CONDITIONS IN RUSSIA AND THEIR EFFECTS ON ENTRY MODE DECISIONS OF MULTINATIONAL MANUFACTURING ENTERPRISES: A QUALITATIVE STUDY IDENTIFYING ISSUES FOR FURTHER RESEARCH IN THE AREA OF COUNTRY CONDITIONS AND THEIR IMPACT ON ENTRY MODE

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This study examines entry modes employed by foreign multinational manufacturing enterprises (MMEs) when entering Russia. This exploratory study focuses on country-specific conditions associated with the chosen entry mode - an important component in the consideration of overall entry strategy. Information from field studies representing 18 manufacturers – 10 directly manufacturing in Russia and 8 selling their products in Russia via representative/sales offices – was obtained by means of personal interviews with senior management in Moscow and constituted the primary qualitative data. Research questions are posed for further examination of conditions in Russia and the effects of such conditions on the entry mode decisions of MMEs. The study finds economic conditions to be the only important determinant of entry modes for large multinational manufacturing companies investing in Russia with other country factors playing no role in their choices.

INTRODUCTION

With the expansion of global business activity, the ability to analyze the key characteristics of potential host countries becomes increasingly important. The key to successful international market entry is an understanding of differences in conditions that exist when comparing one market to another. While developed countries still remain the major destination for foreign direct investment (FDI), emerging economies have become increasingly important locations for MMEs' production. Changes in government policies in emerging markets, economic reform, and liberalization of markets facilitated FDI into these markets. Trade and investment liberalization enables multinational firms to search for competitive locations and allows specialization.

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Emerging economies, despite some commonalties, differ in size, rates of growth, patterns of economic reform, political, economic and legal regimes, and styles of government, all of which may provide opportunities for investors and possess a significant number of threats, and possibly more threats in Russia than in other emerging markets (Alon and Banai 2000; Shama 2000).

Much has been written about entry strategy and country factors that affect it. Yet, while these studies shed light on why and how country conditions can affect firms' entry strategy, the effects of globalization and ever increasing competition on entry strategy employed by firms entering emerging markets is the area to be strengthened. This study attempts to advance such knowledge and provide the basis for further exploration of this area. It is designed to discover how multinational firm decision makers perceive country conditions in Russia and to provide the basis for further study to uncover what factors influence their decision to locate manufacturing in such volatile markets rather than employing other, less risky modes of entry such as exporting or licensing.

This article begins with a literature review and then presents a discussion of the principal findings. Finally the limitations of the study are discussed and areas for further research are identified.

COUNTRY CONDITIONS LITERATURE REVIEW

When investing overseas, firms face uncertainties arising from unfamiliarity with new country environments. This is evidenced in a series of articles: Goodnow 1985; Boyd and Walker 1990; Nakata and Sivakumar 1997; Parks and Flores 2000; Luo 2002; Kuo and Li 2003; Claver and Quer 2005. These studies demonstrate that economic, legal, political, socio-cultural and technological conditions in emerging markets can have complex positive and negative influences on all components of entry strategy.

Porter's seminal contribution (1985) focused on country-specific location advantages. In the context of entry mode decisions, Luo (2002) suggested one particular country-specific location disadvantage that affects entry strategies into all emerging markets - a country's specific legal infrastructures including law development and enforcement. This author also affirmed the role underdeveloped information markets play in affecting any firms' given performance.

Cultural and Social Conditions

The cultural impact on entry strategy and a firm's performance in any given foreign market has received significant attention in both international business and international marketing literature: Bradley (1991) and Achrol (1991) argued that ideas, norms, behavior patterns, and material culture all directly impact on the international marketing of products and services. Nakata and Sivakumar (1997) emphasized the importance of the personal nature of commercial activities in emerging markets, factors that potentially could affect firm's entry mode. Meyer (1998) pointed to such factors as: language and religious differences; lack of personal contacts; geographic distance; different attitudes to work and leadership. Perceived risks of various types of entry modes increase, the author claims, if investors have less understanding of the host country's environment. He also observed that firms tend to be more knowledgeable of foreign markets culturally close to themselves. Specific to Russia, however, Bzhilianskaya and Pripisnov (1999) found that the majority of FDI revenue came from Germany, USA, S. Korea and Switzerland, countries culturally distant from Russia. These diverging opinions show it is unclear what effect cultural distance has on firms entering Russian markets, or whether other factors, specifically growing economies and changing FDI legislation, have a greater impact on multinationals' entry strategy choices.

Poole-Robb and Bailey (2002) added another important addendum to a given firm's entry strategy—namely the controlling government's willingness to staunch weaknesses in judicial systems and deliver anti-terrorism measures, as well as fight organized crime, corruption, unfair trading, and cronyism. Some of these are important factors for Russia (Abalkin and Whalley 1999). Luo (2002) and Poole-Robb and Bailey (2002) elaborated further that bureaucracy along with corruption and organized crime are the most obstructive social factors considered by foreign investors. A common linkage between corrupt bureaucracy and the political elite results in a possible competitive advantage for local firms because of their knowledge of local business customs. Specifically, Alon and Banai (2000) reported that almost all bankers, business people, and government officials in Russia were forced to cooperate with the Mafia. Their findings suggest about 80 percent of Russian businesses paid extortion money with about 80 percent of US businesses operating in Russia forced to engage in bribery.

Technological Environments, Infrastructure and Competitive Conditions

A country's unique technological environment and the impact of science and technology impinge on a firm's ability to improve product quality and service and gain competitive advantage (Johnson 1994). Consequently a firm's entry decision may be affected by foreign technological development.

Nakata and Sivakumar (1997) placed particular emphasis on silent technological conditions in emerging markets, particularly where poor and rapidly deteriorating infrastructures are the reality. Essential services that require commercial activities, such as water and electric power supplies, phone lines and banking services, are quite often unreliable or even in short supply there. Their analysis suggests that poor infrastructure may lower economic advantages as increased operating costs in a country might limit entry opportunities. Jain (1993) specified that reliable technological services as well as the intensity of price competition in the industry should be considered as relevant correlates in the adaptation of any entry strategy. Specific to Russia, Stoner-Weiss (2000) and Luo (2002) reported that some provinces were more successful in attracting FDI than others due to relatively favorable technological environments.

Eden and Miller (2004) argued that any decision concerning FDI requires the acquisition of local knowledge in respect of their host country's economy, language, its laws and politics along with the adoption of local technology and production methods as well as the additional costs of training local workers. These could possibly place local competitors, at least initially, in an advantageous position over foreign firms. Kwon and Konopa (1993) suggested that already established foreign firms might also have such advantages over a new entrant in regard to cost, economies of scale, and product differentiation.

Legal Conditions

One of the major concerns for firms entering foreign locations is the level of protection of their operations, assets and personnel given under local laws. Limited trade-mark and intellectual property protection could jeopardize technological advantages by making new entrants vulnerable to piracy thus reducing economic advantages due to lost sales (Nakata and Sivakumar 1997). Other studies supported this emphasizing that FDI increases significantly when local legislation provides foreign investment incentives and guarantees (Contractor 1984; Clegg 1990 and Nakata and Sivakumar 1997).

Government limitations on the number of foreign firms in the market is regulated by means of policies, laws, marketing and advertising restrictions, safety and health requirements which may restrict competition and thus selection of an entry strategy directly relates to the level and nature of protectionism likely to be faced by the entering firm (Bensedrine and Kobayashi 1998). Nakata and Sivakumar (1997) reported that the silent legal conditions affecting entrants into foreign emerging markets are: limited trademark and patent protections, still-evolving judicial systems, foreign investment restrictions, price controls, tariff and non-tariff barriers, trade agreements, privatization, and market reform. Meyer (1998) suggested that weak legal institutions in developing countries often discourage the use of courts to settle disputes thus permitting corruption.

Roderick (1999) emphasized weak property rights regimes as a determinant within entry mode decisions - a factor particularly peculiar to the Russian market. More specifically, this author, though admitting that Russia represents potentially the most valuable market for western companies, suggested that the country proves an exceptionally difficult market for foreign firms to operate within particularly because the Russian state government often adopts contradictory policies on property rights and the general absence of law and order.

Political Conditions

Kwon and Konopa (1993), Parks and Flores (2000) argued political risks, such as nationalism and political instability influence multinational firms' entry mode decisions. In nations where political risks are perceived to be high, it is likely that only low resource-commitment modes such as exporting would be undertaken. An inverse relationship between inward FDI and the level of government restrictions on foreign entrants was also found. In addition, other impacts analyzed were: foreign ownership restrictions; local content requirements and unionization.

Contrarily, Clegg (1990), Nakata and Sivakumar (1997), Meyer (1998) and Parks and Flores (2000), suggested that despite political risk being an important element in assessing a country's risk, it is also possible that other national and/or international sources of risk could exacerbate or reduce the total risk of a country. In other words, non-political factors could prove to be more important when making foreign investment decisions.

Green and Cunningham (1975) and Davidson and McFetridge (1985) strongly endorsed political instability as a factor to discourage FDI and suggest this could be the most important factor in determination of country specific location. The latter researched emphasized that political instability is generally more characteristic of emerging, less developed markets than developed ones, remarking that bankers use political instability to calculate a country's creditworthiness - with developing markets gathering lower ratings - meaning that rapid changes in government policy could reduce economic advantages for the entering firm.

Some authors have analyzed corruption and its impact on firms' performance in emerging markets and Russia. Bzhilianskaya and Pripisnov (1999) argued that the perception of corruption and criminality intensified in the 1990s and had a significant impact on the level of FDI in Russia. Rodrigues, Uhlenbruck and Eden (2005) stressed that multinationals' understanding of the nature of corruption in a given country and an ability to differentiate corruption in other countries are both critical tools in determining entry strategy options. They further suggested that the pervasiveness of corruption determines the average firm's likelihood of encountering corruption in its usual interactions with government officials. Arbitrariness is considered an innate measure of ambiguity associated with corrupt transactions in a given country. These ambiguities vary widely across countries and consequently have a significant impact on FDI. Abalkin and Whalley (1999) aknowledged there is a large perceived political risk associated with maintaining wealth in Russia due to the frequent and quite often arbitrary changes in economic policy.

Economic Conditions

The economic environment largely defines opportunities for international business. Size of population, economic growth, income, consumption and purchasing power determine the market size of a foreign location (Jain 1993). These factors were also identified as critical to entry strategy decisions by Goodnow and Hansz (1972); Dunning (1980); Goodnow (1985); and Terpstra and Sarathy (1994).

Kwon and Konopa (1993) posited certain other host country production factors which influence foreign market entry strategy, namely: the availability of skilled/unskilled labor; raw materials; technology; capital and the availability of communication/transportation facilities. Other researchers argued that the availability of abundant natural resources and cheap labor are not sufficient for attracting foreign investment. They claimed emerging markets present significant detractions for entering firms, and among these challenges are political risks and undeveloped infrastructures that impede a wide range of commercial activities (Clegg 1990; Kuo and Li 2003). That said, Russia is a country with abandoned natural resources and an educated labor force, yet FDI per capita is lower than in almost all other Eastern European countries (Stoner-Weiss 2000).

With regards to developing markets, Nakata and Sivakumar (1997) claimed that fragmentation of distribution leads to cost inefficiencies which might significantly affect a firm's decision regarding entry location and entry mode decisions. Earlier research by Batra (1997) found that some features common to all transitional economies are: high rates of inflation; foreign trade deficits; high rates of unemployment; high costs of capital and low labor costs. However, the focus of this study was not the Russian market but rather specific characteristics of international investment such as: investment climate; the state of the economy; types and degrees of corruption; rates of inflation and the legal and cultural environment within other emerging markets.

METHODOLOGY

This study uses in-depth interviews of decision-makers operating foreign manufacturing firms in different industries in Russia. These firms either produce their goods in Russia or produce in other countries and sell their products via their representative/sales offices in Moscow. The latter usually have staff numbers ranging from 20 to 60 and in some cases substantially more which incurs greater costs than in the case of pure exporting.

The qualitative method was chosen for this study because other methods, such as surveys, were deemed inappropriate as without full knowledge of the nature of the phenomenon investigated, it was impossible to draft appropriate measurable questions (Cavana, Delahaye and Sekeran 2001). Under the author's guidance, the interviewees discussed open-ended questions concerning country conditions in Russia, their evolution and effect on entry modes. The interviewers took notes which were shown to the interviewees at the end of each interview to make sure the notes represented the true and unbiased views of the interviewees. The information gathering was consistent with the field study approach but was not as systematic as in a random sampling study. The respondent firms constituted a "convenient set" of cooperating firms to which the interviewer could get access. Other data mainly of statistical nature used in this study were collected via telephone inquiries made to one of the interviewer's contact at the Russian Bureau of Statistics (Rosstat). According to Rosstat (2007, pers. comm.) there were 3116 joint ventures (JVs) in Russia at the end of 2006 and out of these approximately 609 firms were engaged in raw material processing, manufacturing, or assembling. However, this source was unable to provide further information as to how many of these JVs were engaged in manufacturing in Russia, how many of them merely exported their products through their Russian partners, and how many of these firms process raw materials. Statistical information of this nature was not also available through the official enquiry to the Rosstat. However, of these 609 firms, there is most likely only a handful of manufacturers as most multinationals' interests are registered with the RCCI and therefore listed in the Year Book because of the benefits of membership such as: legal advice, advertising, government contacts and low costs of maintenance Russian translation (Russian Chamber of Commerce and industry 2007).

Of all the manufacturing firms registered with the RCCI, only 30 firms manufactured their products in Russia. Out of these 30 firms, 1 firm (*Sara Lee*) outsourced to a third party in Russia. Finally, only 25 firms out of all manufacturers in Russia were big enterprises with over 1000 employees worldwide.
Making inferences from a small sample has been done with the utmost caution. However, in depth interviews enabled the authors to identify and evaluate the more qualitative explanatory variables for foreign MMEs involvement in Russian manufacturing. Moreover, since current literature does not clearly and systematically describe and analyze conditions in Russia and their effects on entry mode, a qualitative type of research was chosen to identify other schemes that may be pertinent to this study.

The overall aim of this study was to explore country conditions and how they affect large multinational firms' choice of entry mode into Russia with the view to generalize the results to other emerging markets with similar conditions.

The specific study objectives were as follows:

1. To identify what country conditions affect large multinational manufacturing enterprises' choice of entry mode into Russia
2. To identify the most influential country condition that affects the choice of entry mode as perceived by these firms' decision makers

Foreign multinational manufacturing firms selling their products via manufacturing and sales/representative offices in Russia were selected as the target population and included in the study due to the substantial cost and risk involved in these enterprises. A sample of only 18 firms was selected to participate in face-to-face interviews. However, the potential benefits of data depth and quality compensate for the associated shortcomings of limited representativeness and generalizability associated with qualitative research instruments (Cavana, Delahaye and Sekaran 2001). Subjects of the study included senior level management responsible for operations in Russia. Their names and contact details were selected from the Year Book published annually by the Russian Chamber of Commerce and Industry (RCCI) and from the Membership Directory published by the American Chamber of Commerce in Russia in Moscow (AmCham).

The 10 firms manufacturing/assembling in Russia represent a cross-section of different industries including auto manufacturing (Ford, General Motors, USA), electric appliances (Phillips Holland), food manufacturing (Kraft Foods Central and Eastern Europe Services B.V, the Netherlands), lighting equipment (Osram, Germany), paper manufacturing (Interprint, Germany), electrochemistry (Varta, Germany), cosmetics (Beiersdorf, Germany), personal care products (LRC Products Limited, GB), home building components (Chaika Forest Products Germany). Some 8 firms manufacture overseas but sell through their offices in Moscow and other cities in Russia thus incurring substantial cost and expressing high commitment and interest in the market are also included in this study. These are: baby food and related care/wellness products (Gerber Products, USA), chemicals, fibers, and plastic (Eastman Chemicals B.V.,USA), furniture (Industria Mobil Mio Dino srl Italy), fabrics (Area International SRL, Italy), pharmaceuticals (Ranbaxy Laboratories Limited, India), breaking systems for railway and road transport (Knorr-Bremse Systeme fur Nutzfahrzeuge GmbH, Germany), home electronics and appliances, electronic medical equipment, and other industrial electronics (Hitachi Ltd. Japan), industrial equipment, auto manufacturing (Daewoo Heavy Industries and Machinery, Korea). It should be noted however that only General Motors and Chaika Forest Products represent a JV with Russian partners mode in this study.

Each interview lasted on average about 45-50 minutes. During the interviews, executives were asked to provide baseline information about their companies' operations in Russia, economic performance, and conditions in Russia and their effects on entry strategy they employed. Particular emphasis in the interviews was placed on country conditions in Russia and their effects on entry mode decisions.

The interviewees were asked to identify and elaborate on country conditions in Russia that affected or could potentially affect their entry mode decisions. As the focus of this research is on country conditions' effect on the FDI modes, only firms who entered Russia via joint venture agreement with local partners and via wholly owned subsidiary were chosen for the interview. However, considering that setting up a sales/representative office in a foreign location may incur considerable cost and risk (Lei and Slocum 1991; Kumar and Subramaniam 1997), a number of these firms were also interviewed. The firms chosen for the interview were large multinational firms as the overwhelming majority of foreign manufacturing enterprises operating in Russia are large firms with substantial financial backing and international business expertise (Kouznetsov 2008).

FINDINGS

Cultural Conditions in Russia

All interviewees agreed that factors such as language, religious and other cultural differences did not have any effect on their entry mode decisions. Different attitudes toward work and leadership are important though and sometimes cause tensions. However, the latter did not affect entry mode decisions, as all interviewees confirmed, due to substantial international business experience, knew that some adjustments were inevitable. Moreover, all claimed that big cities such as Moscow and St. Petersburg were already substantially westernized and thus some cross-cultural similarities exist. Having said that, nevertheless, all respondents agreed that for them significant cultural differences would have meant only a choice between the two FDI modes, JV and wholly own subsidiary had the economic conditions been favorable for entry. Some respondents opined that possibly smaller less resourceful firms' entry mode decisions would be affected substantially by cultural differences apart from opportunities of economic gains.

Technological Environments, Infrastructure and Competitive Conditions in Russia

Generally speaking, in almost all cases, interviewees stated that, in terms of research and development, Russia presents one of the greatest opportunities among all emerging markets. Some interviewees suggested for instance that the fact that high quality engineers are relatively inexpensive and readily available, enhances Russia's attraction to multinational manufacturing enterprises, at least initially. Infrastructure in Russia however causes some concern as in many places it is deteriorating and often unreliable. Once again, big cities are the exception with very well developed infrastructure available in Moscow although overpriced according to all interviewers. However, all respondents argued that they had substantial resources to cope with the situation, and in some instances were able to build their own infrastructure or improve the old one, and had substantial international business experience in similar markets to do it efficiently.

Regarding competition in Russia, all interviewed firms admitted that there was almost no competition coming from other foreign firms and that the local competition did not affect their entry mode decisions as in most cases local firms did not have advantages such as competitive technology, recognized brand name, and quality products. The firms interviewed however were big multinational companies who enjoy good reputations and have well-known brand names in Russia. These factors therefore are considered favorable for choosing FDI entry modes but play no role in choosing in between JV and wholly owned subsidiary entry modes.

Legal Conditions in Russia

Business legislation and regulations that affect the conduct of business in Russia were negatively assessed by all interviewees except the respondent from "Chaika Forest Products" claiming that these conditions were in a similar state in some other developing markets and yet possible to adjust to. Limited trademark and patent protection, still-evolving judicial systems, price controls, tariff and non-tariff barriers are the major obstacles to conducting business in the country. An underdeveloped legal system and the bureaucracy are perhaps the most silent conditions mentioned by the interviewees. Nevertheless, all interviewees argued that the legal system in Russia was still evolving and slowly improving. Despite this recognition, the legal system was still seen by majority of respondents (17) as in a critical state and certain elements of it possessed potential risks to doing business in the country, perhaps even more than in some other emerging markets. Even though this factor bore significant risks for foreign entrants, it did not prevent the firms interviewed from employing the riskiest modes – wholly owned subsidiary, JV, and sales/representative office. Firms manufacturing in Russia and those who set up representative offices there recognized that legal conditions, despite all problems they may cause, had no effect on their choice of entry mode.

Political Conditions in Russia

Political conditions play an important role in all firms' entry strategy decisions. However, rather than entry mode they affect other elements of entry strategy such as timing of entry, and place of entry, and, in some instances, scale of entry. As far as entry mode is concerned, only those who entered Russia via JV agreement (2 firms) acknowledged political risk as an important factor in their entry mode decisions. Yet, General Motors suggested that a JV mode of entry could have been the wrong decision due to its potential impact on profitability in addition to other concerns such as decision-making. Those companies that entered the Russian market via the wholly owned subsidiary mode and sales/representative office reported that political conditions in Russia had very little impact on their entry mode decisions. They admitted that whilst the country was not stable politically these conditions had not affected their choice of entry modes due to the three factors, long term economic potential of the market, experience in other emerging markets, and substantial financial backing at their disposal.

Moreover, when asked to look back with hindsight and suggest whether they would still enter the Russian market employing the same mode, all respondents representing the wholly owned subsidiary mode answered positively. General Motors, entering via a JV with a local partner, suggested that perhaps their own subsidiary mode would have been a better choice.

All firms also confirmed that corruption had some effect on their day to day operations in Russia or even on their personal well-being. Encounters with the road police officers, bribery, etc had only a certain effect on their personal lives but were not considered a significant issue when entering the Russian market. Additionally, a number of interviewees (10) suggested that it was smaller firms that were easier targets for corrupt officials in Russia as bigger reputable firms were more difficult and even riskier for local officials to involve in corrupt practices. This said, it should be added that all interviewees agreed that political conditions in Russia were rather unfavorable for setting up and carrying on business and most interviewees (14 firms) said that Russia, in their view, was least predictable among all emerging markets in terms of its political conditions and their effects on business operations. Nevertheless, all interviewees agreed that political conditions in Russia could possibly affect other elements of entry strategy rather than the mode of entry. In countries with significant economic potential, due to the firm internal factors such as size, international business experience, financial resources, and reputable brands, as argued by all respondents, firms can employ the riskiest modes even though political conditions there do not favor such risks.

Economic Conditions in Russia

All 18 interviewees strongly emphasized economic factors as the only important in their decision to enter this market and choice of FDI entry mode. All other factors seem to have been considered easily adjustable in as far as a growing economy continues. A number of firms (9) emphasized the growing competition arising from globalization of world markets as one of the factors forcing them to adapt to non-economic factors. However, a number of firms (all manufacturing in Russia and four with representative offices) argued that without accumulated international business experience, financial capabilities, and as a result of these, ability to negotiate favorable terms, their mode decisions would still be substantially affected by other country conditions regardless of the economic attractiveness. Furthermore, firms who set up representative/sales offices argued that investing in this mode also incurred significant cost and potential risk. According to these firms' decision makers, costs of leases in Moscow were extremely high with the very real likelihood that renting office space there might double the cost of similar facilities in some parts of Western Europe. So these firms, even though did not move their production facilities into Russia, were still at greater risk in Russia than mere exporters. Yet, these firms took these recognized risks due to the very attractive economic conditions available in Russia and their own capabilities already listed above. Growing competition in Russia and was also mentioned as a factor that required their presence in the market. In fact, growing competition in all emerging markets was referred to by all firms as one of the factors that forced these firms to take more risk by employing greater commitment modes. Manufacturing for Russia in other than Russia was explained by lower costs of production outside Russia.

Even though all interviewees agreed that costs and wage rates in Moscow, compared to other emerging markets were extremely high, they still argued that the economic conditions and economic perspectives in Russia were so promising that they would still decide to enter this market via an FDI mode if they had to choose a mode of entry currently. Once again, General Motors would have entered Russia via the wholly owned enterprise mode had they known of all the economic opportunities in the country at the time of entry. In addition, all interviewees agreed that the most important factors influencing their entry mode decision were the country economic conditions such as gross domestic product (GDP), growing GDP per capita, natural resources, that are abundant in Russia, and sound long term economic prospects. Some interviewees even brought up growing prices of oil and other resources as factors that influenced FDI entry mode decisions. Moreover, some firms who were not manufacturing in Russia and maintaining local sales offices instead (4), said they were considering establishing a manufacturing base in Russia in foreseeable future. Whilst others who manufactured their products or parts in China and some other Asian countries, reported that manufacturing there was considerably cheaper than manufacturing in Russia even when adding the cost of transportation and tariffs. For example, Daewoo, a Korean car manufacturer, assembles its cars in the former Soviet republic of Uzbekistan and than sells its cars in Russia through its office in Moscow and dealership. The costs of assembling in Uzbekistan are lower than in Russia and tariffs between these countries are relatively low. As can be seen, manufacturing in China, for instance, enables some of these firms to achieve substantial economies of scale allowing them to sell their products not just in Russia but in other markets too. However, the strong local presence in Russia through the representative/sales office in Moscow which entailed significant cost was explained by the role the Russian market plays in the firms' strategic plans due to dramatic economic changes that had been taking place in the country.

LIMITATIONS, DISCUSSIONS AND AREA OF FURTHER RESEARCH

Since the outcome of qualitative studies cannot be generalized, the findings of this study only identify areas of further research in the field of country conditions and their effects on entry mode choices in Russia.

The fact that there are only two firms representing the JV mode in this study signifies a substantial shortcoming as other country conditions, apart from economic and political factors, may affect other JVs mode decisions. As a result, further investigation in the area of country conditions and their effects on entry modes should incorporate proper representation of all FDI entry modes. This study was also limited to only a few industries; however the literature indicates that entry mode decisions of firms operating in other industries may be influenced by more than economic conditions. Finally, the interviews present the views of the given MMEs, enriched by their individual experiences and the inevitably subjective outlook of their executives.

Large MMEs could disregard political, cultural, technological, and social conditions in Russia (one of the riskiest emerging markets as admitted by literature and backed by some respondents) regardless of how negative they were viewed by these firms as long as the economic conditions in the country are favorable and high profits could be achieved. These large sized companies with substantial financial backing, strong brand names, and accumulated international business experience could ignore these non-economic conditions when entering Russia because these characteristics empowered them with the ability to adapt to these conditions. This comes from the two sources: 1. growing world competition stemming from globalization on the one hand and 2. international business experience and substantial resources that have been accumulated by large MMEs on the other. This conclusion is not surprising on its own, however it is argued that other non-economic factors would have played a significantly greater role in choosing entry modes by multinational firms only a decade or two ago as suggested by the literature. This has not yet captured attention of international business scholars who study country conditions in emerging markets and their effects on entry modes and requires further exploration. The fact that some firms manufacture their products outside Russia and serve this market only via sales/representative offices, despite its economic attractiveness, can also be explained by the cost advantages these firms can achieve manufacturing in Asia and not by country conditions that may negatively affect their manufacturing in Russia, which is also an area that needs further research. Finally, favorable economic conditions and large multinational firms' internal factors seem to have become the single decisive factor affecting these firms decision to use the riskiest mode in Russia which described in some literature as one of the least stable emerging markets.

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