry. We have proofs they do so. They want to create an environment, in which our organization would be at disadvantage due to our origin. This is why we need explain better our customers what the reality is and what the real facts about our business are, not just what they might find in the media regarding other Russian organization our in particularly ours.

The expert, as an experienced manager, truly wanted to emphasize his happiness from working at the Russian company. Comparing to other organizations from several countries he really feels the pride to work there and would appreciate the chance to continue this cooperation.

I really love to work for Russian companies. I truly feel how experienced my Russian colleagues are and how good they are at doing business. Whenever I need support from their side, I always receive it. Comparing to other organizations of different countries of origin I used to work for, the Russian one is outstanding in terms of professionalism and attitude towards business.

The insights and the experience shared by the expert are very business specific and truly refer only to real on-the-job reality. As a top manager of a Russian company in Hungary he / she notices the issues rooted in the Russian origin of his / her employer. The geopolitical tensions usually lead to the concerns of their customers about the trust towards the Russian organization. Also the quality might be perceived worse by the clients, but it is not specifically the case of the company he works for.

The expert is aware of the fact, that state ownership does not help Russian companies to be successful internationally, since it increases the liability of origin. At the same time he points out, that innovation is an important mitigating factor. With this being said, he notices that a Russian company is required to put much more efforts than the companies from other countries to encourage customer to choose their products .They need to offer them some extra value, better quality or innovative approach.

From the perspective of this paper it is important to point out, that on the example of this organization the differences in the level of liability of Russian origin between the three countries of Hungary, Poland and Germany can be observed. The best situation (taken into consideration, that some drawbacks exist) is in Hungary, worse in Germany and truly bad in Poland, where company struggles for survival.

Russian companies should also further investigate how their competitors use the Russian origin as a “weapon” against them in the market rivalry. They do it, making the market situation even more challenging for Russian organizations. Ways to reduce their impact should be analyzed. The organization of the expert, for example, emphasizes the private ownership when approaching the customers potentially negatively impacted by the statements of the competitors. This should assure them that there are no ties to the Russian government, what in this industry, would be a disqualifying factor.

4.3. Case studies

The companies chosen for the paper in order to present and analyze the liability of Russian origin operate in four industries. The case studies will not present all possible information about the operations of the relevant companies in selected markets, but the focus will be put on the context of potential difficulties (advantages) due to the Russian origin of the organizations.

As a representative case for the banking industry Sberbank was chosen, since it is the only Russian bank, which has a physical representation in the three selected countries and additionally, since it is a state-owned banking institution it is a good example to show the country of origin effects.

Roust Trading Limited is the only Russian company from the FMCG industry, that is physically represented in the relevant markets, this is why it could be the only organization of this industry to be chosen.

Lukoil and Gazprom are the companies chosen from the oil and gas industry. They have their physical representations in all the three relevant countries. What is more a comparison can be done in this field with regard to the state ownership, since Lukoil is a privately – held corporation and Gazprom a state-owned one.

In order to present the IT industry Kaspersky Lab and Luxoft were chosen. Although Luxoft has no physical representation in Hungary, in the way that there is no Luxoft office in the country, the company still does the projects in Hungary and employs people there and the physical expansion is considered.

4.3.1. Sberbank

Sberbank (ПАО Сбербанк России РАО) is the largest banking institution in the CEE (Central and Eastern Europe) region. The company was founded in 1841. It provides financial services to retail and corporate clients, wherever the bank is present. The geographical scope of operations of Sberbank covers 22 countries with Russian Federation included and as of 2016 the number of Sberbank's clients reached 145,6 million people and 325 thousand employees were working in the organization.

Sberbank is a Russian state-owned company, since 51% of shares belong to the Central Bank of Russia. Since 2007 a former Minister of Economics and Trade of Russia has been in charge of the organization as its President.

Sberbank is a leading bank in Russia, where it has 46,6% share on all retail deposits, 40,1% on retail loans, 31,7% on corporate loans and 22,1% on corporate deposits. In the domestic market the bank has around 130 million clients with almost two million corporate clients, who are served at 15 thousand branches and 80 thousand self-service terminals. Additionally around 60 million clients use the mobile banking services of Sberbank.

Outside the domestic market Sberbank is physically present in several countries through the subsidiaries. They are located in Turkey, Belarus, Ukraine, Kazakhstan, Switzerland and Austria and CEE countries. Additionally the company is also present in China, US, UK, Cyprus and in India with its branch office.

From the perspective of this paper it is relevant to point out, that the bank is present in Hungary and Germany through the subsidiaries of the headquartered in Austria Sberbank Europe AG, whereas in Poland the bank does not have any operations for the retail clients, but the representative office is physically available there through the Belarusian branch BPS-Sberbank OJSC.

Sberbank is much focused on the development of new technologies in the field of banking. The company is very active in mobile banking and recently also in the Blockchain technology. Sberbank has been receiving awards for its innovations and was even called once a technology company, not a banking one anymore[93]. It seeks the maximal customisation of the customer's experience in banking. Sberbank, as a state-owned company, also has a mission of supporting the Russian business, that is why the company has set up an Internet platform Sbercheck.com, where the organizations looking for business opportunities in Russia can find help.

[93] FinTech Futures, "*Case study: Sberbank – tech them on*", (2018), Accessed on April 10, 2018, https://www.bankingtech.com/2018/02/case-study-sberbank-tech-them-on/

Germany

In 2012 Sberbank acquired the Austrian Volksbank International AG with its branches in the Central Europe countries and after the rebranding, which ended in 2014, the bank started operating as a wholly-owned Austrian subsidiary Sberbank Europe AG. This way the company entered eight markets in the CEE region.

Sberbank has entered the German market in 2014, when it launched the fully online direct bank under a new brand of Sberbank Direct with the representative office in Frankfurt am Main through the Austrian Sberbank Europe AG. Until now the bank has attracted around 50 thousand clients in the Germany and 1,7 billion euros deposits of the individual clients. What is worth pointing out, no additional obstacles were observed at the time, when Sberbank was entering the German market.

Sberbank Direct positions itself as an online innovative bank, that provides its clients with the access to their bank platform on the 24/7 basis. In 2016 Sberbank Direct was awarded with the FMH-Zins award, which is a highly appreciated award in direct banking in the German market. In 2018 the company launched also loans through the online Sofortkredit platform.

The company emphasizes, that although the bank has Russian roots, in reality it is a company with the headquarter in Austria. It also tries to communicate to its clients, that the EU-sanctions were imposed on Sberbank Russia, but they are not related at all to the Austrian business and the Sberbank Direct is an Austrian banking institution operating in Germany. Also the Managing Director of the organization is Michael Kramer of Germany.

After the successful marketing campaign on deposits in 2014, when it attracted 500 million euros in deposits within a year , the bank still communicates, that the deposits are safe, even despite the sanctions and offers 100 000 euros guarantee in case of the insolvency.

Hungary

Sberbank entered the Hungarian market with the acquisition of Volksbank International AG in 2014 and since that time it has been operating as Sberbank Hungary Limited in Hungary. At the moment the company has almost 51 physical branches within the country combined with many ATM spots and it is headquartered in the capital Budapest.

While the bank was entering the market no additional issues due to the origin of the bank were observed. Sberbank needed to fulfil standard requirements towards the foreign-owned banks with no further difficulties. The deposits collected by the bank amounted around 0,8 billion euro in 2015.

The bank is oriented on the private customers collecting deposits, issuing loans and credit cards. Additionally the bank supports the financing of local and international enterprises. Unlike the German subsidiary, the Hungarian one is focused mostly on the Russian individual and corporate clients in order to intensify the trade between the CIS and CEE countries. So the Russian origin of the bank is emphasized.

Since 2017 the future of Sberbank Hungary has been under the question mark. Sberbank was heavily impacted by the EU and American sanctions and considers selling most of the branches in Hungary and focus more on the online banking. On the one hand sanctions might be the reason for such decisions, but on the other hand, the company states, that more and more customer shift to online banking, so there is no need to keep so many branches offline. The CEO of Sberbank Hungary is Richard Szabo.

Poland

Since 2003 Sberbank is represented in Poland by the representative office of the Belarusian subsidiary of Sberbank - BPS-Sberbank in Polish capital Warsaw. The office does not participate in any financial transactions and does not provide any banking services. It only helps the clients with the paper work in the Polish institutions and is present in the country to increase the geographical reach of the bank.

In 2012 Sberbank had a plan to enter the Polish market through the acquisitions of some Polish banks like Millenium Bank or Alior Bank. For this reason the company even hired a legal and PR agency to help in the lobbying process before the transactions. The attempts failed, officially due to the lack of interest of Sberbank, which stated, that the Polish acquisitions were not the priority anymore.

The interest of Sberbank in buying some Polish banks and entering the Polish markets were widely commented by the Polish media, stating that it was a threat to the Polish national security. The Polish Internal Security Agency was involved in the process of controlling the moves of Sberbank representatives in Poland and trained the employees of the Polish Financial Supervision Authority (the institution, that would need to approve the acquisition before it can be settled) how to avoid the Russian spying and lobbying.

Sberbank was accused of having strong ties with the Russian authorities, negatively perceived in the country and a negative atmosphere was created around the bank in Poland. It was revealed by the politicians that it lays in the national interest of the Polish state not to let the Russians the Polish banking industry. At the end Sberbank decided not to continue the preparation for the acquisitions in Poland and it is not a part of Sberbank's strategy anymore to enter the Polish market soon, but it cannot be excluded in the future.

Summary

Sberbank is a state-owned Russian banking institution, what is absolutely significant from the perspective of the liability of origin, since the banking industry is an important pillar for the country's national economic stability. It is a challenging task for a bank to enter a foreign market.

The company entered the German and Hungarian markets through the acquisition of Austrian Volksbank. In Germany there is a new brand of the bank Sberbank Direct providing the fully online service, whereas Sberbank Hungary has dozens of branches and ATM's for the clients. Both subsidiaries belong to the Austrian Sberbank Europe.

The characteristic of the liability of origin of Sberbank is similar on both host markets. Due to the sanctions imposed by the EU on the Russian banking sector, the clients are concerned about the safety of deposits and company liquidity. The company in Germany the company tries to emphasize the fact, that the mother organization is an Austrian, not Russian organization. In Hungary such statements are not shared by the representatives of the company. Negative impact of the sanctions for the Russian bank may negatively impact the Hungarian business and even lead to the market exit, what is under the consideration of the Sberbank headquarter. Further displays of liability of origin were observed neither on the Hungarian marker nor on the German one (See Table 5).

Innovation is an important source of competitive advantage for Sberbank. It matters especially on the German market, where it is considered to be a leader in banking innovation. The solutions introduced by the organization help the company highlight more the innovative way of doing business than its Russian origin.

On the Polish market, the situation is much worse for Sberbank. The company tried to enter Poland several times, but it did not work. The Polish authorities started imposing legal difficulties on the way to acquire the Polish banks. Bad publicity was spread by the media and an investigation of the National Security institutions started what created a negative atmosphere around the market entry. Generally Russian state-owned bank is considered in Poland as a threat to the Polish security. Such difficulties were not experience by the bank coming from other countries. The company tried to mitigate the liability of origin with PR campaigns, but it did not work. Entering the Polish market is not a strategic goal for the Polish market anymore. The representative office of the Belarusian BPS Sberbank is still the only activity of the company in Poland.

Table 5: Liability of origin of Sberbank in Germany, Hungary and Poland

Company	Sberbank		
Headquarter	Russia		
State ownership	Yes, 51% of shares owned by the Russian Central Bank		
	Germany	Hungary	Poland
Name	Sberbank Direct	Sberbank Hungary	Representative Office of BPS Sberbank in Poland
Market entry	2012	2014	Pseudo-entry in 2003
Ownership	Wholly-owned by the Austrian Sberbank Europe AG	Wholly-owned by the Austrian Sberbank Europe AG	Wholly-owned by the Belarusian BPS Sberbank
Characteristics of the market activity	- Online bank - 50 thousand clients - Private clients - 1,7 bilion euro deposits	- 51 branches and ATM’s - 0,8 billion euro deposits - Private and corporate clients	- No operations, just representation
Displays of LOR	- Clients’ concerns about the impact of sanctions on deposit safety	- Negative impact lays outside the country due to sanctions	- Legal difficulties when trying to enter the market - Bad publicity - Investigation of the National Security institutions
Sources of LOR	- Sanctions imposed by the EU	- Sanctions imposed by the EU	- Consideration of a Russian bank as a threat to the Polish security
Consequences of LOR	- Threat of losing the clients	- Threat of market exit as a consequence	- Unlikely market entry
Role of innovation	- Positioning as a leader in innovation in banking	- Online banking development	- Undefined
LOR mitigation approaches	- Emphasis on the Austrian HQ	- Undefined	- PR campaign - Talks with the representatives of the Polish authorities

4.3.2. Roust

Roust Inc. (holding) is one of the worldwide leaders of the alcoholic beverage industry set up in 1992. It is one of the biggest producers of vodka in the world and the leading one in the CEE region with 26,3 million nine-litter cases of spirit beverages produced and distributed in 2016. Nevertheless, the company does not only produce vodka, but it also sells other spirits and wines exclusively.

The company was set up by a Russian billionaire Roustam Tariko and is a privately-held corporation. The most popular brands of the alcohol conglomerate are Russian Standard, Green Mark, Zubrovka and Soplica (the third and the fourth one were acquired by the corporation through the acquisition of Central European Distribution Corporation in 2013). Apart from producing different varieties of vodka the company also has the agency brands like Glenfiddich, Jaegermeister, Remy Martin and Metaxa.

The main countries, where Roust's brands have the strongest position are Poland (with acquired CEDC in 2013), Russia, Hungary and Ukraine, but the company has its sales offices in dozens of countries, whereas its production sites are located only in Russia and Poland. There are 3180 people employed at Roust with the headquarters in Moscow.

Roust is present in the three selected markets. In Poland, as stated above, it has production facilities and sales networks based on CEDC capabilities, whereas in Hungary and Germany there are only sales activities with a much bigger focus on the Hungarian market.

Germany

Roust sells in Germany through distribution agreements, but it has there salespeople without a physical office. The company describes this market as a solid base for the further growth. The company states, that the sanctions imposed on the Russian economy do not harm its business in Germany, since the clients choose quality products over the political decisions in this industry. Such statements are proved by the facts, that within two years from 2014 to 2016 the market share of Roust in Germany grew from 4% to 5,5% with the sales growth of 10%.

The only issues that the company may face in the German market are only business-specific, since the German customers prefer beer and wine over vodka. As one of the people representing Roust in Germany said in the questionnaire: "Our product, which is vodka, is perceived as something where the Russians have much expertise". Also the brands themselves on the German market manifest the Russian origin like Russian Standard or Parliament vodka (two flagships brands of Roust in Germany).

Hungary

Roust entered the Hungarian market with the acquisition of CEDC in 2013 and the name of the company got changed in 2015 from Bols Hungary to Roust Hungary. The Hungarian subsidiary is responsible for organizing the sales network in the country and the rest of the CEE region and is headquartered in Budapest with 61 people on board.

Roust owns the best-selling vodka in the Hungarian market Royal (primarily as a brand of CEDC) and Jaegermeister as the best-selling imported spirit product in the country. In general the company has three out of 20 best selling spirit products in Hungary with Metaxa drink included. Except from the fact that the law regarding the alcohol drinks has changed a few times over the short period of time no difficulties have been observed, Russian and Polish brands of vodka are well seen by the Hungarian customers and the company

The market share of Roust in Hungary is at the level of 37,9% in the vodka category and the company has positive forecasts towards this market as one of key markets for Roust next to Russia and Poland.

Poland

Roust Trading Limited entered the Polish with the acquisition of CEDC International in 2013, which used to be the one of the biggest vodka producers in the world owning Polish well-recognized brands like Zubrovka Bison Grass, Bols, Soplica, Absolwent or Zytniovka.

Buying the Polish company was a significant step for Roust. The company did not only buy the brands produced by CEDC, but also the production facilities in Poland. The Rousts's brands are the leaders in the mainstream vodka category and in the economy group. As of 2016 the company had 42% of market share in Poland in terms of volume of vodka sold. The position of CEDC within the group of Roust's companies is so relevant, that the CEO of Roust Poland was chosen in 2017 to become a global CEO of the whole holding.

Roust has already experienced in Poland negative displays of its Russian origin. When the international political crisis between Russia, EU and the US broke out in 2014 the Polish media vowed to the boycott of the "Russian products'. It was a first time, when the Polish customers learned, that the Polish "legendary" brands do not belong to the Polish company anymore, it was even stated by the media “Polish vodka in the Russian hands”[94]. Zubrovka and Soplica brands were on the list of the products to be boycotted by the customers. The company did not take any statement towards the issue, since that time such activities have not been observed anymore. In the market presence the Polish origin of the CEDC’s brands is emphasized. The Russian origin of the Roust holding is not communicated.

Summary

Roust Trading is a company from a very specific sector within the FMCG industry, which are alcohol beverages. The organization is active in all three markets with no physical office in Germany, but with a distribution network in the country. In the sector of alcohol beverages, mostly vodka in this case, Russian origin generates positive country of origin effects, what is mostly observed in the German and Hungarian markets. The Russian expertise of vodka making is considered to put Roust at an advantage in the two countries. This can be observed especially in Hungary, where the company has 40% market share (see Table 6).

The company strongly emphasizes in the communication, that vodka brands produced by the Russian organization originated from Russian an Poland. It is also a privately-held company, what increases the flexibility in the market. The company comes up with product innovations, introducing to the markets product varieties, which have not been known before to the customers.

On the Polish market the situation is slightly different. Roust acquired Polish manufacturer CEDC in 2013 and since that time the company has not highlighted anyhow the Russian origin of Roust. Only the Polish brands are used to advertise the company products, so that there is no risk of being “framed” as a Russian company selling Polish vodka, which is a clear mitigating approach. With 42% of market share the company is very successful on the Polish market thanks to the original brands of Zubrovka, Soplica or Absolwent. Nevertheless, after the political crisis over the situation in the Ukraine broke out, the liability of Russian origin of Roust could be observed, since the company was threatened in Poland with the consumer boycott.

[94] WGospodarce, “*Rosyjski kapitał w Polsce. Chcesz zaszkodzić Putinowi? Zobacz które produkty bojkotować*” (2014), Accessed on April 15, 2018, http://wgospodarce.pl/informacje/15360-rosyjski-kapital-w-polsce-chcesz-zaszkodzic-putinowi-zobacz-ktore-produkty-bojkotowac-sprostowanie

Table 6: Liability of origin of Roust Inc. in Germany, Hungary and Poland

Company	Roust Inc. (holding)		
Headquarter	Russia		
State ownership	No, private company		
	Germany	Hungary	Poland
Name	Distribution network only	Roust Hungary	Roust Poland (CEDC)
Market entry	- Does not apply	2013	2013
Ownership	- Does not apply	Wholly-owned by Roust Inc.	Wholly-owned by Roust Inc.
Characteristics of the market activity	- Sales through distribution agreements - 6% market share	- Sales of vodka - Leader in vodka sales with 40% of market share	- Production - Sales of vodka - Leader in vodka sales with 42% market share
Displays of LOR	- Polish and Russian brands are well perceived in the market	- Polish and Russian brands are well perceived in the market	- Threat of consumer boycott
Sources of LOR	- Good perception of Polish and Russian expertise in vodka making	- Good perception of Polish and Russian expertise in vodka making	- International political situation - Purchase of Polish brands by the Russian company
Consequences of LOR	- Market advantage	- Market advantage	- Potential loss of customers
Role of innovation	- Product innovations	- Product innovations	- Product innovations
LOR mitigation approaches	- Does not apply	- Does not apply	- The emphasis o the Polish origin of the brands sold

4.3.3. Lukoil

PJSC Lukoil Oil Company is one of the largest privately-held company in the world from the oil and gas industry and the biggest non-state-owned enterprise in Russia when it comes to revenue. It was set up in 1991 and it is headquartered in Moscow under the presidency of Vagit Alekperov. The company refines 1,3 millions barrels of crude oil per day, what accounts for 2% of global production and produces 917 thousand tonnes of lubricants annually.

The business model of the company consists of four pillars: oil exploration and production, oil refining, marketing and distribution and power generation. As of 2018 Lukoil has 5390 petrol stations, that belong to the company and hundreds more, which are operated by other parties, but are not owned by the corporation itself.

The geographic reach of the company is very wide. When it comes to the refineries, Lukoil has six of them in Russia and four outside the domestic country: in Romania, Bulgaria, Italy and the Netherlands. Sales outlets and other production sites are present in more than 30 countries in the North America, Europe, Africa and Asia. This number has been changing continuously through further acquisitions and sales in various countries.

Until 2014 the company had the chain of petrol stations in Hungary and until 2016 in Poland. Nevertheless Lukoil petrol stations are still available in these countries, but they are operated by other parties through license for brand usage. In Germany Lukoil Lubricants is present with no petrol stations.

Germany

Lukoil entered the German market in 2011 through the branch office of the wholly-owned Austrian subsidiary of Lukoil which is Lukoil Lubricants Europe. The representative office is located in Hamburg.

The main goal of the company is to establish partnerships with the corporate partners from several industries, mostly automotive one, and sell them lubricants produced by Lukoil in the factories in Finland, Austria and Romania.

Lukoil already has big automotive partners in Germany, which are MAN or Volkswagen and is planning to increase the market recognition in the next years, since until now the organization did not put much attention to the German market. What is worth pointing out is that Lukoil does not have any petrol stations in Germany and no petrol stations operate under the Lukoil brand. The company does not reveal any plans in terms of the retail sales of fuels in Germany. such decision is only business-related, no negative outcomes of the Russian origin have been observed by the company.

Hungary

Lukoil entered the Hungarian market in 2003 setting up several petrol stations in the country. In 2008 the company significantly increased the number of petrol stations owned by acquiring the Jet chain of ConocoPhillips. By 2014 the company had 75 filling stations in Hungary, when it decided to sell the Hungarian business of Lukoil Hungary. Apart from leaving Hungary, the company decided to leave also the markets of Czech Republic and Slovakia as a part of the business optimisation program to focus more on the domestic Russian market.

Petrol stations of the wholly-owned Lukoil Hungary were sold to Normbenz Hungary, headquartered in Budapest. The new owner decided to keep on using the Lukoil brand, since it was well-recognized in the market, but the market strategy was changed. Normbenz does not want to compete with other Hungarian competitors only with the price, like Lukoil Hungary used to be doing before, but it wants to deliver additional value to the Hungarian customers.

Apart from the sanctions on oil and gas production imposed on the Russian companies by the EU and US, the company in Hungary did not suffer from the negative country of origin effects, the decision of leaving the Hungarian market was strictly business-related, as the press releases stated. The CEO of Normbenz Horvath-Dori Jeno believes the brand of Lukoil will help the company expand the chain in the near future[95].

Like it is in the German market, also in Hungary there is a branch office of Lukoil Libricants Europe.

Poland

Lukoil entered the Polish market in 2007 through the acquisition of the ConocoPhilips chain of Jet petrol stations and set up Lukoil Poland. At the beginning the company was operating through 83 petrol stations with very ambitious plans to reach the number of 300 outlets within few years.

Lukoil Poland was emphasizing in the press releases and statements, that the Polish customers should treat the company like any other market player without thinking of the company's Russian origin. Nevertheless the competitors were accusing Lukoil Poland of implementing the dumping prices on the Polish market. The Polish supervisory institutions did not confirm these allegations.

In 2016 Lukoil Poland with 116 petrol stations located in the country was sixth biggest chain of petrol stations in Poland, when the company decided to sell the outlets to Austrian Amic Energy, which had already bought the Lukoil business in the Ukraine, Latvia and Lithuania. In the media the representatives of the company were saying, that there is an anti-Russian atmosphere in Poland, which cause obstacles to the business. Also some Polish media were vowing not to buy at Lukoil, since it is a Russian company.

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[95] NRGReport, "*Horváth-Dori Jenő: Újrapozícionáljuk a Lukoilt*", (2015), Accessed on April 17, 2018, http://nrgreport.com/cikk/2015/10/05/horvath-dori-jeno-ujrapozicionaljuk-a-lukoilt

Amic Energy is also accused of having ties with Russia, what is considered to be a negative thing, since some representatives of Amic used to work for Lukoil before. It was expected, that the brand of the chain will change, but surprisingly Amic Energy, unlike in the Ukraine (Lukoil stations were rebranded into Amic ones), decided not to rebrand the chain and for the next three years the petrol stations will be operated in Poland by Amic, but still under the Lukoil brand thanks to the licence agreement. The branding elements at the petrol stations will only get refreshed. It shows, that the liability of Russian origin in the case of Lukoil on the Polish market exists, but the new investor believes it can be successful in Poland even when this brand remains.

Summary

Lukoil is an interesting example of the company from the oil and gas industry, but a privately-held one. The company entered the German market through the Austrian Lukoil Lubricants Europe and it only has a branch office in the country. It mostly works with the corporate clients trying to establish cooperation with big players from the automotive industry to provide them with lubricants from Lukoil. Until now the company has not had even a single filling station in Germany, what is strictly related to the business purposes. The company has not observed any displays of liability of origin (see Table 7).

The company entered the Hungarian market in 2003 and by 2014 through acquisitions it managed to develop the chain of the filling stations up to 75 outlets. The company has never faced any difficulties related to the effects of Russian origin. In 2014 decision was made to leave the Hungarian market and the chain was sold to Normbenz. Now the chain still operates under the Lukoil brand through the brand licensing agreement.

In Poland Lukoil managed to become the sixth biggest chain of filling station in the country with 116 outlets, after the company entered the market in 2007. With one of the lowest prices available on the market for the retail customers the company was able to compete with the local competitors. Nevertheless after the crisis in the Ukraine broke out a negative publicity on Russia and also on Lukoil could be observed. As the company stated, due to the "anti-Russianness" spread in Poland the organization decided to leave the country and sold the chain to Austrian Amic Energy.

Although the Russian origin was considered to be a problem beforehand causing the liability of origin, the new owner of the chain surprisingly decided to retain the Russian brand through the licensing agreement and no rebranding has been done so far. The chain still acts under the Lukoil brand. The media in the country already communicate, that Amic Enegry has ties to the Russian business and the change of the owner practically does not mean anything. For now it is too late to see, what the reaction of the market will be like.

Table 7: Liability of origin of PJSC Lukoil in Germany, Hungary and Poland

Company	PJSC Lukoil		
Headquarter	Russia		
State ownership	No, private company		
	Germany	Hungary	Poland
Name	Lukoil Lubricants Europe (German branch)	Lukoil Hungary	Lukoil Poland
Market entry	2011	2003 (exit 2014 and sold to Normbenz Hungary)	2007 (exit 2016 and sold to Amic Energy)
Ownership	Wholly-owned by Austrian Lukoil Lubricants Europe	Wholly-owned by PJSC Lukoil	Wholly-owned by PJSC Lukoil
Characteristics of the market activity	- Sales of lubricants to corporate partners	- Chain of 75 owned petrol stations	- Chain of 116 owned petrol stations - 6th biggest chain in the market
Displays of LOR	- Undefined	- Undefined	- Bad publicity complicating doing business
Sources of LOR	- Undefined	- Undefined	- International political situation
Consequences of LOR	- Does not apply	- Does not apply	- Market exit
Role of innovation	- Undefined	- Undefined	- Undefined
LOR mitigation approaches	- Does not apply	- Does not apply	- Potentially low prices

4.3.4. Gazprom

Gazprom (PAO Gazprom) is the company with the largest natural gas reserves in the world. It reserves account for 17% of all global capacity and 72% in the Russian scale. Gazprom is also a main supplier of gas to more than 30 countries thanks to the longest pipeline system of 171,4 thousand kilometres. It is also one of the Russia’s biggest oil producers.

The business model of Gazprom consists of the following pillars: gas and oil reserves, gas and oil production, transmission, gas storage, processing, power generation and gasification. The company continuously tries to explore new areas of business, like, for example, an ongoing LNG (liquefied natural gas) production project. It is also a very important player for the Russian economy, since as of 2015 there were 462 thousand people working for Gazprom in Russia and the company is very active in the field of CSR activities and sponsoring.

The company was set up in 1990 and the current CEO of it is Alexei Miller. The Russian Government owns slightly more than 50% of shares at the company, what makes it a state-owned enterprise. Gazprom is headquartered in Moscow.

The company has various subsidiaries inside and outside Russia (over 40 companies in 15 countries), including joint ventures with the state-owned companies of the countries, where Gazprom exports to .What is relevant for the purpose of that paper is that in Germany Gazprom set up a wholly owned subsidiary Gazprom Germania, in Hungary there is a joint venture operating the gas supply Panrusgaz and in Poland it is done through Europolgaz.

Germany

Gazprom has entered the German market in 1990 through the establishment of a wholly-owned subsidiary Gazprom Germania. The company is responsible for the marketing activities and selling the Russian gas in the Western countries. Gazprom Germania is headquartered in the capital Berlin and is very active internationally with over 44 subsidiaries in 15 countries all over the world and employs around 1200 people. As an examples of such activities GAZPROM UK Trading Ltd of the UK can be chosen, since it is a wholly-owned subsidiary of Gazprom Germania, which is in charge of the Gazprom business in the UK.

Apart from that, the other main stakes of Gazprom Germania are Wingas, which is a joint venture with Wintershall in Germany, Vemex in Czech, Bosphorus Gas Corporation in Turkey and ZMB in Switzerland. Additionally the company also has 50% of shares at Gas Project Development Central Asia. The current Head of the company is Mikhail Sereda.

Gazprom Germania is very active in the field of CSR activities and sponsoring being a main sponsor of the German renowned football team FC Schalke Gelsenkirchen. Several sports and social initiatives in Germany are sponsored on a daily basis by Gazprom Germania. The philosophy of the company is "Energy connecting people", the company aims to enhance the cooperation between Germany and Russia.

For the further analysis it is worth pointing out, that Gazprom Germania has over 50 filling stations with CNG (Compressed Natural Gas) in Germany, 10 in Poland and in Czech Repuublic.

Gazprom manages the project Nord Stream II, which is another gas pipeline (following the Nord Stream I), that will connect Russia and Germany through the Baltic Sea. Gazprom is the only shareholder of the project. The project is heavily criticized by Poland and Ukraine, also the European Commission has concerns about it, whereas the former German chancellor Gerhard Schroeder is a member of the supervisory board of the enterprise set up to develop the project.

Gazprom Germania presents a strategic position that Germany has for Gazprom, even if in 2017 over 100 positions were cut in Berlin due to the restructuring caused by the falling oil prices. No displays of liability of Russian origin were observed in Germany. The pressure caused by the sanctions and the concerns of Poland and European Commission regarding the Nord Stream II exists.

Hungary

Gazprom entered Hungary in 1994 by setting up a Hungarian-Russian joint venture Panrusgas Gas Trading in Budapest to ensure the gas supply from Russia to Hungary. 50% of shares of the company belong to the Hungarian MVM Hungarian Electricity Private Limited and 40% to Gazprom Export, which is a wholly-owned subsidiary of Gazprom.

As it was in case of Germany, the company is involved in sponsoring with an example of the tennis tournament Gazprom Hungarian Open. Hungary is one of the most dependent on Gazrprom's supply country in Europe. It supports a strategic project of Gazprom - Turkish Stream, which is a gas pipeline through Turkey. Thanks to this from 2019 Gazprom will be covering eight out of nine billion cubic meters of gas demand of Hungary and the country signed a new contract with Gazprom through Gazprom Export for supply in 2017, that will go until 2021.

Unlike other CEE countries, the Hungarian government decided to diversify the gas supply in the way, that the gas will be delivered from different pipelines coordinated by Gazprom. What is more the Turkish Stream pipeline is not going to go through Ukraine, what ensure Hungary a higher degree of safety.

Apart from the pressure on the Hungarian government from outside, including the European Commission and the US to reduce the level of cooperation with Gazprom and Russia, inside the country Gazprom does not experience anything negative from the market, what might make its business more challenging.

Poland

Poland as an economy is the oldest buyer of the Russian gas since 1944. Gazprom entered the Polish market in 1993 through Intergovernmental Agreement according to which Europolgaz, a joint venture company was set up. 48% of shares belong to the PGNIG of Poland, 48% to Gazprom and 4% to Polish Gas-Trading.

As of now Gazprom gas supply covers around 60% of the demands of the Polish market through the Yamal pipeline. Nevertheless the company is treated as a threat to the interests of the Polish state. The Polish authorities treat Gazprom as an unreliable partner, which is used by the Russian government to generate an additional political influence on the country. Poland pays also the highest price for 1000 cubic meter delivered by Gazprom among all the buyers in the Central and Western Europe. In 2014 it was 379 dollars, whereas for Germany it was 323 dollars and for Hungary 338 dollars.

Since 2004, as the Polish authorities state, Gazprom disrupted the supplies to Poland six times, threatening the national safety. The contract with Gazprom will end in 2022 and the Polish authorities already stated, the contract will not be extended. The country set up LNG terminal in 2016 and will get the gas delivered from the US or Qatar and the Baltic Pipe from with Norawy is scheduled to be finalized in 2022. The oldest client of the Russian gas will quit the cooperation in four years.

Any attempts of Gazprom to enhance the international reach thanks to the above mentioned Nord Stream II are considered to be a threat to the national safety of Poland. The country tries to act against the Russian-German project by the European Commission and the US partners. Nevertheless both Russian as well as German representatives still confess this project is only related to business.

Although the projects realised by Gazprom in or around Poland are strictly controlled both by the Polish authorities and the Polish media the company managed to develop a commercial project in Poland through Gazprom Germania. The German subsidiary established a partnership in 2012 with a Polish bus manufacturer Solbus, that produces the buses powered by LNG (liquefied natural gas). 35 buses were bought by the city of Warsaw and additional ones by the city of Olsztyn, the gas supply is fully managed by Gazprom Germania, that delivers LNG from Russia. CNG technology is considered to be highly ecological and innovative.

Also four CNG filling stations of Gazprom Germania operate in Poland in Gdynia, Warsaw, Olsztyn and Częstochowa. No displays of liability of origin were observed in neither of these two projects.

Summary

Gazprom is a particular case, since it is a Russian state-owned company operating in the oil and gas industry, where many decisions regarding the contracts on gas supply require an involvement of the representatives of the governments.

In Germany, Gazprom set up in 1990 a wholly-owned subsidiary Gazprom Germania which represents the interests of the Russian company in 15 Western countries through foreign offices. The German business has a strategic position for Gazprom, since the company lays a foundation for the cooperation between the Russian organization and the Western partners. The company also supports the international expansion of the company supporting the project Nord Stream II, which is a new gas pipeline from Russia to Germany under the Baltic Sea.

The company experiences a strong pressure from outside (US, Poland and European Commission) which consider its actions as realising the political plan of the Russian authorities to monopolise the European gas market. Gazprom Germania with its mitigating approach tries to emphasize it is a German company with Russian background and all the projects done are exclusively business related. Nevertheless the pressure from outside causes delays in the process. The company is active in the field of innovative CNG filling station, what allowed Gazprom Germania enter the market, what would not have been available for them before, like Poland for example (see Table 8).

In Hungary the company is present with the joint venture Panrusgas Gas Trading of Gazprom and MVM Hungarian Electricity and it manages the gas supply to the country. Hungary is very dependent on the supply from Gazprom and the government has just signed a contract, according to which the country will become even more dependent on Russian gas. The agreement is under a strong political pressure from outside the country, mostly the European Commission due to the political tensions between Russian and the EU. In the country itself no displays of liability of origin were observed.

The situation of Gazprom in Poland seems to be the most complicated among the three markets. Poland is the oldest buyer of the Russian gas (since 1944) and in 1993 a joint venture

Europolgaz between Gazprom and Polish PGNIG was set up to manage the gas supply through the Yamal pipeline.

Gazprom is considered in Poland as a threat to the national security. The company charges Poland with the highest price in the market for the gas deliveries and according to the Polish media and politicians it is a tool of the Russian government to generate an additional political pressure on the neighbouring countries including Poland. The goal of the Polish authorities for many years has been to make the country independent from the Russian gas supply. In 2017 the decision was made, that the Polish government will not extend the contract with Gazprom after the current one, that goes until 2022 will finish. It means the end of the cooperation. Gazprom will need to quit the market and Poland will get gas from other sources.

Nevertheless Gazrpom managed to stay active on the Polish market through Gazprom Germania, that developed an innovative project with Solbus, a Polish manufacturer of buses powered by CNG. The buses were sold for the cities of Warsaw and Olsztyn. The company also opened four CNG filling stations in the country. During this project no displays of liability of Russian origin were observed, what may lead to an interesting finding, that innovation might be a mitigating factor in this matter.

Table 8: Liability of origin of PAO Gazprom in Germany, Hungary and Poland

Company	PAO Gazprom		
Headquarter	Russia		
State ownership	Yes, 50.232% of shares belong to the Russian Federation		
	Germany	Hungary	Poland
Name	Gazprom Germania	Panrusgas Gas Trading	EuropolGaz
Market entry	1990	1994	1993
Ownership	Wholly owned by Gazprom	Joint venture with MVM Hungarian Electricity Private Limited	Joint venture with PGNIG Poland
Characteristics of the market activity	- Representing the interests of Gazprom in the Western countries (15 countries) - Supporting the international expansion of Gazprom - Developing new pipelines	- Management of gas supply	- Management of gas supply through Yamal pipeline
Displays of LOR	- Political pressure from outside the country	- Political pressure from outside the country	- Bad publicity - Accusations of being a political tool of the Russian government - Seeking the end of cooperation
Sources of LOR	- International political tensions	- International political tensions	- Consideration of the Russian state-owned gas company as a threat to the security of the Polish state - Events from the Ukrainian market
Consequences of LOR	- Process delays	- Process delays	- The end of operations by 2022
Role of innovation	- Innovative CNG projects	- Undefined	- Innovative CNG projects mitigating the image of Gazprom
LOR mitigation approaches	- Emphasis of the German business - Emphasis of business goals instead of political ones	- Undefined	- Establishment of the partnership between Gazprom Germania and Solbus - 4 CNG filing stations of Gazprom Germania

4.3.5. Luxoft

Luxoft is a provider of custom IT software solutions. The company was primarily established in Moscow in 2000 by Dmitry Loshinin incorporated from the center for development of IBS, which is a Russian IT holding. The current headquarter of the company is located in Zug, Switzerland.

The services provided by the company consist of: development of custom software, support for the clients, product engineering and consulting. It employs over 13 thousand people at various locations (41 offices) among four continents. Main platforms developed by the company are Horizon, Twister, iStockTrack, TEORA, SuperCloud and other Internet of Things technologies.

The company is privately-held and it is listed on the New York Stock Exchange. It serves exclusively corporate clients and from the very beginning has been managed by Dmitry Loshinin. Luxoft has a strong network of development centers located in Malaysia, Romania, Bulgaria, Poland, Russia, Ukraine, Mexico and Vietnam. It has its worldwide representative offices in the US, UK, Germany and Singapore.

The company does not have a representation in Hungary, but it delivers projects there, hires people and the establishment of a subsidiary in this country is under consideration.

Germany

Luxoft entered the German market just after the company was set up in Russia. It has four offices in Germany in Stuttgart, Frankfurt am Main, Munich and in Berlin. The German office is in charge of the marketing activities, developing and implementing the customised software solutions.

No displays of liability of origin for Luxoft in Germany were observed, the company operates like any other company with the headquarter in Switzerland. In the press releases the company does not cover its Russian background.

Hungary

Luxoft is not physically present on the Hungarian market, but the company has been developing projects for the clients on this market and hiring consultants for single projects. Through the statement of the Polish office of Luxoft it was revealed, that the expansion to

Hungary is under consideration in the near future. Such information did not meet any negative feedback from the Hungarian market.

Poland

Luxoft entered the Polish market in 2010 by setting a wholly owned subsidiary in Cracow, Poland under the management of Przemysław Berendt of Poland. Since that time the company has employed around 2000 IT developers working at four Polish offices in Cracow, Warsaw, Gdańsk and Wrocław. The company has also announced setting up of an additional development center in Cracow, where by 2020 another 200 employees will be hired.

Delivery and development centers located in Poland serve the biggest domestic and foreign multinationals on the market realising many projects for the clients outside the country. The company has not experienced any signs of the liability of Russian origin in Poland, except the publications in the media at the time of the Ukraine crisis, that Luxoft is headquartered in Switzterland, but it is a Russian company, what might have led to additional concerns.

What is relevant to point out is that the company positions itself in Poland as an international IT developer, Russian background is covered in the press releases. The company also hesitates to take any statement when asking about the Russian origin of the organization.

Summary

Luxoft presents another configuration of ownership, industry and location. It is a Russian privately-held IT company headquartered in Switzerland. The company is not physically present in Hungary, but it realizes the projects in the country. Now, the expansion to Hungary is under the consideration of company’s management (see Table 9).

The Polish subsidiary set up in 2010 is strategic for the whole organization. It has development and delivery centers in the country with four locations and almost 2000 people employed. The company does not emphasize in Poland its Russian origin and states it is an international IT solution provider. The company needed to face some negative publicity in Poland after the political tensions between Poland and Russia arose, what may lead to the difficulties when approaching the state-owned Polish companies, but the company still plans to develop further the Polish subsidiary opening more offices.

The company has been present in Germany since 2000 and is mainly responsible for marketing and sales in the market. It has four locations in the country and has never faced any kind of displays of liability of Russian origin in this market.

Table 9: Liability of origin of Luxoft in Germany, Hungary and Poland

Company	Luxoft		
Headquarter	Switzerland		
State ownership	No, private company		
	Germany	Hungary	Poland
Name	Luxoft Germany	Projects realized in the country	Luxoft Poland
Market entry	2000	Does not apply(planned)	2010
Ownership	Wholly-owned by Luxoft	Does not apply	Wholly-owned by Luxoft
Characteristics of the market activity	- 4 offices in Germany - Mainly marketing , sales and developing of tailor-made soluttions	- Hiring the Hungarian freelancers for selected projects in the country	- Marketing - Development center - Delivery center - 4 offices - Nearly 2000 employees
Displays of LOR	- Undefined	- Undefined	- Bad publicity
Sources of LOR	- Undefined	- Undefined	- International political situation
Consequences of LOR	- Does not apply	- Does not apply	- Potential obstacles finding state-owned corporate clients
Role of innovation	- Market leadership	- Undefined	- Market leadership
LOR mitigation approaches	- Does not apply (Russian origin is not covered)	- Emphasis on the private ownership	- Covering the Russian origin

4.3.6. Kaspersky Lab

Kaspersky Lab is one of the biggest privately-held IT company in the world from the field of cyber security. It was set up in 1997 in Moscow by Eugene Kaspersky. Till today the company is headquartered in Moscow and Kaspersky remained as a CEO of the enterprise. In 2013 the Europen hub of the company was opened in London.

The company operates in more than 200 countries and regions and has already 35 offices located in 31 countries. It employs about 4000 people worldwide. The company delivers its cyber security software both to the corporate clients (270 thousand corporate clients already) and to individual users (400 million people). The global revenue of the company as of 2017 was at the level of 698 million dollars.

From the point of view of the paper it is significant to point out, that apart from the fact ,that the company is one of the most successful cyber security software providers in the world, in 2017 a scandal broke out, during which Kaspersky Lab was accused of having direct ties to the Russian Federal Security Service (FSB) and Russian government, what ended up with a ban on its products in all governmental institutions in the US. The government of the United Kingdom followed. The company denied these allegations and decided to set up Transparency Centers in three continents of Asia, Euorpe and North America to address any kinds of concerns about the trust towards the IT company.

The company has its offices in Germany and Poland and operates in Hungary through a subsidiary in Prague, Czech Republic with sales people working on a daily basis on the Hungarian market.

Germany

Kaspersky Lab entered the German market in 2004, when an office responsible for the business in the German speaking countries (Germany, Switzerland, Austria) was set up in Ingolstadt. This is a wholly-owned subsidiary of the company with around 150 people on board and the current CEO Ilijana Vavan.

The company is in charge of marketing activities, sales, delivering tailor-made solutions to the clients and implementing them. The company does not experience any displays of the liability of origin in Germany and is considered to be a reliable partner and employer. Also in 2017, when the image crisis for Kaspersky broke out in the US, the German Federal Office for Information Security (BSI) shared a statement, in which it informed, that Kaspersky is a reliable company and no proofs can be indentified to accuse the IT software provider for working with the Russian intelligence agencies.

Hungary

Kaspersky Lab entered Hungary through the establishment of the Czech subsidiary of the company located in Prague, Czech Republic. The company was set up in 2014 and is a wholly owned subsidiary of Kaspersky Labs Limited from London. The company does not have a physical country office in Hungary, but there are salespeople operating in the Hungarian market on a daily basis. Former CEO of Kaspersky in Czech Zoran Puskovic was named also a Managing Director of Kaspersky Eastern Europe.

One of the salespeople from Hungary answered in the questionnaire to the study, that the company does not experience huge difficulties on the Hungarian market comparing to the situation of his colleagues in the US and in the UK. It is very difficult to find any additional display of the liability of Russian origin in the Hungarian market apart from the fact, that the company needs to emphasize additionally it is a privately-held company.

Poland

The Polish market was the first one, where the company expanded to. At the beginning of 2000 a Polish entrepreneur Andrzej Pilarz set up in Warsaw Kaspersky Lab Poland, which is owned by him in 94%. There are around 50 employees working at the organization both at the office in Polish capital, as well as in Częstochowa. In 2016 the company achieved the revenue of 27 million Polish zloty.

Kaspersky Lab Poland is responsible for marketing and the development of the tailor-made services on the Polish market. The company also manages a website securelist.pl, where the company educates people about the threats to the cyber security and statistics about the cyber security issues in Poland.

Until the image crisis in 2017 there were no significant displays of liability of origin in Poland. The situation has changed recently, when the Polish politicians of various Polish parties started pushing pressure on the Polish government (the Polish Ministry of Digitalization) to review the attitude towards the software in the Polish governmental institutions. The situation of the company with regard to the sales for the Polish state-owned companies and to the government of Poland is getting more and more complicated. Also the Polish Members of the European Parliament act against the organization in the Parliament of the EU.

Summary

Kaspersky Lab entered the Polish market through the subsidiary set up in 2000 by a Polish entrepreneur. The company now operates at two offices in the country with 50 employees. The Polish subsidiary did not experience any displays of liability of Russian origin until the allegations against the company broke out in the US and the company needs to face trust concerns from the corporate partners and bad publicity on the Polish market followed by the investigation by the Polish authorities. As a mitigating approach company emphasizes the fact of the private ownership and statements of the company representatives denying the allegations (see Table 10).

In Hungary there is no office of Kaspersky Lab and the company operates in the market through the Czech subsidiary and employs salespeople on the Hungarian market. They also need to face the outcomes of the allegations and as a mitigating approach they emphasize the fact of the private ownership, that would mean, that there are no ties of the company to the Russian authorities.

In 2004 the company entered the German market and now it has 150 employees responsible for the German speaking countries. The company has never experienced the liability of Russian origin, but as all other subsidiaries it needed to face the allegations from the US market. What is relevant in this case is that, the company follows the same approach of emphasizing the private ownership of the company and unlike it was in the Polish market, the authorities did not start any investigation towards the company, but they highlighted it is a reliable partner on the German market.

Table 10: Liability of origin of Kaspersky Lab in Germany, Hungary and Poland

Company	Kaspersky Lab		
Headquarter	Russia (European center in London, UK)		
State ownership	No, private company		
	Germany	Hungary	Poland
Name	Kaspersky Lab DACH	Distribution managed by Kaspersky Lab Czech	Kaspersky Lab Poland
Market entry	2004	Does not apply	2000
Ownership	Wholly-owned by Kaspersky Lab	Does not apply	Owned by a Polish entrepreneur
Characteristics of the market activity	- Marketing in the DACH region - Software sales to private and corporate clients - 150 employees	- Software sales to private and corporate clients	- Marketing - Software sales to private and corporate clients - 50 employees
Displays of LOR	- Trust concerns of the corporate clients - Bad publicity	- Trust concerns of the corporate clients	- Trust concerns of the corporate clients - Bad publicity
Sources of LOR	- Allegations from the US and UK markets	- Allegations from the US and UK markets	- Investigation by the Polish authorities - Allegations from the US and UK markets
Consequences of LOR	- Difficulties in doing business with the corporate clients	- Difficulties in doing business with the corporate clients	- Threat for the future business
Role of innovation	- Market leadership	- Market leadership	- Market leadership
LOR mitigation approaches	- Emphasis on the private ownership - Emphasis on the positive statements from the German authorities	- Emphasis on the private ownership	- Statements by the company on the corporate and country office levels - Emphasis on the private ownership

5. Conclusions

The analysis of case studies combined with the in depth expert interviews allows to conclude, that the liability of Russian origin is present on all three analyzed markets of Germany, Hungary and Poland. It is relevant to point out here, that this should not be confused with the liability of foreignness, which refers to all the foreign companies entering a single market. Liability of Russian origin is attributed exclusively to the peculiarities of the situation the Russian organizations need to face, when entering and while operating in the foreign host markets, that the enterprises of other country of origin do not encounter. Distinguishing these two theories was high of importance to run a successful analysis.

The level of liability of Russian origin differs among the countries depending also on the industries and state ownership. Depending on the sources and displays of the effects of country of origin the Russian companies in the selected markets choose also different ways to mitigate them and continue their growth in the market.

The chosen methodology allowed answering all the three research questions, that were stated beforehand.

RQ1: What are the sources and displays of liability of origin of Russian companies in Germany, Poland and Hungary?

What needs to be stated first is that the sources and displays of liability of origin, as well as its degree of intensity vary among the three chosen countries. The highest degree of the liability of Russian origin was to be observed in Poland, it is difficult to distinguish it this way, but low level of it can be seen in Germany and the lowest in Hungary.

In Germany and Hungary the liability of Russian origin is rooted in the quality concerns, what can be explained by the emerging characteristic of the Russian economy. It also does not apply to all industries, since in the IT sector, the Russian expertise is highly perceived. Nevertheless the Russian companies in the two countries experience temporary difficulties in doing the business, which come from outside the countries. Sanctions imposed on the Russian economy by the EU and the US create a political pressure on the Russian companies operating in Germany and Hungary. They create trust concerns of the customers towards the organizations. The role of the media is very significant here, since a bad publicity on Russia spread internationally (including Germany and Hungary) creates a negative atmosphere towards the Russian businesses. Despite that, as it can be concluded from the analysis, business matters more than temporary political tensions over the international disputes.

Additionally, the liability of Russian origin is displayed in Hungary and Germany with the delays in implementing the strategic projects of the organizations in the selected markets and it requires the company to put additional efforts acquiring the customers in marketing or through the intensification of the sales efforts. In the two markets the liability of Russian origin are the most intense in the industries that can be considered to be strategic for the national economies, which are gas and oil and banking industries, even though, as stated above it has a rather temporary characteristic and it has its roots outside the countries.

The situation is significantly different in Poland. The Polish market is the one, where all the Russian companies are always “framed” with being Russian, what puts the organizations at a disadvantage. Negative publicity on Russia spread around the Polish media creates a negative atmosphere for the Russian business. Unlike it was in case of Germany and Hungary, in Poland the liability of Russian origin is intense also in case of no international political tension. Russian business is considered as a tool of Russian authorities to generate an additional political influence on the Polish economy. The Russian capital is absolutely not welcome in the country in oil and gas and banking industries. Any attempt for market entry gains attention of the media, customers and the authorities. This creates very high risk factors for the Russian organizations, that the companies from other countries would not or do not experience.

A business, which is framed in Poland as Russian in majority of cases needs to face difficulties, which in the best case are related only to the negative publicity, but in the worst case it generates legal consequences and additional degree of control from the Polish authorities. As stated above it varies among the industries. In oil and gas, banking or petrochemical industries any activity of the Russian capital is treated as a threat to the national security, whereas in the IT industry or FMCG the liability of Russian origin has a milder characteristic. As stated in the example of Lukoil the negative attitude of the Polish society enhanced by the political tensions between Poland and Russia led even to a market exit, or in case of Sberbank, it had to change the strategic goals and give up on entering the Polish market.

The Russian organizations follow also different mitigation strategies to reduce the liability of origin depending on the market. In Germany the companies do not put the Russian origin of the organization in the foreground in marketing to avoid the unnecessary quality and trust concerns. Another mitigation approach, like it was in case of Sberbank Direct and Gazprom Germania the companies highlight the fact of being independent entities headquartered in Austria or in Germany and the Russian background does not have anything to do with the business, when reacting to the political issues from outside the country. Since the lack of German companies with experience from working with Russians is considered to be an issue, the more projects are done, the better is the perception of Russian business in the country. If the liability of origin comes from outside the country due to the political pressure the companies try to emphasize that their operations have only business related purposes and do not necessarily support the actions of the Russian government, which are perceived negatively.

In Hungary the Russian companies are not necessarily required to hide or cover the Russian origin. Emphasizing the Russian origin does not decrease the chances of being successful in the Hungarian market, so the mitigating approach towards the liability of Russian origin coming from outside the country refers to the emphasis on the business-specific characteristic of operations.

In both markets of Germany and Hungary Russian origin can even be an advantage for an organization, like it is in the case of vodka producing Roust or in case of Kaspersky Lab from the IT industry, where the Russian experts are highly valued.

When it comes to the Polish market the Russian companies try to hide the Russian origin not to be "framed: as Russian business. They try to expose the additional value delivered to the market instead of looking for advantages of origin. Even the case of Roust shows, that Russian origin in the industry, where Russian expertise is highly valued, it is not an advantage in Poland. The case of Kaspersky, which did not experience any kinds of displays of liability of Russian origin operating almost 20 years in the Polish market, at the time, when the allegations in the US market broke out, apparently started experiencing difficulties from the side of the media and politicians to a much higher extent than it was in Hungary and Germany. The Russian organizations need to look for marketing activities, in which the business-specific characteristic of their operations in Poland could be emphasized.

Regardless of the host countries two main mitigating approaches of the Russian companies were identified. One is operating under the name, which does not sound Russian (case of Luxoft and Roust Trading) or setting up a headquarter for Europe in one of the European countries (Luxoft in Switzerland, Gazprom in Germany, Sberbank in Austria, Lukoil in Austria, Kaspersky Lab in the UK).

RQ2: What is the impact of state ownership on the liability of origin of Russian companies in Germany, Hungary and Poland?

It is much more challenging for the Russian state-owned companies to avoid the liability of origin when operating in the three selected markets. In Hungary and Germany state-ownership increases the intensity of liability of origin at the times of international political tensions, in the way that the political pressure from outside the country delays the delivery of the projects delivered by the state-owned organizations. It also supports the creation of trust concerns of the customers. Although their awareness about the Russian state ownership is limited, the negative publicity increases this knowledge. Russian state-ownership creates trust concerns especially in the times of the sanctions imposed on the Russian economy, that safety of doing business with such companies decreases and might be disrupted. Apart from temporary negative atmosphere towards the Russian business privately-held Russian companies in Hungary and Germany do not experience such difficulties with the exception of Kaspersky Lab, what was common for all the markets.

In Poland, again, the situation is different. The state-owned Russian companies are treated as a threat to the Polish national economy and the attempts are done make it for them more challenging to exist on the market or to enter it. This is why Gazprom will exit the Polish market in 2022 and Sberbank still has not managed to enter the market. The companies needed to face the political pressure, bad publicity and legal pressure, although it requires to be pointed out that Gazprom was offering Poland worse contract conditions than for the other countries. Even the private ownership does not mean, that the Russian company in Poland would avoid the liability of origin, since any company that is "framed" as Russian experiences at least bad publicity if not the consumer boycotts (examples of Lukoil, Roust end even Luxoft).

In the particular case of Kaspersky Lab facing the allegations from the US market the company does not hide its Russian origin but emphasizes in all the markets it is a privately-held enterprises and it cannot be accused of ties to the Russian government. It creates another mitigating approach, that has not been mentioned yet. The emphasis of private ownership might reduce the liability of Russian origin.

To sum up, with regard to the liability of origin of Russian companies, state ownership has either a neutral influence on it or a negative one increasing the negative effects of country of origin. Such conclusion is in line with what was presented in the literature review, but it has not been investigated in the country-specific context. This study was the first attempt to do this and it presents a significant distinction between the selected countries.

RQ3: What is the impact of innovation on liability of origin of Russian companies in Germany, Poland and Hungary?

As discovered through the literature review, there are very limited sources on the impact of innovation on liability of origin in general. Nevertheless it was observed on the example of Italian companies operating abroad, that innovations delivered to host markets help companies generate a higher additional value to the customers to overcome potential negative effects of the country of origin (e.g. Cerrato, 2009). Such finding is confirmed by this study on Russian companies. On the three analyzed markets innovation delivered to host country supports generation of additional value for the customers, which compensates for negative liability of origin of Russian companies. It refers not only to Germany and Hungary, where the intensity of the phenomena is low

Positive effects of innovation delivered to a host market are most visible in Poland, where it helps the companies to cover their Russian origin or it allows them to deliver such an additional value, that it is more relevant than the Russian origin. It can be illustrated by the case of Gazprom Germania, which established a cooperation with Solbus developing CNG powered city buses and it set up four operating CNG filling stations in Poland even despite difficulties Gazprom needed to face on the Polish market. The innovative and ecological technology delivered by Gazprom Germania was not that accessible from other suppliers, so the Russian origin was not an obstacle anymore.

Through the in-depth literature review it was learned on the example of Russian IT companies, that they are perceived to be innovative by their foreign partners and customers, what helps them mitigate potential negative effects of country of origin (e.g. Panibratov, 2015) . Based on the case studies and interviews with the experts the perception of innovativeness of the Russian companies helps them act in the foreign markets as innovative companies in the first place, leaving Russian origin not necessarily relevant for the clients. It mitigates the liability of origin in the way, that being innovative is emphasized in the communication with the market. This way no other tools need to be found in order to avoid putting the Russian origin in the foreground (cases of Sberbank Direct, Roust, Luxoft or Kaspersky Lab).According to the results of study, such finding should only be limited to the host countries, where the intensity of liability of origin is low, in this case to Germany and Hungary. Perception of innovativeness of the

Russian companies in Poland was not observed to have been delivering significant positive influence.

An additional point, which has not been covered by the literature so far in any way is the distinction of private vs. state-owned enterprises with regard to the influence of innovation on liability of origin. With the qualitative study, controlling for these two variables allowed for conclusions, that are limited only to the particular case studies chosen for the analysis. Nevertheless this research can be used as an underlying inspiration for the further investigation in this matter.

When it comes to private companies, innovativeness lets them generate competitive advantages and puts the Russian origin in the background, what is the case especially for Russian (private) IT companies (Kaspersky and Luxoft). It even creates positive associations with the Russian origin in the way, that innovativeness in this industry is attributed in Hungary and Germany to the Russian organizations. Unsurprisingly this does not apply to the Polish market.

For the Russian state-owned enterprises, perception of innovativeness, again, supports delivering a competitive advantage to the markets in Germany and Hungary and covering the Russian origin. In the two countries the effects of innovation delivered to the market are, again, difficult to assess due to the low intensity of liability of origin. As stated above, state ownership is a disqualifying factor for the Russian companies in Poland, but the case of Gazprom Germania proves that under certain circumstances the innovation can help the state-owned Russian companies overcome the hurdles caused by state ownership.

It needs to be added, that a critical approach has to be followed when analyzing the impact of innovation on liability of origin of Russian organizations. Further investigation is definitely necessary due to limited number of cases and various intensity of this phenomena in the selected countries. What is more the importance of innovation was not assessed comparing to quality of the service delivered, market expertise or sales expertise, etc.. It is clear, what way innovation mitigates the liability of origin, the level of such impact remains an open question.

Recommendations for the further studies

The limited number of available cases is a clear limitation of the study. Low scale of the operations of the Russian companies, in particularly in Hungary and Poland does not allow a researcher to generate dozens of case studies. Also the topic is perceived by the experts in this matter and the professionals from the Russian companies as a highly sensitive one, so it is difficult for a researcher to get access to the first hand experiences from the relevant markets and companies.

Due to these limitations several recommendations for the further studies are constituted. First of all, it should be further investigated by the social scientists, what is the foundation of the liability of Russian origin in the host countries. Stating that one society is anti-Russian, another less anti-Russian, neutral or pro-Russian is not enough. The real sources of such attitudes should be investigated to explain the existence of this phenomena.

Secondly, the mitigating influence of innovation should be further studied with regard to the liability of Russian origin, due to the limited number of cases, where the impact of innovation was clear. The distinction proposed here between innovation delivered to the host market and innovativeness as a perception of being innovative organization should be followed. What is more, controlling for the variables: private vs. state ownership needs to be added in order to extend the analysis with valuable insights on, how state ownership may influence the liability of origin.

Thirdly, an approach needs to be done to see if a decreased level of state ownership combined with innovation can successfully reduce the liability of origin of Russian companies. Presumably that will be confirmed. Fourthly a broad study is required to distinguish the specific factors of the liability of origin and investigate their influence on the company’s market success. In addition to that a similar study with regard to other markets should be conducted in order to present a broader perspective of the issue, which in this case, was investigated in three countries.

6. Managerial implications

There are plenty of managerial implications from this study, that may help the managers of the Russian companies adjust their operations better on the markets of Germany, Hungary and Poland with regard to the liability of origin. The managers need to know, that the CEE market cannot be treated as a homogenous one. The intensity of liability of Russian origin in Poland is much higher than in Hungary. What creates obstacles on the Polish market is hardly relevant on the Hungarian one. Approach of creating one division at the Russian company, that is responsible for the CEE market including Czech, Slovakia, Hungary, Poland and Austria might fail due to these differences.

In the German market the companies should emphasize the Russian origin only in the industries, where Russian expertise is highly valued, for example in IT industry and in the vodka production sector of FMCG and avoid communicating this in the other industries, in order not to generate quality and trust concerns. In Hungary such correlation does not matter. On the Polish market the Russian origin of the company should never be emphasized if not covered at all to avoid being "framed" as Russian, what generates disadvantages.

The managers must be aware of the existence of the mitigation strategies with regard to the negative effects of Russian origin. For the new entrepreneurs it should be taken into consideration if a company should approach foreign markets under an international name or even set up a headquarter for Europe in one of the European countries, where Russia is at least neutrally perceived.

The decision makers at state-owned Russian companies should be aware of the fact, that their organizations are very sensitive at the times of international political tensions, in which Russia is involved. In each country, wherever they operate they need to put much attention to the PR efforts, that would be in charge of the crises, when they emerge. Specifically for the Polish market, considering the political situation between Poland and Russia the state-owned enterprises should readjust their long-term goals (strategies) regarding the market entry. This should not be a priority of their strategies and the focus should be laid on other countries.

People in charge of the strategic decisions of the Russian companies need to apply innovation in their operations on the one hand in order to avoid the emphasis of Russian origin and on the other hand to generate an additional value to the market. This applies the most to the Polish market, but also to the German. In the Hungarian market innovation would only be a value-generating tool. In addition to this, the positioning of a company as innovative (perception of innovativeness) helps the Russian organizations put their origin into the background, if necessary. This way the innovation does not become a mitigating tool for the liability of origin, but it somehow prevents the companies from its consequences, before they occur.

A surprising managerial implication, is that the managers must be aware of the fact, that the competitors may use their Russian origin, when needed, for their unfair practices. With framing the businesses as Russian they put the competitors at disadvantage, generating the trust concerns among the customers. The higher is the intensity of liability of origin the higher will be also the influence of the competitors following unfair approaches.

Additionally the managers of the Russian multinationals, when approaching new markets, should always analyse the business environment of a new host country, also in terms of a potential liability of Russian origin that could be generated, not only looking for business potential behind a new market entry.

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