

Maintaining sustainability of firms' competitiveness: case of Russian multinationals

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Abstract. The study examines the sustainability of competitive advantages among Russian multinationals, particularly those in the commodity sectors. Using data from the Fortune 500 and Forbes Global 2000 rankings, we analyze the dynamics of the representation of Russian MNEs and the structural factors contributing to their dominance. The paper explores several theoretical concepts, including the Market-Based View, Resource-Based View, Knowledge-Based View, and Dynamic Capabilities Perspective, to understand the drivers behind the sustained competitive edge of these firms. Emphasis is placed on the role of resource dependency, oligopolistic power, and state intervention, and the challenges posed by evolving global sustainability standards. The findings suggest that while Russian commodity companies benefit from stable internal resources, they face increasing pressure to adapt to sustainability and environmental regulations to maintain long-term competitiveness.

1 Introduction

In recent decades Russian multinationals, particularly in the commodity sectors, have secured significant positions in global economic rankings, such as the Fortune 500 and Forbes Global 2000. This success is largely tight to a combination of market monopolization, state support, and the country's abundant natural resources. This paper seeks to examine sustainability of these competitive advantages in light of evolving market conditions and global sustainability trends.

As the global economy increasingly focuses on environmental sustainability and carbon reduction, Russian firms, particularly in the oil and gas sector, face new challenges. The introduction of policies like the European Green Deal and the Carbon Border Adjustment Mechanism (CBAM) has created external pressures on firms that rely on resource extraction.

Moreover, the question arises as to whether traditional competitive advantages, rooted in monopolistic practices and resource abundance, can remain sustainable in this new landscape.

This paper will explore these dynamics by applying key theoretical frameworks that explain competitive advantage, and will analyze how Russian firms are adapting – or failing to adapt – to sustainability challenges.

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2 Methodology

The study employs a comparative analysis of Russian multinationals’ representation in two major world rankings: Fortune 500 and Forbes Global 2000. The data used spans the period from 2005 to 2021 for Fortune, and from 2008 to 2022 for Forbes Global. By examining the rankings, the study identifies trends in industry affiliation.

To explain the sustained competitiveness of these firms, we apply several strategic management theories, including:

- Market-Based View, which focuses on external market conditions and industry structure, and examines the firm’s strategy in the context of the industry as a whole and it’s market position relative to competitors;
- Resource-Based View, which emphasizes the importance of firm’s internal resources and capabilities in achieving sustainable competitive advantage;
- Capability-Based View, treating firm’s capabilities as the sources of competitive advantages while its resources – as the source of opportunities;
- Dynamic Capability Perspective View, which assesses how firms adapt to changing market conditions;
- Network Theories, suggesting that the value of a product or service increases as more people use it.

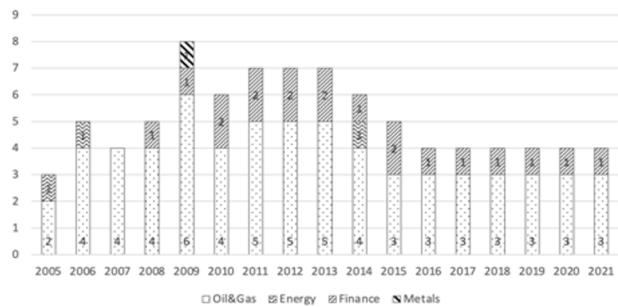
Furthermore, the study draws on qualitative data from industry reports, academic literature, and company case studies to contextualize the theoretical analysis.

3 Results

Traditionally, the most representative source of data on the largest transnational companies are two world rankings: Fortune 500 and Forbes Global 2000. Based on the data presented in these rankings, it is possible to analyze the dynamics of the number of companies representing the Russian economy, changes in the total revenues of all companies included in the annual rankings, and changes in the sectoral affiliation of the largest Russian companies, both quantitatively and in terms of revenues.

Analyzing the dynamics of the presence of Russian companies in the Fortune 500 rating, we can note the consistency of the quantitative presence of global companies with the economic trends of recent years – the growth of the presence of Russian companies in the 2000-2010, followed by a decline in dynamics due to the difficult geopolitical situation for Russian companies and the pressure of sanctions.

The presence of Russian companies in the Forbes Global 2000 shows a slightly different trend if to compare with Fortune ranking. Due to its greater coverage, the Forbes rating allows to see that some Russian companies, with the exception of the oil and gas and financial market leaders, which rotate among themselves both by industry and by revenue, maintain a certain stable presence in the rating, with an average of 23 companies per year (see Fig. 1).



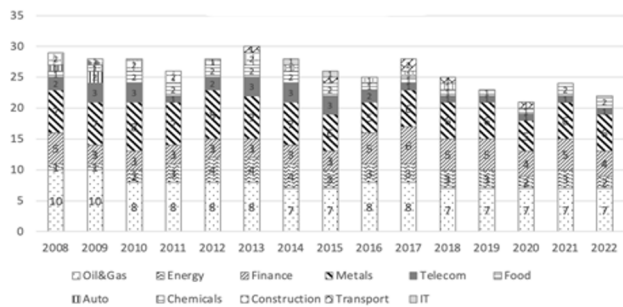


Fig. 1. Industry affiliation of Russian companies in the Fortune 500 in 2005-2021 (upper figure) and Forbes Global 2000 in 2008-2022 (lower figure) (Source: compiled by authors using Forbes (2024)).

When analyzing the ratings, the dominant role of oil and gas companies becomes obvious. A critical examination of the sources of competitive advantages of companies (within the framework of key concepts explaining them) allows to explain the leading positions of Russian MNEs in the natural resources sector among all major representatives of domestic multinationals (see Tab. 1).

Table 1. Realization of sources of competitive advantages by leading Russian MNEs (compiled by authors)

No	Concept	Authors	Empirical cases of Russian MNEs
1	Market-Based View, MBV Industry factors and external market orientation are the main determinants of a firm's performance. The firm's performance is significantly influenced by the industry environment. Examines the firm's strategy in the context of the industry as a whole and its market position relative to competitors.	Bain (1968), Porter (1980), Peteraf (1993), Schendel (1994)	The dominant position of companies in extractive industries in Russian market is explained both by the inherent high level of oligopolist power in the domestic market and the relative stability and ‘conservatism’ of the industry. A high level of oligopolist power has been inherent in Russian commodity companies on foreign markets (e.g., in 2021 Gazprom provided almost half of the European Union's gas needs (in 2023 its share fell to 13% according to S&P), which contributed to obtaining extremely favourable competitive positions compared to other Russian companies in other sectors).
1.1.	Structure-Conduct - Performance Paradigm, SCP Describes the relationship between how industry structure affects a firm's ‘behaviour’ and ultimately its performance.	Bain (1959), Weiss (1979), Takhumova et al. (2018)	The high level of oligopolist power in commodity sectors tends to have a negative impact on the management decisions taken by companies, but at the same time, it makes it possible to attract the best staff and personnel available on the market to work in the company. The same is applicable to the IT, telecom and finance industries.
1.2.	Five Forces Model Identifies 5 key factors that shape a company's competitive environment: bargaining power of suppliers, bargaining power	Porter (1980)	High level of state participation in the commodity sectors, historically high level of oligopolist power (and even monopolization) - factors that provide an absolute advantage for commodity companies in the Russian economy.

№	Concept	Authors	Empirical cases of Russian MNEs
	of buyers, threat of new entrants, threat of substitute products or services, and rivalry among existing competitors. A company can gain a competitive advantage in the market by analyzing and effectively addressing the negative manifestations of these factors.		Even the EU gas market in spite of the EU Purchasing Mechanism' aspirations turned out to be the market with great bargaining power of (Russian) suppliers.
1.2.1	Cluster Theory Emphasizes the importance of geographically determined concentrations of interrelated firms, suppliers and related institutions within a particular industry or group of related industries.	Porter, (1985; 1996) [27; 28]	Historically established and decades-old commodity clusters and production chains provide a competitive advantage to Russian commodity companies over 'new' sectors without established infrastructure.
2.	Resource-Based View, RBV Emphasizes the importance of a firm's internal resources and capabilities in achieving sustainable competitive advantage. According to this theory, a firm's unique resources enable it to create value for customers that competitors cannot easily replicate. The approach helps companies make strategic decisions by orienting them towards developing and utilizing resources and capabilities that provide sustainable advantage.	Penrose (1959), Ansoff (1965), Chandler (1962), Wernerfelt (1984), Barney (1991), Prahalad & Hamel (1994), Del Canto & Gonzalez (1999), Ray et al. (2004)	The raw material base allows Russian commodity companies to realize their available resources and create highly competitive products in the global market.
2.1.	Knowledge-Based View, KBV Considers knowledge as the most important strategic resource of the company, and in this sense this approach is an extension of the company's resource-based approach.	Grant (1996), Evans (2003), Zack (1999), Tran et al. (2019)	See section 1.1.
3.	Capability-Based View, CBV Capabilities are the source of competitive advantage and resources are the source of opportunities. While the resource-based approach emphasizes the importance	Grant (1991), Teece et al. (1997), Haas & Hansen (2005), Ushakov et al. (2017)	See section 1.1.

№	Concept	Authors	Empirical cases of Russian MNEs
	of owning unique resources, CBV focuses on the importance of a company's ability to manage these resources and, as a result, to achieve competitive advantage.		
4.	Dynamic Capability Perspective View, DCP The main competitive advantage of the company is achieved not as a consequence of owning resources, but as a result of using available resources and opportunities provided by resources in the course of constantly changing market conditions and transforming its own approaches in the use of resources in response to market changes.	Eisenhardt & Martin (2000), Barr (2004), Helfat & Winter (2011), Teece (2007)	Commodity sectors are inherently conservative in their management and use of available resources. At the same time, based on the fact that Russian companies in the commodity sectors have been consistently present in the global rankings and have shown stable financial results, this may indicate that, within the industry framework, these companies have performed well even according to the criteria of the DCP approach, which assesses the dynamics and pace of transformation in companies in response to external challenges.
4.1.	“Blue Ocean” Strategy Companies can create unlimited market space by developing innovative products or services that fulfil new customer needs, rather than competing in crowded and fiercely competitive markets.	Kim & Mauborgne (2005)	High level of oligopolistic power in the commodity sectors, both in the domestic and host markets, allows stable profits without strong need for revision of strategies, as well as a general conservatism in the way they conduct their economic activities.
5.	Network Theories The value of a product or service increases as more people use it. Companies that create strong network effects can attract more customers and create barriers to market entry for potential competitors	Burt (1976, 1982), Freeman (1979), Coleman (1988), Zaheer & Bell (2005); Skilton & Bernardes (2015)	Barely applicable to companies from commodity sectors, however is an explanation for Russian IT unicorns (e.g., Yandex, Mail group, etc.)

The dominant role of Russian multinationals in the natural resources sector can be explained by a number of factors, including a high degree of oligopolistic power, a stable resource base and conservative management approaches. RBV and MBV approaches are key for companies in this industry.

RBV and DCP approaches especially emphasize the effective use of internal resources. A sustainable competitive advantage can be framed in terms of not only using existing resources but also considering how these resources are managed in an environmentally and socially sustainable way. The longevity of Russian companies' success, especially in extractive industries, could be analyzed in the context of resource depletion and ecological limits.

A substantial portion of Russian multinationals' presence in global rankings is tied to oil and gas companies. This sector faces increasing pressure from global climate change policies. Considering that the key market for Russian companies in the oil and gas sector has traditionally been the EU countries, the introduction of the Carbon Border Adjustment Mechanism (CBAM) in 2021, together with the EU Green Deal, has significantly accelerated the development of national standards in the field of reducing the carbon footprint in industry. Even now, when Russia has made “a great turn” to the East after the Ukraine crises and Western sanctions, climate policies are still an issue for ensuring compliance and long-term competitiveness.

Given the monopolistic nature of Russian commodity companies, their market influence could be pivotal in driving or stalling the transition to a circular economy. Multinationals in energy, mining, and other extractive industries could continue to maintain profitability while contributing to the broader sustainability goals of reducing ecological impact.

As for the KBV approach, it can be extended to incorporate innovation in sustainable technologies. Russian companies can leverage their competitive advantage by developing sustainable industrial processes. These innovations would not only enhance their standing in the market within the global ESG agenda but also address global sustainability issues. Along with the DCP vision, this would mean focusing on how firms can build resilience against external shocks, such as global environmental regulations or shifts in demand for greener products, while still maintaining a competitive edge.

4 Conclusion

Russian multinationals, particularly in the commodity sectors, have historically maintained a competitive edge through oligopolistic practices, access to natural resources, and state support. However, the growing emphasis on sustainability and global climate policies is creating a challenging environment for these firms. They are or will be forced to reassess their strategies, particularly in relation to carbon emissions and environmental standards. While traditional competitive advantages remain relevant, firms must increasingly adapt to these sustainability pressures to ensure long-term viability.

The paper finds that although Russian firms (mostly of oil, gas and energy sectors) have been slow to adopt innovative sustainability practices, they have the potential to leverage their vast resources and dynamic capabilities to lead in the green energy transition. The study concludes by calling for a more proactive engagement with global sustainability initiatives and deeper investments in green technologies to safeguard future competitiveness.

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