

STRATEGIC CAPABILITIES AS A DRIVER OF COMPETITIVENESS: A COMPARISON OF RUSSIAN AND GLOBAL COMPANIES

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Abstract. Competitiveness is a key measure of success for countries, industries, and companies. This study is devoted to the strategic capabilities underlying the competitiveness of companies in the Russian market. The theoretical foundations of strategic capabilities are conceptualized, and their role in the development of competitiveness through strengthening the competitive advantages of companies is emphasized. The research methodology of strategic capabilities is based on the leading publications of foreign and domestic scholars over the last 30 years. The empirical part of this study considers both the general and specific strategic capabilities of 30 Russian and multinational companies operating in the Russian market. According to the empirical results, Russian domestic companies focus on the development of one particular strategic capability only; Russian exporters have a more differentiated approach, developing a significant number of strategic capabilities simultaneously; finally, multinational companies endeavor to develop a balanced set of strategic capabilities. The most important strategic capabilities of companies in the Russian market are identified as follows: employee professionalism, quality control, innovations and unique technologies, corporate brand and reputation, market and trend understanding, customer orientation, and flexibility. The research results have practical value and can be used by Russian companies as key factors for increasing their competitiveness in the Russian market as well as in new foreign markets.

Keywords: company competitiveness, strategic capabilities, competitive advantage, multinational companies, Russian companies.

INTRODUCTION

High turbulence of the external environment and business competition create radically new conditions for Russian and multinational companies operating in the Russian market. This is especially true for the companies under serious sanction pressure on the Russian economy, which exacerbates the problem of managing the strategic capabilities of Russian companies. A company can gain a stronger competitive position by determining its strategic capabilities, designing them in accordance with the conditions of the external environment, and integrating them into a sustainable strategy [1]. With this view, strategic capabilities are considered a driver of competitiveness, enabling companies (in particular, Russian companies) to determine their “growth point.”

In this paper, based on the results of a large-scale empirical study, we investigate the strategic capabilities of companies with different levels of internationalization operating in the Russian market as a driver of their competitiveness.

The analysis of 30 Russian and multinational companies operating in the Russian market reveals the dominant categories and subcategories of strategic capabilities in their competitiveness. We identify a set of strategic capabilities predominately used by the companies when building their competitiveness in the Russian market as well as analyze the key differences in the formation of competitiveness of the companies considering the level of their internationalization.

The structure of this study reflects the main theoretical (methodological) issues and the empirical results. The theoretical part of the study focuses on the

basic conceptual aspects of strategic capabilities and approaches to their research. The methodology of the empirical part describes the object under study and the stages of analysis. The main results of this work are grouped according to the research questions indicated above. The key findings are presented in the Conclusions.

1. THEORETICAL FOUNDATIONS OF INVESTIGATING STRATEGIC CAPABILITIES

1.1. The Basic Conceptual Aspects of Strategic Capabilities

The concept of strategic capabilities rests on the following structural elements: necessary resources and *core competencies*, which should be unique and difficult to replicate [2]; *ordinary capabilities* and *dynamic capabilities* [3]; information and *organizational knowledge*, which is becoming a main asset of many organizations [4]; the organization's interaction with the external environment, which can provide the resources, competencies, and capabilities that the organization needs to achieve a particular strategic goal [5–7]. These elements, taken to a level of excellence beyond anything the company does, and especially better than any of its competitors [8], become strategic capabilities that enable an organization to survive and thrive. Building and renewing capabilities is at the heart of *competitive advantage* and organizational value creation [9]. V. Kumar traced the relationship between the external environment, strategy, and strategic capabilities that lead to superior organizational performance and sustainable competitive advantages [1].

Sustainable competitive advantages require the development of sustainable strategic capabilities, generally through a significant investment of time and resources from the company [8, 10, 11]. The sustainability of strategic capabilities consists of three components: *complexity*, *culture and history*, and *causal ambiguity*. Complexity is explained by the company's *internal and external linkages*, which can create obstacles for competitors to build capabilities or make them difficult to imitate [12]. Core competencies can become part of an organization's culture, i.e., competencies evolve over time in the so-called *path dependency* [13]; thus, they become specific to the organization and cannot be imitated. Finally, competitors find it difficult to identify the causes and outcomes underlying the organization's performance and its advantages because of *characteristic ambiguity* or *linkage ambiguity* within and outside the organization [14].

Strategic capabilities are directly related to the company's strategy, and their emergence has led to the development of such concepts as *strategic intent* (an expression of organization's intentions, plans, and ways to achieve them) and *strategic fit* (the extent to which a company matches its capabilities and resources with the opportunities available in the external environment) [15].

No capability can be the only basis for sustainable competitiveness. A. John characterized strategic capabilities as a "complex set" that allows companies to carry out their activities [16]. Thus, the set of strategic capabilities should be considered a driver of the competitiveness of companies through forming new and strengthening current competitive advantages.

1.2. Approaches to Investigating Strategic Capabilities

Strategic capabilities are a complex multilevel concept and manifest themselves in various forms [17–20]. Therefore, diverse approaches are needed to assess the construct of strategic capabilities. The following points of view define the differences in these approaches: the functional area in which strategic capabilities are applied; the capability hierarchy; and the focal unit of analysis.

Most authors adopt the functional typology of capabilities to study specific functional areas and places of their application within an organization. In particular, this conclusion is evident from a significant pool of empirical studies of dynamic and organizational capabilities [21]. Strategic capabilities are also divided according to the functional criterion, but there is no common approach among the authors to distinguish a uniform set of functions (Table 1). Most of the functional areas separated out are identical or overlapping. Organizations may try to access the necessary resources and capabilities beyond their borders or seek geographical expansion; hence, the purposeful management of organizational internationalization becomes significant, also indicating the relationship of strategic capabilities with the external environment and their dynamic component.

Another aspect of strategic capabilities that has received much attention is their location in the capability hierarchy. Consideration of the company's capability architecture assists in understanding the nature of strategic capabilities [26, 27]. Most of the models reflecting the capability hierarchy are three-level and include resources, operational and functional capabilities, core competencies, and dynamic capabilities. However, these models do not explicitly show the place of strategic capabilities in the architecture (Table 2).



Table 1

Approaches to assessing strategic capabilities depending on the functional area

Author(s)	Categories of strategic capabilities
Lenz, 1980 [5]	Post-sales service, retail sales, physical distribution, manufacturing, design, research and development
Day, 1994 [18]	<i>Outside-in</i> processes: market sensing, customer linking, channel bonding, technology monitoring <i>Spanning</i> processes: customer order fulfillment, pricing, purchasing, customer service delivery, new product/service development, strategy development <i>Inside-out</i> processes: financial management, cost control, technology development, integrated logistics, manufacturing/transformation processes, human resources management, environment health and safety
Hafeez, Zhang, and Malak, 2002 [22]	Design, purchasing, manufacturing, sales and marketing, R&D, finance, management, etc.
Inan & Bititci, 2015 [23]	R&D capability, innovation capability, product development capability, environmental scanning capability, networking capability, alliancing and acquisition capability, imitation/replication capability, reconfiguration capability, knowledge development/learning capability, marketing capability
Van Looy et al, 2012 [24]	Modeling, management, deployment, optimisation, culture, structure
Cuervo-Cazurra et al, 2020 [7]	Obtaining resources, product/service capabilities, operations and management, marketing, managing the external environment
LeanIX, 2022 [25]	Strategic management, customer relationships, product & service development, production, procurement & logistics, enterprise support, marketing & sales, finance & controlling

Table 2

Approaches to determining the capability hierarchy

Author(s)	Complexity →			
	Level 1	Level 2	Level 3	Level 4
Collis, 1994 [28]	First category capabilities – Functional capabilities (static)	Second category capabilities – Capabilities related to dynamics (dynamic)	Third category capabilities – Creative capabilities	Meta-capabilities – The ability to develop the capability to understand industry contexts better
Teece et al., 1997 [9]	Ordinary capabilities	Dynamic capabilities	–	–
Dannels, 2002 [29]	Competencies	Second level capabilities	Dynamic abilities	–
Winter, 2003 [30]	Competencies	Second-order capabilities	Dynamic capabilities	–
Andreeva & Chaika, 2006 [31]	Functional capabilities	Core capabilities	Dynamic capabilities	–
Pavlou & Sawy, 2006 [32]	Underlying subprocess	First order capability	Second order capability	–
Wang & Ahmed, 2007 [33]	Capability	Core capability	Dynamic capability	–
Newey & Zahra, 2009 [34]	Core/operational capabilities	Dynamic capabilities	–	–
Ambrosini et al., 2009 [35]	<i>Regenerative</i> dynamic capabilities	Resource base	<i>Incremental</i> dynamic capabilities	<i>Renewing</i> dynamic abilities
Wójcik, 2015 [20]	Resources	Processes Routines	Lower-order capabilities (functional and operational)	Higher-order capabilities/strategic capabilities (core competencies)
Ceglinski, 2020 [36]	Dynamic capabilities	Core competencies	Core products/services	End products/services

In empirical research on strategic capabilities, authors increasingly choose different units of analysis. While research on strategic capabilities at the organizational level remains the most common, there is a growing interest in strategic capabilities at the individual level [21, 28]. In line with current trends towards the inclusion of context in capabilities research, strategic capabilities outside the organization are being considered, e.g., strategic capabilities at the industrial and country levels [7].

These assessment approaches have enriched the concept of strategic capabilities and have nuanced its understanding as an overarching multilevel paradigm. Despite a clear trend toward more detailed and specific approaches, there is still a desire to explore a general construct of strategic capabilities that incorporate several assessment approaches simultaneously and take into account the context of a particular capability.

A research team led by A. Cuervo-Cazurra, V. Newberry, and S. Park (Research Centre for Emerging Market Studies, Shanghai, China) developed an international approach to identify the main categories and subcategories of strategic capabilities of companies and to compare, in some terms, the results of studies for different countries and companies. The approach was validated in a large-scale study that compared different companies from 12 developing countries to identify which capabilities of leading multinational companies in emerging markets are strategically important for them [7]. The approach considered differences in strategic capabilities in the functional area and the focal unit of analysis for the capabilities at the administration, organization, industry, and country levels. Additionally, the study included assessments of strategic capabilities by depth (the degree of organizational knowledge improvement), breadth (the degree of diversity of organizational knowledge improvement), speed (the time required to achieve organizational knowledge improvement), and location (the geographic boundary where organizational knowledge improvement occurs) [7].

This approach identified five main categories responsible for the functional area: obtaining resources, product/service capabilities, operations and management, marketing, and managing the external environment. These categories include a broad list of subcategories of strategic capabilities, which can be expanded according to the specific capabilities of companies. Within this approach, companies are categorized using two criteria to capture their context: the industry of operation (low-tech, high-tech, or service companies) and the level of internationalization (domestic, export, or multinational companies). Therefore, the strategic

capabilities of companies are investigated in a comprehensive and uniform way.

2. THE RESEARCH METHODOLOGY

In the empirical part of this study, the attention was focused on strategic capabilities as a driver of competitiveness of Russian domestic companies, Russian exporters, and multinational companies operating in the Russian market.

The main research question was formulated as follows: *What are the strategic capabilities underlying the competitiveness of the companies operating in the Russian market?* It was decomposed into three first-level questions:

1. What are the dominant strategic capabilities of Russian domestic companies?
2. What strategic capabilities dominate in the companies expanding their activities outside the local market (on an example of Russian exporters)?
3. What are the dominant strategic capabilities of multinational companies?

The methodology proposed by the international research group [7] was applied to study strategic capabilities. In addition to the five categories of strategic capabilities (obtaining resources, product/service capabilities, operations and management, marketing, and managing the external environment), we considered a new specific category (strategy). This category includes subcategories that could not be correlated with the existing categories of strategic capabilities (flexibility, long-term perspective and sustainability, balance price & quality, merger and acquisition, business portfolio management, etc.). Moreover, there is no unified approach to interpreting the relationship between strategy and strategic capabilities and no generally accepted opinion on which of them is primary [37]. Hence, the causal nature of the concepts does not prevent the emergence of a new category. The list of subcategories of strategic capabilities was expanded in accordance with the analysis data.

This study is based on semi-structured interviews with owners, top managers, and middle management representatives who correctly assess the components of the company's strategy and its competitiveness.

A total of 30 interviews were conducted with representatives of high-tech and low-tech industrial companies and service companies operating in the Russian market, which were distributed into 9 clusters by two criteria [7]: the industry of operation (high-tech, low-tech, or service companies) and the level of internationalization (domestic, export, or multinational companies) (Table 3).

Table 3

Characteristics of the selected companies

		Company category		
		Russian domestic companies	Russian exporters	Multinational companies
Industry type	High-tech	SUENKO JSC Laser Systems and Technologies LLC	VARTON JSC SPC ASPECT Sberbank PJSC	Merck BMW Group Toyota Motor Corporation
	Low-tech	SUEK JSC AISFER JSC Torgservis LLC (production, sales, and purchase of oil equipment)	AIC PROMAGRO LLC Kuzbassrazrezugol' OJSC	Japan Tobacco International GRAND VISION Kraft Heinz ECCO
	Services (service)	NPP Radintekh LLC Clean Town LLC Tsargrad LLC MC Medved LLC Prime Stomatologia LLC	Office Solutions LLC Novikov Group MILDBERRY R:TA Uchi.ru LLC	Ketchum Maslov Lotte Mazars

The empirical part of the study includes 10 Russian domestic companies, 10 Russian exporters, and 10 multinational companies. The manufacturing sector is represented by 16 companies and the service sector by 14 companies. Companies that use sophisticated technologies in their production or manufacture an innovative technically complex product were classified as high-tech companies. One company from the banking services sector, Sberbank PJSC, was classified as high-tech: it evolves as a modern ecosystem embracing modern technologies such as artificial intelligence (AI), robotic process automation (RPA), and Big Data, and penetrates other industries. Table A1 (see the Appendix) summarizes the main characteristics of the selected companies.

The interviews were subjected to content analysis to identify strategic capabilities in accordance with the categories and subcategories of strategic capabilities considered within the international approach [7]. Table A2 (see the Appendix) presents a fragment of the content analysis matrix with brief explanations. At the next stage, based on the content analysis matrix, the frequency of mentioning was calculated for each category and subcategory of strategic capabilities and for each type of companies (multinational, export, and domestic), and the results were ranked. The ranking procedure was carried out in several stages for each type of companies separately:

- the top 3 categories of strategic capabilities,
- the top 10 subcategories of strategic capabilities.

In the study, strategic capabilities were divided into 3 groups by the degree of their significance for companies:

- group 1, “very important” (70–100% of the companies, i.e., 7–10 companies out of 10);
- group 2, “important” (40–60% of the companies, i.e., 4–6 companies out of 10);
- group 3, “less important” (0–30% of the companies, i.e., 0–3 companies out of 10).

At the final stage of the research, the dominant categories and subcategories of strategic capabilities of Russian domestic companies, Russian exporters, and multinational companies were compared and analyzed.

3. THE DOMINANT STRATEGIC CAPABILITIES OF RUSSIAN COMPANIES

Among the categories of strategic capabilities mentioned by Russian domestic companies, the significance of *operations and management* stands out sharply; see Fig. 1. The second most important category is *product/service capabilities*, but the frequency of mentioning this category is comparable to *marketing and strategy* (both are ranked 3rd). Note a big difference in the significance of the top 3 categories of strategic capabilities of Russian companies.

The subcategories of strategic capabilities were analyzed to establish the focus of Russian companies when shaping their competitiveness.

The top 10 subcategories of strategic capabilities (Fig. 2) indicate that Russian domestic companies mostly prioritize human resources (“human assets... team” in MC Bear LLC). *Employee professionalism* belongs to the first group of strategic capabilities: it is very important in the activities of Russian domestic

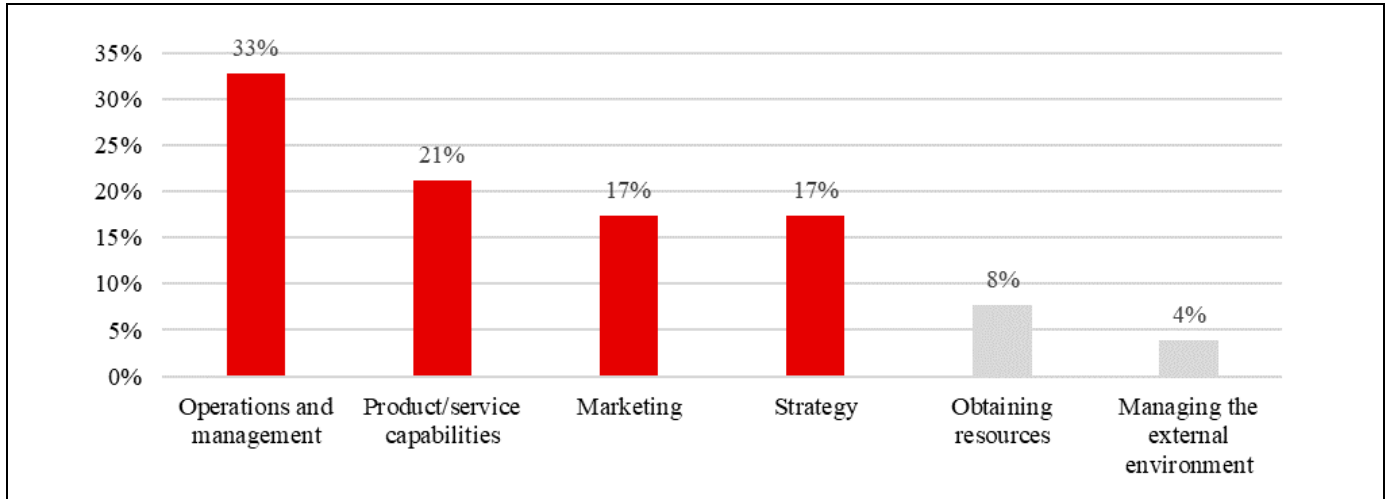


Fig. 1. The top 3 categories of strategic capabilities of Russian domestic companies.

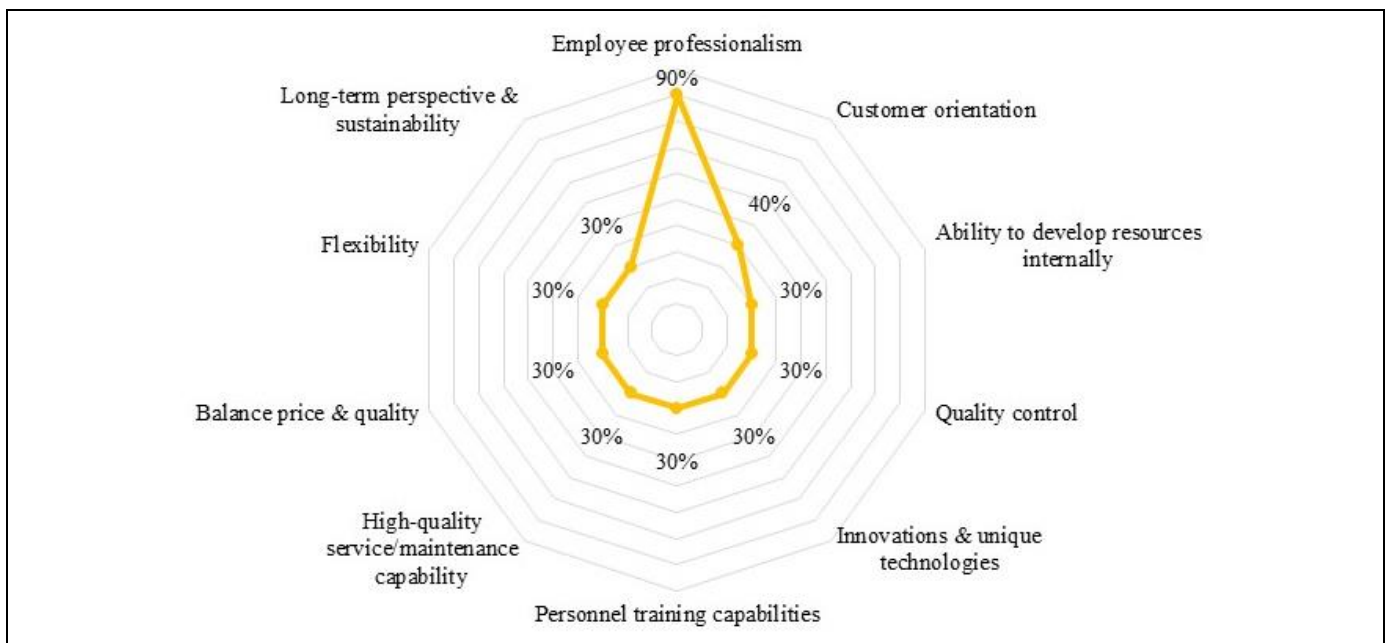


Fig. 2. The top 10 subcategories of strategic capabilities of Russian domestic companies.

companies. In separate cases, the interviewees emphasized the significance of *professional and flexible personal skills* depending on the specifics of the company's activity. Some of the capabilities classified as "less important" are also related to human resources. For example, 30% of the companies noted their developed *capabilities in personnel training*. They endeavor not to find but to nurture a professional: "we keep, train, and grow people all the way, beginning from scratch" (NPP Radintekh LLC); "we try to prepare our future employees starting from school; we follow them in their student years and strive to attract them in our company as much as possible" (SUENKO JSC).

Note that only *customer orientation* is at the lower boundary of the second group of strategic capabilities

among Russian domestic companies. Thus, 40% of the Russian companies operating in the local market consider themselves customer-oriented. They apply an individual approach to customers: "...differentiated products, i.e., we have an individual approach to each customer" (NPP Radintekh LLC); "we try to optimize and adjust the program to the customer" (Clean City LLC). However, representing only one side of the concept of customer orientation, such an approach cannot predetermine the entire activity of the company as customer-oriented.

The third group includes such specific strategic capabilities as *the ability to develop resources internally* ("the full cycle of production...own raw material base" (AISFER JSC); "a large number of reserves, i.e., de-



posits” (SUEK JSC)) and *balance price & quality* (“a reasonable price/quality ratio” (Clean City LLC)). Their emergence was dictated by the historical development of the country and its resource dependence, which is gradually being decreased through realizing the existing potential in railway transport, agriculture, the military-industrial complex, and the digital economy. Another reason is the general state of the economy, where the cost of a product or service comes to the fore: on the one hand, companies strive for high margins and low costs; on the other, consumers seek a price corresponding to their standard of living.

According to the aforesaid, Russian domestic companies build their activities based on human capital and its potential, i.e., they mostly focus on a single strategic capability (*employee professionalism*).

4. THE DOMINANT STRATEGIC CAPABILITIES OF RUSSIAN EXPORTERS

The activities of Russian exporters are based on strategic capabilities related to the top 3 categories: *operations and management*, *marketing*, and *product/service capabilities* (Fig. 3). The companies focus on the above categories almost equally, mentioning a large number of diverse subcategories.

The next level (the analysis of subcategories of strategic capabilities) allowed us to identify the top 10 subcategories in the strategic capabilities of the Russian exporters (Fig. 4). For these companies, *operations and management* is ranked 1st; despite this fact, the most important subcategory of strategic capabili-

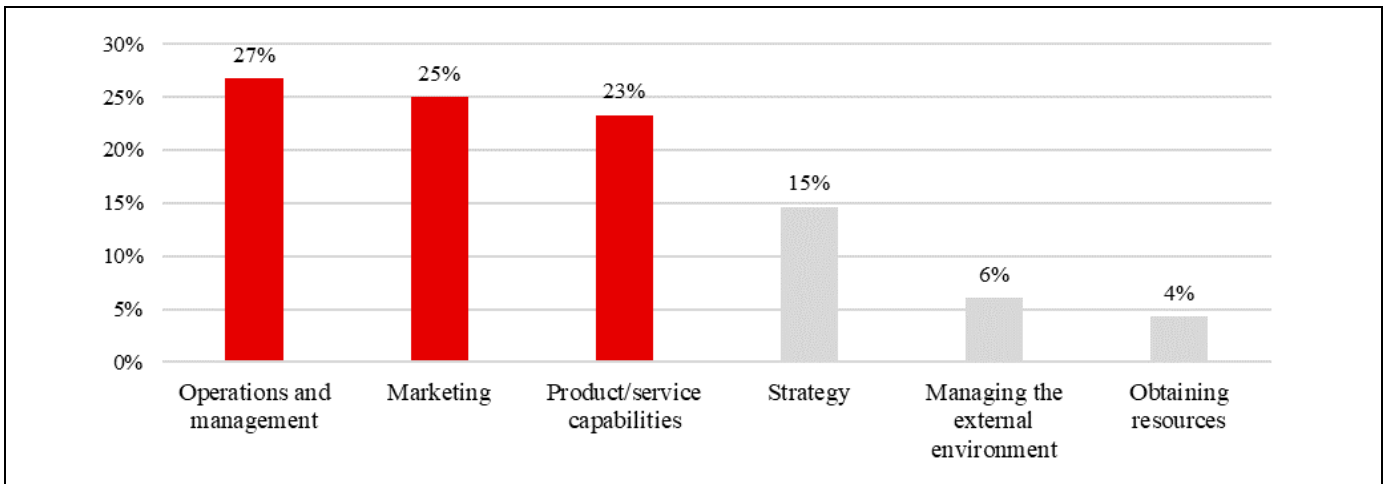


Fig. 3. The top 3 categories of strategic capabilities of Russian exporters.

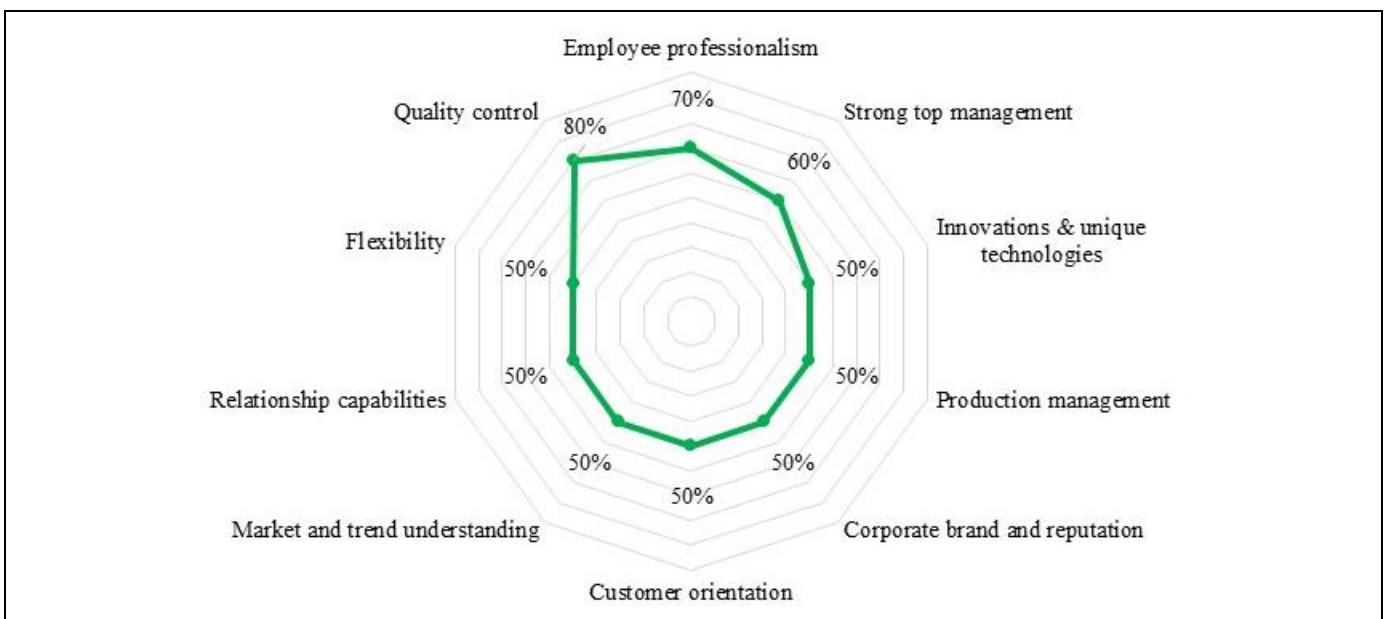


Fig. 4. The top 10 subcategories of strategic capabilities of Russian exporters.

ties is *quality control* from *product/service capabilities*: its significance echoes the results for the Russian domestic companies.

The top 10 strategic capabilities also included *employee professionalism* and *strong top management*: their significance was noted by 70% and 60% of the interviewees, respectively. Russian exporters emphasize the importance of human capital in general and, moreover, focus on the level of management training.

The strategic capabilities of the Russian exporters belonging to the second group are the most diverse compared to the results obtained for the Russian domestic companies. Every second company (i.e., 50% of the Russian exporters) noted the significance of such strategic capabilities as *innovations & unique technologies*, *production management*, *corporate brand and reputation*, *customer orientation*, *market and trend understanding*, *relationship capabilities*, and *flexibility*.

Thus, the dominant strategic capabilities in the activities of the Russian exporters are as follows: *quality control*, *employee professionalism*, and *strong top management*. Nevertheless, generally speaking, the top 10 subcategories of strategic capabilities have high importance for Russian exporters. This approach is due to their desire to increase competitiveness in new geographical markets and to follow the rules of economic struggle in the international arena.

5. THE DOMINANT STRATEGIC CAPABILITIES OF MULTINATIONAL COMPANIES

According to the analysis results, multinational companies are attentive to both *management* and *marketing*, which are ranked 1st and 2nd, respectively, in the top 3 categories of their strategic capabilities

(Fig. 5). *Product/service capabilities* are the third most important category for multinational companies.

The next deeper level of the analysis allowed us to identify the top 10 subcategories of the strategic capabilities of multinational companies (Fig. 6). The most important (the first group) strategic capabilities of multinational companies include *quality control* and *employee professionalism*. The high significance of quality for international competition was demonstrated back in the 1980s by the Japanese Economic Miracle: Japanese cars superior to American counterparts in terms of reliability and cost were introduced to the US market and won the struggle for the market at that time. Quality also correlates with resource scarcity, a global problem generating a priority task for the world economy (resource saving).

The quality management system and innovative potential of a company are directly related to human capital. People are becoming the key asset of companies. Multinational companies actively invest in human resources, hiring competent staff (*employee professionalism*). Indeed, it is impossible to manufacture a high-quality product without well-prepared, trained personnel: “the company is focused...on qualified specialists” (Merck Group); “... on the people, i.e., on the expertise of our workers and on our methodology, which actually depends on the qualification of people” (Mazars).

The second group—“important strategic capabilities”—includes capabilities from *marketing*: *understanding local/foreign customer needs*, *corporate brand and reputation*, and *understanding market and trends*. (The latter two subcategories were mentioned almost as many times as *marketing*.) Today, the orientation of the global market to customers and satisfaction of their needs and desires are clear: customer-oriented companies are 60% more profitable than

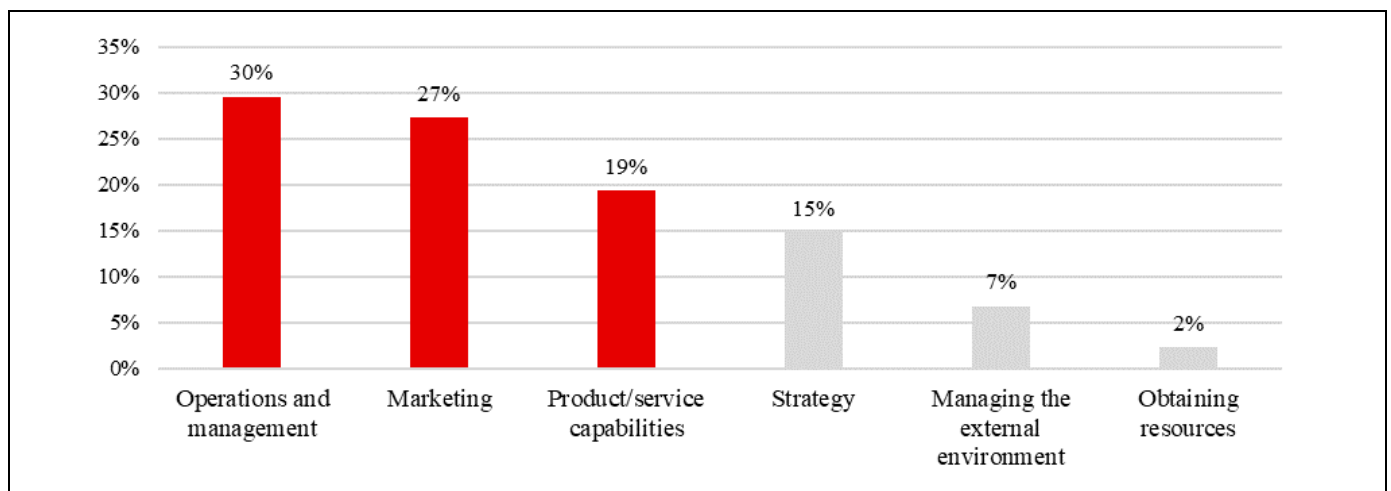


Fig. 5. The top 3 categories of strategic capabilities of multinational companies.

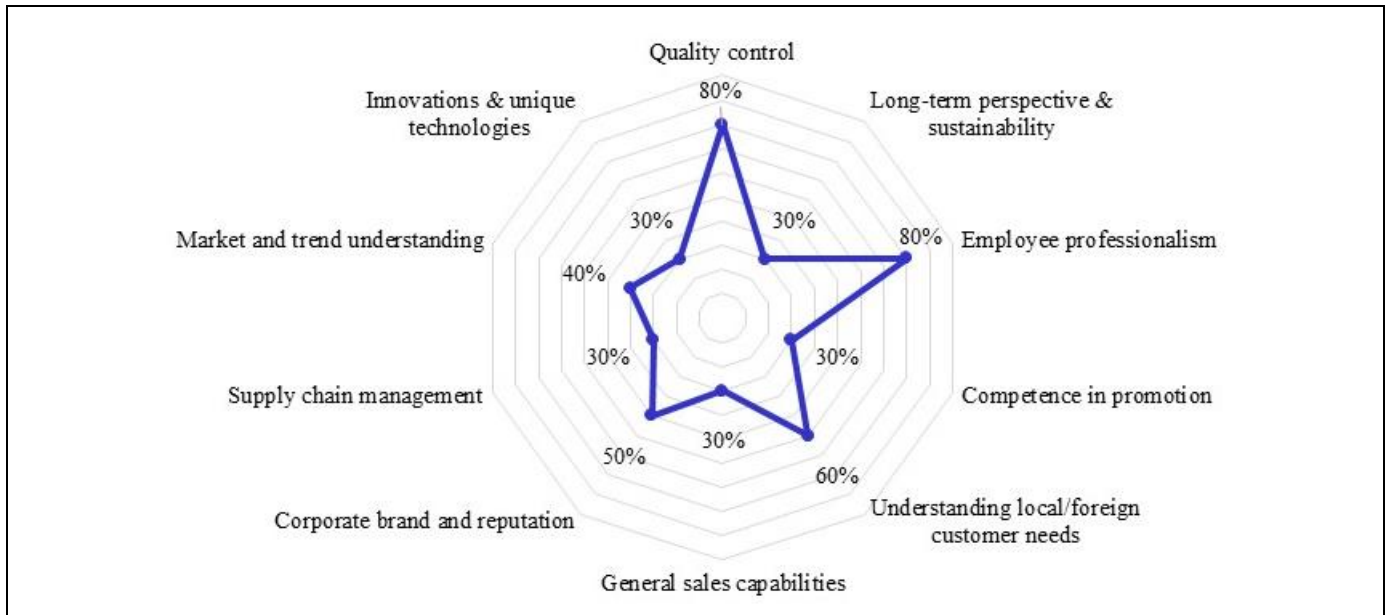


Fig. 6. The top 10 subcategories of strategic capabilities of multinational companies.

those without customer emphasis in their work; see [Forbes, 2019]¹. In addition, many large multinational companies associate their brand with quality and are therefore responsible for their reputation in the market. Finally, constant market research, consideration of current trends, and understanding consumers serve to adjust the level of quality and necessary costs.

The third group—less important strategic capabilities—contains the remaining ones from the top 10 subcategories: *innovations & unique technologies*, *supply chain management*, *general sales capabilities*, *competence in promotion*, and *long-term perspectives and sustainability*.

As a result, we identified five dominant strategic capabilities in the activities of multinational companies:

- *quality control*,
- *employee professionalism*,
- *understanding local/foreign customer needs*,
- *corporate brand and reputation*,
- *understanding market and trends*.

Among the strategic capabilities of multinational companies, the second half of the top 10 subcategories have moderate significance compared to the first half. Nevertheless, thanks to them, the company can remain agile and precise in the economic struggle. The competitive approach of multinational companies can be

considered a benchmark for those seeking to enter the international arena and increase the level of competitiveness in the markets.

6. RUSSIAN DOMESTIC COMPANIES, RUSSIAN EXPORTERS, AND MULTINATIONAL COMPANIES: A COMPARISON OF STRATEGIC CAPABILITIES

The top 3 categories of the strategic capabilities of Russian domestic companies, Russian exporters, and multinational companies were compared. According to the comparison results, for all groups of companies, *operations and management* is ranked 1st. For Russian exporters and multinational companies, *marketing* is the second most important source of strategic capabilities; for Russian domestic companies, however, *product/service capabilities* are more important than *marketing*, which is (in turn) commensurate with *strategy*. Note a significant gap in the frequency of mentioning the categories of strategic capabilities by different groups of companies. This means a greater variety of subcategories of strategic capabilities that are the most important for Russian exporters. Thus, companies operating in the Russian market should look for strategic capabilities to improve their competitiveness in three directions corresponding to the dominant categories of strategic capabilities of the companies under consideration:

- *operations and management*,
- *marketing*,
- *product/service capabilities*.

¹ Morgan, B., 50 Stats That Prove the Value of Customer Experience, *Forbes*, 2019. URL: <https://www.forbes.com/sites/blakemorgan/2019/09/24/50-stats-that-prove-the-value-of-customer-experience/?sh=53d0e67b4ef2> (Accessed August 24, 2022.)

Based on the comparison results of the top 10 subcategories of strategic capabilities (Fig. 7), we found common points in the competitiveness of Russian domestic companies, Russian exporters, and multinational companies as well as differences characterizing their activities depending on the level of internationalization.

For example, multinational companies form their competitiveness by mainly focusing on strategic capabilities related to quality, people, and marketing. These strategic capabilities correlate with the dominant capabilities of Russian domestic companies and Russian exporters through a common feature: concentration on people and their skills. *Employee professionalism* can be considered a dominant strategic capability of companies competing in the Russian market.

Quality control is a dominant strategic capability only for multinational companies and Russian exporters, being less important for Russian domestic companies. In Russia, state quality control disappeared with the transition to the market economy; as a result, in the early 1990s, the market was flooded with counterfeit products from all over the world. After 20 years, man-

datory certification of products was introduced to ensure compliance with safety requirements but not quality. Quality control was under the control of business, or rather money or demand. The National Certification System began to operate in Russia in 2017, establishing the requirements of voluntary quality standards. In some situations, it is impossible to manage without them, which makes such standards mandatory. The year 2022 showed the significant success of system import substitution in the country. Companies in Russia turned out to be ready to supply analogs of foreign goods of different quality. Therefore, quite surprisingly, Russian companies do not emphasize the significance of quality control. Voluntary and mandatory quality standards are still applied in the country, and consequently, this area is not perceived by managers as the one that they should stress in business on their own initiative. Also, probably, managers of domestic companies do not realize the importance of this capability in building the competitiveness of the company or its relevance for carrying out activities in the core industry. Against this background, some Russian exporters raise their strategic capabilities to the level of

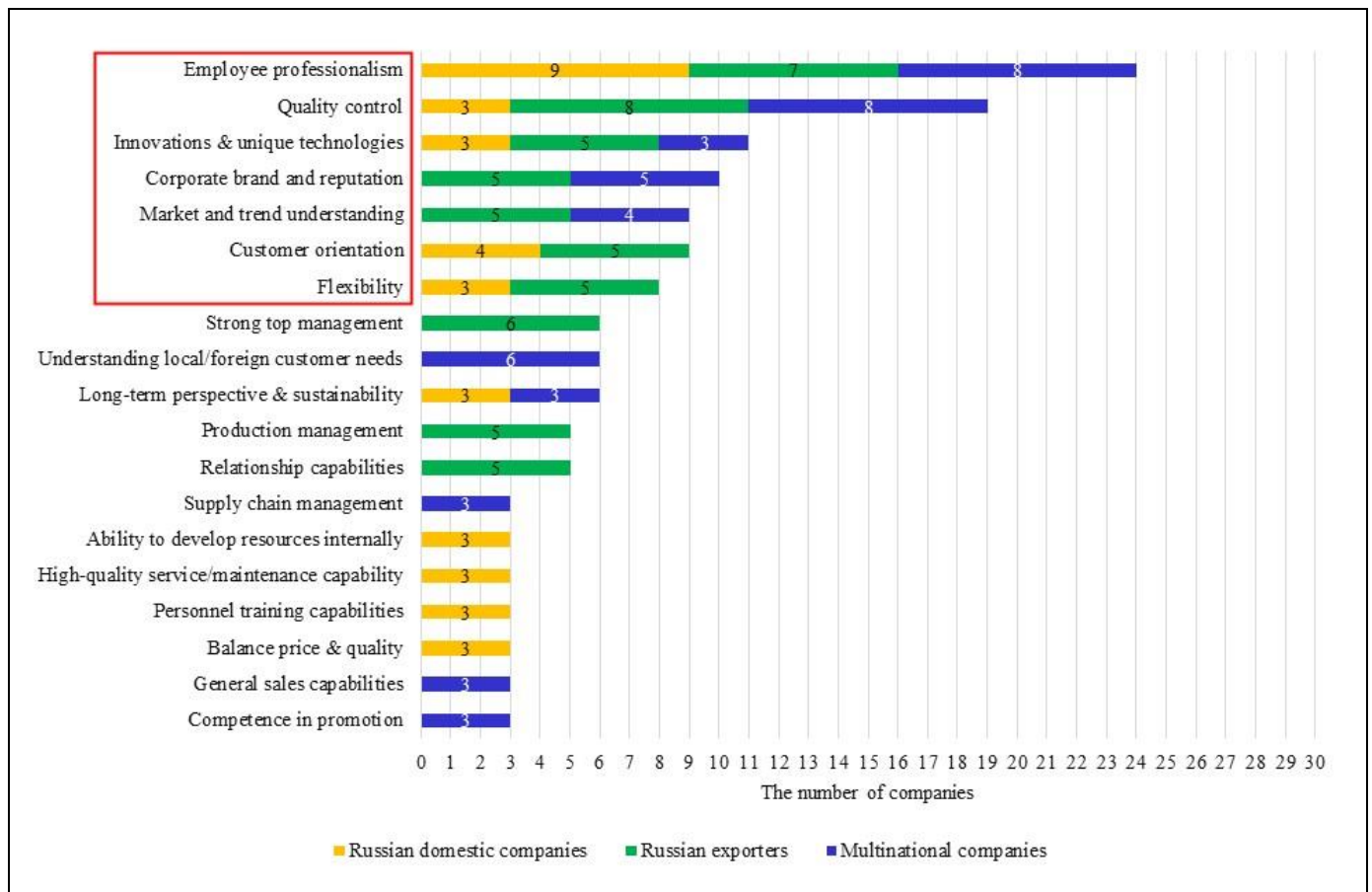


Fig. 7. The strategic capabilities of Russian domestic companies, Russian exporters, and multinational companies: a comparison of the top 10 subcategories.



competitiveness in global markets and develop this subcategory of strategic capabilities, making it a dominant one in the Russian market.

In contrast to other groups of companies, Russian exporters have a high significance of *strong top management*, which generally characterizes Russian business in the context of prevailing rigid vertical organizational structures. Another reason is the need of companies for a strong leader, especially in a very turbulent external environment and their desire for international expansion.

The significance of marketing brought to a high level is common only for multinational companies. Russian domestic companies still partially realize the importance of market research, understanding the consumer, and creating the face of the company. Meanwhile, Russian exporters are actively working to develop and increase the recognition of their brand and are trying to give a good account of their product/service in new markets. This fact brings Russian exporters closer to the international style of doing business, but the corresponding strategic capabilities cannot be considered dominant so far.

The number of dominant subcategories in strategic capabilities differs between the groups of companies, which directly affects their competitive style. In Russian domestic companies, only one strategic capability has a high significance: they apply pinpoint strikes in competition. In Russian exporters, three dominant strategic capabilities were identified, and the other capabilities have a small gap in importance with them. Russian exporters are gaining power to be able to compete successfully in the local (Russian) market with players that have been operating internationally for a long time. Finally, multinational companies can be treated as a benchmark, as they already have experience in various markets and successfully operate in the Russian market. Their set of strategic capabilities can be considered balanced; together with rich experience, this fact makes multinational companies dangerous opponents in the competitive struggle. Thanks to their five dominant strategic capabilities, multinational companies can successfully overcome emerging obstacles and damage competitors.

As a result, multinational companies demonstrate a set of strategic capabilities necessary to be competitive in any geographical market. Russian domestic companies actively develop only human capital out of this set. Russian exporters overestimate the strategic nature of their capabilities. They are an intermediate link in the process of transforming a company from domestic to multinational. By transforming their activities, Russian exporters retain the features of local players but

evolve towards multinational companies by focusing on strategic capabilities that are important for both local and global competition. The dominant subcategories of the strategic capabilities of Russian domestic companies, Russian exporters, and multinational companies that form their competitiveness in the Russian market are as follows:

- *employee professionalism,*
- *quality control,*
- *innovations & unique technologies,*
- *corporate brand and reputation,*
- *understanding local/foreign customer needs,*
- *customer orientation,*
- *flexibility.*

Thus, the strategic capabilities of Russian domestic companies, Russian exporters, and multinational companies were compared to identify the set of strategic capabilities forming their competitiveness. According to the results, the level of internationalization of the company affects the set of its dominant strategic capabilities, which changes under the conditions of the external environment in the market.

This study contributes to the strategic capability literature, both theoretically and practically. On the one hand, it expands the field of strategic capabilities research by providing empirical results on strategic capabilities in a specific location and accumulating approaches to their study. On the other hand, the main findings of the study have applied significance: they can help top management maintain and improve the competitiveness of their companies when operating in the Russian market and when entering new foreign markets. Also, the findings indicate which strategic capabilities managers should invest in for higher competitiveness of their companies and better performance in the competitive game in the Russian market.

CONCLUSIONS

The theoretical part of this study has considered the main conceptual provisions of strategic capabilities. Accumulating unique resources, core competencies, knowledge, and abilities that a company should use most effectively in response to the challenges of the external and internal environment, strategic capabilities underlie long-term competitive advantages of the company. Researchers apply various approaches to assessing strategic capabilities based on their differences in the functional area, the capability hierarchy, and the focal unit of analysis.

The empirical part of this study has considered 30 high-tech, low-tech, and service companies operating in the Russian market. Their strategic capabilities have

been investigated to determine the dominant categories and subcategories of strategic capabilities of the companies when forming their competitiveness.

According to the subcategory analysis, the competitiveness of companies in the Russian market is based on the following set of strategic capabilities: *employee professionalism, quality control, innovations & unique technologies, corporate brand and reputation, understanding local/foreign customer needs, customer orientation, and flexibility*. Three areas have been identified to find other strategic capabilities that can im-

prove the competitiveness of companies: *operations and management, marketing, and product/service capabilities*.

The results of this study are of academic value for further research on the strategic capabilities of companies: they expand the subject domain with new empirical data. The practical significance of the results for the business community consists in the most significant sources to increase the competitiveness of companies operating in the Russian market as well as in new foreign markets.

APPENDIX

Table A1

Information about the companies selected for the empirical study

Company name	Sector of economic activity	Year of foundation	Country of origin	Revenue 2019, USD ^a	Number of markets
Russian domestic companies					
SUENKO JSC	Electricity	2002	Russia	264.336 million	1
Laser Systems and Technologies LLC	Printing presses, other offset printing machines, and other equipment	2008	Russia	n/a	1
SUEK JSC	Coal industry	2001	Russia	7.547 million	1
AISFER JSC	Food industry	2011	Russia	21.267 million	1
Torgservis LLC	Production, trade in oil equipment	n/a	Russia	n/a	1
NPP Radintekh LLC	Research and development services	2016	Russia	525 116	1
Clean Town LLC	Advertising industry	2005	Russia	116 938	1
Tsargrad LLC	Security services	1996	Russia	1.178 million	1
MC Medved LLC	Healthcare	2014	Russia	1.284 million	1
Prime Stomatologia LLC	Healthcare	2005	Russia	2.151 million	1
Russian exporters					
Varton	LED production	2009	Russia	12.647 million	4
JSC SPC ASPECT	Manufacture of instruments and devices for measurement, testing, and navigation	1991	Russia	24.087 million	32
Sberbank PJSC	Banking and financial services	1991	Russia	13.972 million	22
AIC Promagro LLC	Pork production, food industry	2014	Russia	101.169 million	6
Kuzbassrazrezugol' OJSC	Coal industry	2003	Russia	2.433 billion	n/a
Office Solutions LLC	Wholesale trade in office furniture	1995	Russia	59.5 million	5
Novikov Group	Catering	1991	Russia	n/a	8
MILDBERRY	Design industry	1993	Russia	1.641 million	n/a
R: TA	Advertising industry	n/a	Russia	n/a	n/a
Uchi.ru LLC	Software industry	2012	Russia	16.058 million	n/a
Multinational companies					
Merck Group (Russian subsidiary is Sigma-Aldrich)	Chemical and pharmaceutical industry	1668	Germany	18.145 million	66



Table A1 (continued)

BMW Group	Automotive industry	1916	Germany	116.833 billion	8
Toyota Motor Corporation	Automotive industry	1937	Japan	278.460 billion	190
Japan Tobacco International	Tobacco industry	1949	Japan	20.268 billion	130
GRAND VISION	Optical industry	1891	Netherlands	4.535 million	40
Kraft Heinz	Food industry	1869 (M&A Kraft Foods and H.J. Heinz in 2015)	USA	24.98 billion	50
ECCO	Footwear industry	1963	Denmark	1.527 million	99
Ketchum (Russian subsidiary is Ketchum Maslov)	Consulting, Marketing Communications	1923	USA	n/a	8
Lotte	Conglomerate	1967	South Korea	15.252 billion	8
Mazars	Audit, consulting	1945	France	2 billion	91
^a Exchange rates are as of December 31, 2019: USD 1 = EUR 0.890155 USD 1 = JPY 109.593831 USD 1 = KRW 1 153.889977 USD 1 = RUB 62.271942					

Table A2

One fragment of the content analysis matrix

Industry type		Low-tech				...	TOTAL			
No.	Category / Subcategory of strategic capabilities	Company name						Qty of "1+"	Qty of "11+"	Qty of "111+"
		Kraft Heinz		AIC Promagro LLC		...				
		Code	Description (quote)	Code	Description (quote)	...				
4	Marketing					...	Sum of all cells coded "1+" within category 4	
4.1	General sales capabilities	0		0		...	...	...
4.2	Market and trend understanding	111+	Knowledge, consumer expertise (p. 92)	11+	Examine the requirements of a network client (p. 112)	...	Sum of all cells coded "1+" in row 4.2	
4.3	Understanding local/foreign customer needs	0		0		...	...	...
4.4	Corporate brand and reputation	111+	Strong brand (p. 73)	11+	Development and promotion of own brand (p. 26)	...	...	...
4.5	Customer orientations	0		11+	Adapt to individual customer characteristics (pp. 136 and 137)	...	...	...
...		
Code Legend: "1+"—Russian companies operating in the domestic market; "11+"—Russian companies operating in both domestic and foreign markets; "111+"—multinational companies represented in the Russian market.										

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