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Re.: Assessment Review of Aleksander Evgenievich Abramkov's PhD dissertation

## Assessment Review

of Aleksander Evgenievich Abramkov's PhD dissertation titled:

*"Forms and Modes of International Expansion of Russian Energy Companies"*,

submitted for a degree of Candidate of Economic Sciences, specialty 08.00.05 –

Economics and Management of the National Economy

(economics, organization and management of enterprises, sectors and complexes – industry)

by Professor Dr Svetla Trifonova Marinova – Member of the Dissertation Assessment Committee.

### **1. Topicality (importance of the topic) of the dissertation theme**

The presented dissertation refers to very important issues in the development of the contemporary Russian economy, which albeit its recent concerted strive to reduce the high energy resource dependency, still remains very much reliant on the activities of the energy leading national companies. This effectively means that the activities and hence, the revenue and profitability of such firms account not only for filling in Government coffers, but more they drive the development of related and some non-related sectors of the economy and support exploratory and exploitative innovation in diverse economic sectors. Such firms also have a huge social and knowledge building resource for the society at large. The conditions under which Russian energy companies operate are characterised with ever increasing unpredictability and political risk coupled with strong and growing international competition. Moreover, external interests attempt shattering the activities of Russian firms in a direct or indirect way so that their competitive position, innovation potential and social effects are undermined.

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Hence, the contemporary economic environment in which these firms operate is characterised with unpredictability, fluidity and high risk that is not only determined by business competition, but also by institutional and political agendas. Such characteristics of the external business environment put forward new challenges to Russian firms notwithstanding the economic sector to which they belong, but even more so to companies in the energy sector. They have to adopt new approaches to innovation and have a much clearer understanding of the role of foreign markets in their strategic foresight both in terms of market access and innovation potential, i.e. in terms of market and strategic asset seeking motives and opportunities. They should also develop forms and methods of internationalisation that may inform the emergence of new international business paradigms in terms of modes of internationalisation, the role of institutional and resource capital in the internationalisation process, and mechanisms that can ensure the successful activities of these companies in the global energy sector. Such a situation in the international operating space of Russian energy firms brings forward the demand for greater adaptability and agility that firms need to develop as far as their internationalisation strategy, approaches and methods are concerned.

Russia is one of the major suppliers of energy resources to markets across the world, indeed. However, the competitive pressure on the country and its energy firms is has grown exponentially. While the resource side of the industry has been well investigated, extant research has discussed the role of internationalisation in the growth opportunities of Russian energy companies to a limited extent. Internationalising the activities of such firms does ensure energy availability and consumption in the host countries in which these firms operate; they also contribute to the growth of host economies and the development of new economic sectors in host countries and last, but not least, they play a major role in satisfying the customers in terms of access to energy and electricity. As all other firms, Russian energy firms do engage in exporting and production of energy in foreign markets, yet somehow they internationalisation is under-investigated, their contribution to host country development is not made obvious and researched accordingly, the economic and managerial aspects of their internationalisation have not drawn much research interest; and their internationalisation direction, selection and impact on innovation have been insufficiently studied. Moreover, the collaborative aspects of the internationalisation of Russian firms, i.e. their collaboration with companies and governments in joint development of energy projects that determine new directions and methods of international expansion, have been somewhat overlooked insofar. This, once again underlines the need for and relevance of the presented dissertation.



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Consequently, the dissertation is relevant and needed as on the one hand, scholars need to better comprehend what energy companies in Russia do in their internationalisation, but on the other, scholars should be able to develop and present Russian energy companies with new strategic and operational thinking that can inform firm internationalisation in order to boost the competitiveness of the Russian energy companies in specific host countries and regions, and in markets across the globe that need energy resources.

## **2. Credibility and justification of the scientific arguments, conclusions and recommendations, formulated on the dissertation**

Russia is the world's largest energy supplier and such an international position presupposes a high degree of internationalisation of Russian energy companies. This often goes beyond specific or individual customer energy supply; instead, Russian energy companies provide a major resource securing energy consumption at host country level. In addition, Russian energy sector companies have experienced dynamic growth and have increased their integration on upstream and downstream internationalisation, which in effect has led to a much higher degree of their integration in global trade and investment flows and stock.

The stage of development of international markets in the era of liberal globalisation has secured companies' internationalisation on market principles where opportunities were many and generally available to energy firms, notwithstanding their country of origin. Nevertheless, the contemporary development in world energy markets indicate that the rules of the game are changing and firms in the energy sector need to re-think their strategies and approaches to foreign market choice, entry and operations, and to find new solutions that can ensure their viability and competitiveness in foreign markets. One should note that despite their prominent position in terms of energy supply, Russian companies have not often been in the focus of research interest, especially in terms of studying the strategies, approaches and methods adopted in their internationalisation, both at market entry and foreign operational modes. Nor they have been studied in terms of the resource and institutional capital that in interplay can secure access to foreign energy projects. Hence, research is in debt towards highly important for the national economy of Russia companies that need to constantly enhance and refine their management strategies and tactics in international markets, their internationalisation mechanisms and



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approaches in order to sustain their competitive advantages not only in the energy sector of Russia, but across the globe.

The author of the presented dissertation has clearly formulated the aim of the study as developing a model of foreign market expansion of a Russian company, based on the example of Inter RAO UES. The model addresses motives and choice of new markets and assesses their attractiveness. The study explores the growth opportunities for Russian energy companies by identifying their internationalisation strategies in relation to the conditions in target markets. The object of the study is also clearly defined, so specific enough. These are energy companies, including mining, processing companies and distributing the energy received in different forms as primary source of production activity. However, the specificity is even further underlined as the author uses an example of a single firm.

Consequently, the presented dissertation is timely and relevant; its aim and scope are clearly formulated and its exclusion limitations in terms of time scope are clearly spelled out.

The presented dissertation consists of four chapters, introduction, conclusion and list of references, which is the usual organisation of a PhD dissertation. In the first chapter, the author analyses the theoretical foundations of firm internationalization of companies providing a well-grounded critical reflection on existing research and identifying the need for exploring the dynamic changes in internationalization strategies. The second chapter offers an analysis of the foreign economic expansion of Russian firms, using historical premises. The third chapter of the dissertation discusses the stages of internationalization of Russian energy companies, identifies foreign market entry motives, and explores the types and forms of internationalization of energy companies in Russia. The fourth chapter presents the specific company studied, i.e., Inter RAO, analyses its key international markets, formulated key principles for foreign market choice, makes recommendations for managing electric grids and organising sales of electricity in these markets, and discusses the characteristics of the markets for electricity sales and managing electric grids. This analysis informs the understanding of existing and future opportunities that the company has for adopting different types of internationalisation.

Hence, the structure, layout and logic of the dissertation are clear, well communicated, limitations are clearly set and justified.

### **3. Scientific novelty of the dissertation**

The dissertation has scientific novelty as it suggests and underlines the importance of adopting an integrated approach to the internationalisation strategy of Russian energy firms. More specifically,



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it does this with reference to a large Russian energy company operating in a domestically evolving and globally reshaping market conditions, considering the resource potential of foreign markets. One should also note that foreign market potential has to be differentiated from foreign market access, which may be determined by factors beyond the market.

The scientific contribution of the dissertation can be found in several key directions. First, the dissertation explores theoretically the need for internationalisation of Russian energy and provides a thorough justification of the forms and methods of their internationalisation. Second, the dissertation presents quite a comprehensive analysis of the internationalization strategies of Russian companies, the key stages of their international expansion, the challenges they face and the prospects for their future international growth. The author draws special attention to the internationalisation motives and modes of foreign market operations of companies in the energy sector. Third, the dissertation identifies four strategic goals of Russian energy companies related to integration processes and aimed at strengthening their position in the Russian market. Fourth, the author justifies the need for and feasibility of applying scenario modelling with elements of expert assessment of the attractiveness of potential target markets suggesting the application of criteria such as financial attractiveness, market growth dynamics, and attractiveness for a particular company as a methodological tool. Meanwhile the author emphasises that access to the market for electricity generation is indeed of greatest importance for Russian energy firms. The conclusion that access to the electricity generation market plays a critical role for a large energy company, regardless of the ownership share and revenue from operations, is indeed, a very important conclusion as ownership and management participation, hence participation in decision making, are really of immense importance for large energy companies in order to impact the costs of electricity and power grid management that can be beneficial to customers and end consumers;. Fifth, the author has developed the argument that there is an imminent need for a transition from exporting to investment modes of foreign market operations for Russian energy companies in the medium to long term, considering the new challenges of the changing business environment. Sixth, while the main motives for the internationalisation of Russian energy companies has been outlined, one should note the far greater implications of the motivation for internationalisation as it can also serve as innovation resource and provide access to strategic assets. In addition, the author rightly suggests that it is very important to develop a feasible strategy portfolio, including short- and medium-term export and investment strategies. Seventh, the fact that the author uses a single company



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moves the hypothetical arguments to give them a very concrete meaning, which actually increases the reliability of the research.

The research has good scientific provisions, conclusions and recommendations. As I mentioned above, the structure and organisation of the study are relevant and appropriate. The objectives are clearly formulated. The organisation of the arguments reflects the logic of the dissertation. The transitions between chapters are well-handled. The conclusions of the thesis are based on a comprehensive analysis of academic sources of relevance and respective theories that allow the author to analyse and present a thoughtful reflection on the internationalization of Russian energy companies. The analytic conclusions are reached by using various information processing methods that are appropriate and consistent with the objectives of the study.

Based on the above, the dissertation is valuable and novel.

#### **4. Discussion points and debatable positions of the dissertation content**

Whereas the dissertation is novel and well executed, it does have some debatable points, albeit these are issues that can be researched in other publications. What is really surprising is the time limitation of the project. The author does not analyse the current situation in the Russian and more importantly, global energy industry, i.e. in the period 2014-2019, which may have much more radical implications on the internationalisation decisions and strategies of Russian energy firms. At present, we observe a dramatic change in energy markets that are more unstable and competitive than ever before. This would definitely place new demands on Russian energy companies and may have further institutional implications. Of course, one can argue that the foundational premises of internationalisation approaches will not change, however retreat of liberal views of foreign market access combined with severe competition, new energy resources and fast changing alliances may have enormous implications for Russian energy firms requiring a much higher degree of agility in their internationalisation thinking.

Another interesting point to debate is the author's argument that the strategies of Russian energy companies are secondary, based on the search for efficiency or strategic assets. How do these relate to investment modes and ownership participation? How do long term contract respond to rapid market changes and should there be new types of investment strategies that can ensure longevity and security as well as collaborative benefit with innovative investment strategies of Russian firms?



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It is interesting to note that Russian energy companies do not operate alone in markets. Many companies from other emerging and developed market economies also compete in energy markets and new players are trying to flex muscles in markets in which Russian energy companies have been traditionally in the lead. This certainly places Russian energy firms in a new position, which has not been discussed in the dissertation.

The author may wish to discuss how the organizational characteristics and decision-making modes inside the firm condition the choice of a particular internationalisation strategy or how partnerships may also have an impact.

I would like to note that the author views the conditions after 2014 as “temporary”, while they can also be viewed as the “new normal”. This is a very important point that should be taken seriously in any future research.

The above comments in this section do not reduce the significance of the findings, the scientific novelty of the results, and the author's contribution. The presented dissertation is an original piece of scholarly investigation. The dissertation has scientific novelty, the author's contribution is the development of theoretical and practical foundations for studying the internationalisation strategies of Russian energy companies and this corresponds to the stated aim of the dissertation.

## **5. General conclusion**

The dissertation of Alexander Evgenievich Abramkov's dissertation on the topic: “Forms and methods of foreign economic expansion of Russian energy sector companies”, meets the basic requirements established by Order No. 6821/1 of September 1, 2016 “On the procedure for awarding academic degrees at St. Petersburg State University”. The applicant Alexander Evgenievich Abramkov deserves the award of Candidate of Economic Sciences title in the specialty 08.00.05. - Economics and national economy management: economics, organization and management of enterprises, sectors, complexes (industry). Clause 11 of the said Procedure is not violated by the dissertation of the degree applicant

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