THE IMPACT OF ECONOMIC SANCTIONS ON FIRM PERFORMANCE: PERCEPTIONS OF RUSSIAN SME MANAGERS

V. V. GOLIKOVA
Institute for Industrial and Market Studies, HSE University, Russia

Goal: drawing from resource-based and institutional perspectives, the Russian sanctions/countersanctions are studied as a context of enduring economic-political turbulence for small- and medium-sized enterprises (SMEs) managers following external shock for Russian economy after first wave of sanctions in 2014 which affects firm performance through resource availability changes and (enforced) adjustments of strategic resources. **Methodology:** logit models are estimated for 972 SMEs within the sample of more than 1 700 manufacturing firms in Russia that are no direct targets of the sanctions. Cross-sectional survey data collected in 2018 are used to evaluate the sanctions' effect represented in the perceptions of SME managers about their firm performance. **Findings:** sanctions decrease the value of the firms' resource combinations and force SMEs to bear adjustment costs. SMEs that are limited in their resource availability find it burdensome to derive adjustment strategies through resource re-allocations. All else equal, the technologically advanced SMEs perceive a deteriorated performance, while SMEs with domestic and international partnerships and young firms remain more optimistic. Counter sanctions helped to mitigate the burden of deteriorated business environment. **Originality and contribution of author:** the paper contributes to understanding of sanctions' effect for firms that are not direct target of sanctions, which amends the existing macro-level and sectoral studies on the effects of economic sanctions with a more nuanced micro-level exploration taking into account heterogeneity of firms' response to sanctions shock.

Keywords: economic sanctions, SMEs, manufacturing, resource availability, resource adjustments, strategic resources.

JEL: D02, D22, F51, L20, L60.

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Postal address: Institute for Industrial and Market Studies, HSE University, Myasnitskaya ul., 18, Moscow, 101000, Russia.

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INTRODUCTION

This paper focuses on the Russian sanctions and countersanctions, which Russia's EU and other Western trade partners imposed in 2014 in response to the events happening after the Crimea peninsula became a part of the Russian Federation. Russia responded only a few months later (in August 2014) by introducing countersanctions against the sanctioning countries [Panibratov, 2021]. Among others, a trade embargo on certain goods that are imported from the sanctioning countries was implemented, imports from sanction-free foreign trade partners were incentivised [Weber, Stępień, 2020], and an import substitution policy was introduced. Within the course of 2014, the Russian sanctions and countersanctions changed the external macro-environment for many firms: those from the sanctioning countries with exports, co-operation, and investment activities in Russia (or considering these options) and Russian firms that hold or plan such activities with partners from the sanctioning countries.

While the literature mainly addresses the perspective of Russia's Western trade partners [Stępień, Weber, 2019; Gullstrand, 2020; Weber, Stępień, 2020; Crozet et al., 2021], the present paper focuses on Russian small- and medium-sized enterprises (SMEs), which are not directly targeted by the sanctions. However, the Russian SME sector has proven to be both vulnerable and resilient regarding changes of resources and their prices [OECD, 2017, p. 6], which renders them an interesting sector to study.

Conceptually, drawing from institutional theory and a resource-based view, the Russian sanctions and countersanctions are understood as a new institutional context implying an enduring political-economic turbulence in the macro-environment of Russian SMEs [Ahn, Ludema, 2020; Morgan et al., 2020]. Hence, the core contention in this paper is that, even though not all Russian firms might be affected adversely [Anh, Ludema, 2020], the general decline of the economic climate in Russia will alter the resource availability in terms of the quantity and quality of resources for many firms, including SMEs, particularly concerning their strategic resources [Crook et al., 2008].

The research question guiding this study is thus *how managers in Russian manufacturing SMEs perceive the total effect of the Russian sanctions/countersanctions on their firm performance under conditions of enduring political-economic turbulence, resource availability changes and enforced resource adjustments*. This context will be studied through an analysis of the perceptions of top-level managers in SMEs. Empirically, survey data of 972 SMEs in Russia's important manufacturing industries are used which were collected in 2018.

By this token, the paper makes a twofold contribution to the literature. Firstly, despite a plethora of economic analyses about the impact of the Russian sanctions, including the countersanctions, on macro-economic indicators, such as economic growth and trade development [Gurvich, Prilepskiy, 2019; Korhonen, 2019; Crozet, Hinz, 2020], the literature that studies individual firms as the unit of analysis is scarce. Moreover, the literature on the Russian sanctions is flawed as it either focuses on the Western trade partners of Russian firms but not on the Russian firms themselves [Gullstrand, 2020; Weber, Stępień, 2020; Crozet et al., 2021; Besedeš, Goldbach, Nitsch, 2021], or because it studies the effects of the sanctions/countersanctions on specific types of Russian firms outside the SME sector, such as the large Russian firms which were targeted by the sanctions [Ahn, Ludema, 2020; Panibratov, 2021; Nigmatulina, 2021; Naidenova, Shalaeva, 2022], and firms traded on the stock market [Stone, 2016; Das et al., 2023].

Only authors [Laine, Galkina, 2017; Shirokova, Ivvonen, Gafforova, 2019; Egorova, Chepurenko, 2022] discuss the context of the Russian sanctions/countersanctions and

its ramifications for SMEs. Specifically, these studies discuss benefits of effectuation strategies during institutional turbulence [Laine, Galkina, 2017; Shirokova, Ivvonen, Gafforova, 2019] or evaluate factors of resilience [Egorova, Chepurenko, 2022], meanwhile we focus on perception of total sanctions' effect four years after initial shock, i. e. summarizing entrepreneurial efforts to overcome shock or exploit new opportunities in new market conditions.

The present paper amends this scattered literature with a case study of Russian manufacturing SMEs, viewed through the perceptions of the SMEs' key actors, who manage entrepreneurial and strategic decisions in response to, and, at times, despite, an enduring turbulence and institutional change in their macro-environment [Lim, Morse, Yu, 2020]. As these SMEs are not subject themselves to the smart sanctions, an exploration of how these firms perceive their effects on their firm performance and respond to this context will add significant value to a virtually under-explored perspective in the emerging-markets literature on sanctions' effects for non-targeted firms [Panibratov, 2021; Sun et al., 2022; Cheratian, Goltabar, Farzanegan, 2023].

Secondly, this paper also contributes to the stream of research on global crises and their effect on SMEs [Cowling et al., 2015; Shirokova et al., 2019; Roper, Turner, 2020], by shedding light on economic sanctions as a possible crisis context with its firm-level effects.

The remainder of this paper is organised as follows: after this introduction, the Section 1 provides the research context and the theoretical background that summarises the conceptual framework used, including hypotheses. Section 2 presents the data and methodology. Section 3 provides the results of the empirical analysis followed by the discussion in Section 4. The final section contains the conclusions, limitations, and implications of this study.

THE RESEARCH CONTEXT

Sanctions and Russian firms

For the individual firm, sanctions imply restrictions to market access, higher administrative costs, and a high legal-political risk of accessing the sanctioned market [Anh, Ludema, 2020; Weber, Stępień, 2020; Crozet et al., 2021]. I. Korhonen and E. Gurvich and I. Prilepskiy find that the Russian sanctions and countersanctions, indeed, affected the growth of the Russian economy adversely in the post-sanction years [Korhonen, 2019; Gurvich, Prilepskiy, 2019]. According to M. Crozet and J. Hinz and J. Doornich and A. Raspotnik, they accounted for trade losses for both Western and Russian firms and a trade diversion from the sanctioning countries (for example, the EU countries) to non-sanctioning trade partners, such as the People's Republic of China [Crozet, Hinz, 2020; Doornich, Raspotnik, 2020]. In addition, the country risk for Western foreign direct investors increased due to the new trade and investment regime [Weber, Stępień, 2020].

When it comes to the sector-specific and firm-specific effects of the sanctions/countersanctions, the literature provides an inconsistent picture: while some authors [Golikova, Kuznetsov, 2017a; Shida, 2020] do not find specific regional or sectoral effects, other authors [Bayramov, Rustamli, Abbas, 2020] report that manufacturing industries were affected more by the new context than other sectors [Golikova, Kuznetsov, 2017a; Shida, 2020; Bayramov, Rustamli, Abbas, 2020]. V. Golikova and B. Kuznetsov show that Russian SMEs with existing international trade relationships and technology intensive, innovative products felt more threatened by the Russian sanctions at the end of 2014, that is, at the very beginning of the sanctions/countersanctions-induced changes in the business environment [Golikova, Kuznetsov, 2017a]. This finding also suggests that the

changes and their ramifications hit particularly the young, technology focused Russian SMEs, which have already been undergoing a continuous process of technological and managerial upgrading in the past years [Anikin, 2017; Smallbone, Welter, 2014].

At the level of individual firms, a direct influence of the sanctions is that existing trade, co-operative, and investment relationships with partners from sanctioning countries will become more costly or must be put on hold. This might induce firms to search for new trade partners and hedge the risk of distortions in their supply chains. In addition, indirect effects of the sanctions are associated with the general deterioration of the economy, such as a devaluation of the national currency, which implies higher costs of importing, or a slumping or stagnating demand, notably export demand. Firms, such as SMEs, can also be influenced by means of a spill over effect that happens when a small manufacturing firm is a contractor to large firms that are experiencing problems due to the sanctions.

In the context studied in this paper, the overlap of several drastic changes on the macro-economic and institutional levels renders it difficult, if not impossible, to estimate the role of each component for the Russian SME sector. However, the multiplicity of challenges related to the firms' external environment signals an overall increase in problems, and these problems are relevant both for the targeted firms on the sanctions' lists and the entire Russian firm population (including non-targeted SMEs). Hence, for the purpose of this paper, it is assumed that, in 2018, that is, four years after the imposition of the first wave of sanctions/countersanctions, the sanction's context will have a significant impact on part of the Russian SME sector, particularly on SMEs with established international operations or technologically advanced SMEs that plan to enter global markets.

Theoretical background

Institutional change and political-economic turbulence for firms facing the Russian sanctions/countersanctions.

Institutions, both as formal (for example, laws and regulations) and informal institutions (norms, cultural values, traditions), structure the economy and lay the foundations for its long-term growth [North, 1990; Acemoglu, Johnson, Robinson, 2005]. Sudden changes in the institutional macro-environment can have shock-like effects on the economy and, therewith, on the firms in the economy. The introduction of the Russian sanctions/countersanctions, which happened within only a few months, induced, according to [Gullstrand, 2020, p. 2319], "a market-specific export shock on firms' sales on that market". Thus, following [Anokhin et al., 2021], the new institutional regime is interpreted in this paper as an abrupt and drastic change in the firms' institutional macro-environment, which implies economic-political turbulence regarding the institutions under pressure.

These changes do not necessarily affect each individual firm [Gurvich, Prilepskiy, 2015; Stone, 2016; Anh, Ludema, 2020] or firms within the same period of time. Shortly after the announcement of the sanctions in 2014, only some top-level managers reported that they perceive the sanctions as a potential threat [Golikova, Kuznetsov, 2017a]. Notwithstanding this, the real consequences of the sanctions to the firms' actual or perceived performance will be likely to become increasingly evident to the managers. For instance, M. Farashahi and T. Hafsi have demonstrated that institutional instability is, indeed, reflected in the managerial perceptions [Farashahi, Hafsi, 2009].

From an organisational-theory perspective, P. DiMaggio and W. Powell have stressed that the external macro-environment can put institutional pressure on firms and thereby influence their strategies both directly and indirectly [DiMaggio, Powell,

1983]. This argument suggests that the sanctions/countersanctions will develop into a factor in the firms' external environment that renders managers aware of the necessity for adjustment strategies, particularly in light of the abrupt, mostly shock-like institutional change that happened in 2014 (see e. g., [Argyres et al., 2019]), which subsequently turned into a long-lasting turbulence. Recent evidence on the pressure due to sanctions on Western European firms highlights that these firms develop specific strategies in response to such shock-like institutional pressure [Stępień, Weber, 2019; Weber, Stępień, 2020].

In the case of Russian firms, the direct and indirect effects of the new institutional regime do also overlap with existing path dependencies in the institutional environment, such as the existing corruption, a high level of insecurity concerning property rights and a lack of adequate corporate governance codes [Rochlitz, Kazun, Yakovlev, 2020], which aggravates the situation for all firms, including SMEs [Puffer, McCarthy, 2003; Chepurenko, Kristalova, Wyrvich, 2019]. These path dependencies in conjunction with the new institutional context generate higher transaction costs through additional administrative burdens [Levin, Satarov, 2000; Treisman, 2007; Duvanova, 2014] and can have a negative influence on the firms' competitiveness and performance [Kalita, Chepurenko, 2020] by affecting their strategies nationally and regionally and through different channels, for instance, planned investments, state procurement, imports, cash holdings [Bertrand, Betschinger, Laamanen, 2019; Naidenova, Shalaeva, 2022].

Resource-based theory and political-economic turbulence for firms facing the Russian sanctions/countersanctions.

Resource-based theory and political-economic turbulence

Following the resource-based view [Penrose, 1959; Wernerfelt, 1984], firms possess a unique set of heterogeneous internal or external resources, such as management knowledge and expertise, human and financial resources [Lim, Morse, Yu, 2020], but also co-operation-based resource-exchanges with other firms [Lavie, 2006], that shapes their competitive advantage [Peteraf, 1993]. A resource-based competitive advantage of a firm typically refers to stable political-institutional "resource systems" in which the firm operates [Lim et al., 2020] and adapts existing resource combinations to external market changes, based on its dynamic capabilities [Teece, Pisano, Shuen, 1997; Ambrosini, Bowman, Collier, 2009]. However, in extreme situations when firms face "major shocks that simultaneously affect multiple industries and economies, transforming the demand, input prices, relations to numerous stakeholders, political relations, etc." [Ambrosini, Bowman, Collier, 2009, p. 478], shock-like and drastic disruptions of the political-institutional environment render an adaptation based on dynamic capabilities an insufficient endeavour.

Hence, it would be logical to assume that, in the case of severe political-economic turbulence [Smart, Vertinsky, 1984] after introduction in 2014 of new for post-Soviet Russia sanctions/countersanctions regime, which imply a significantly altered, and even radically new, institutional context, two main effects will take place regarding the resources of firms.

The first effect is that firms will bet on the chances that the turbulence will only represent a short-lived shock that does not require any resource adjustments. If the new institutional regime, however, develops from the initial shock into a long-lived prolonged one, some firms will meet negative economic consequences and be forced to reallocate the set of resources that they use to generate a competitive advantage and maintain their position in the market [Agarwal et al., 2009]. The enforced resource reallocation will be associated with additional costs for the firms and determine their perceptions because additional burdens (in

terms of higher costs incurring) or even losses of available resources in the new context might lead — in an extreme scenario — to the pivoting of entire business models [Morgan et al., 2020].

The second effect is that the resource availability will be altered for firms in terms of the quantity and quality of resources [Beliaeva et al., 2020]. Some resources might be no longer available (in the case of a full embargo on trade) or become more costly to acquire. If a (sudden) break in established partnerships happens because their sustainability would be at stake, firms will be forced to search for new partners, particularly new suppliers that can provide the inputs in the adequate quantity, quality, and/or price-quality ratio. In the latter case, the quality of the substituted resources can be at stake as well.

For SMEs and their managers, these effects create considerable environmental uncertainty and additional costs (see e. g., [Farashahi, Hafsi, 2009]) when they need to re-organise their international and domestic trade partnerships and supply chains. However, this enforced re-allocation of resources also provides a chance for SMEs to maintain their market position and survive, albeit in a more vulnerable economy. The need to re-strategize and even conduct major business model pivoting through a re-allocation of resource configurations [Morgan et al., 2020] will most likely be associated with negative perceptions by managers about the new institutional context, because it obstructs the firms' competitive advantage and performance, so that we expect:

Hypothesis H1. All else equal, Russian SMEs that had to re-allocate their resource configurations in response to the Russian sanctions/countersanctions imposed in 2014 will be more likely to perceive the total effect of this new, and enduring, institutional regime negatively, as compared to SMEs that did not have to conduct such a re-allocation.

The strategic resources and political-economic turbulence

Resource availability changes and resource re-allocations are critical when they affect strategic resources of firms that lay the foundation for the long-term competitiveness and survival of firms in the market [Lim et al., 2020]. According to [Crook et al., 2008, p. 1142], a strategic resource "reduces costs or increases value to customers", it is "rare enough that competitors do not use the same resource to compete away the value" and "difficult to imitate or substitute, which keeps competitors from gaining parity". It is likely to assume that changes in the resource availability due to rising environmental uncertainty and enforced resource adjustments by SMEs in response to uncertainty affect the strategic resources of SMEs [Andersén, 2011; Crook et al., 2008].

In the context studied in this paper, and based on a literature review, we consider three different strategic resources that will most likely be subject to resource adjustments and resource availability changes: domestic and international strategic partnerships; entrepreneurial orientation and product innovativeness; and the use of advanced technological level in combination with a high export orientation, which can render SMEs potential "best-performers" among the Russian SMEs.

Domestic/international strategic partnerships. Strategic partnerships with domestic and international partners (notably other firms) can significantly contribute to the competitiveness and survival of SMEs. To locate the concept of a strategic partnership, we follow the literature that refers to strategic alliances [Elmuti, Kathawala, 2001] as "voluntary cooperative inter-firm agreements aimed at achieving competitive advantage for the partners" [Das, Teng, 2000, p. 33]. In the context of Russian SMEs, strategic partnerships with international trade partners qualify as a core strategic resource [Black, Boal, 1994; Ojala, Isomäki, 2011] because they add strategic value by

supporting the Russian SMEs in acquiring know-how and upgrading their production base [Wagner, 2012; Yasar, 2013]. However, even domestic partnerships, such as supplier relationships, can provide important strategic value since they are easier to establish and manage about cultural issues [Elg, 2000].

Due to the Russian sanctions/countersanctions, existing or planned international trade relationships with firms from sanctioning countries that constitute a strategic resource for Russian SMEs will become more costly and hence less valuable; in an extreme scenario, the strategic value of such partnerships can be reduced to a level that puts the viability of the partnerships at risk. Given the observed trade diversion effect from the sanctioning countries towards non-sanctioning countries after the institutional change [Doornich, Raspotnik, 2020], Russian SMEs with such trade relationships with foreign partners will be likely to adjust their partnerships to maintain the established ones or seek new partners in non-sanctioning markets. It is also assumed that Russian SMEs with domestic trade relationships as their key strategic partnerships will face such adjustment pressure because they benefit from the stability of domestic partnerships in the volatile post-transition and now sanction-burdened context.

This leads us to establish the following hypothesis:

Hypothesis H2: All else equal, Russian SMEs which are involved in strategic partnerships with domestic firms, or a mix of Russian and international firms will benefit from established relationships and feel less threatened by the potential collapse of their relationships under the new, and enduring, institutional context. We expect that such partnerships will be associated with less negative perceptions of its total effect, as compared to SMEs without such partnerships.

Entrepreneurial orientation and product innovation. A firm's entrepreneurial orientation represents an important firm-level resource [Kellermanns et al., 2016] and is defined as "organisational processes, structures, practices, and approaches toward decision-making that might be described as entrepreneurial by nature" [Bogatyreva et al., 2017, p. 339]. Entrepreneurial orientation associated with SMEs is also referred to as innovativeness and a risk-taking, proactive strategy [Runyan, Droge, Swinney, 2008; Miller, 1983; Basso, Droge, Swinney, 2009]. In highly volatile markets, notably the newly established SMEs use their entrepreneurial orientation as a key strategic resource that may positively influence their competitiveness and survival in the volatile setting [Soininen, Sjögrén, Syrjä, 2016]. Empirical evidence [Beliaeva et al., 2020; Simón-Moya, Revuelto-Taboada, Ribeiro-Soriano, 2016], indeed, shows that an opportunity-focused management and entrepreneurial thinking are associated with a firm's better performance and better chances of survival during institutional and market change. Notwithstanding this, institutional change and other sources of environmental uncertainty influence a firm's strategy towards innovation [Jahanshahi, Brem, 2020].

An entrepreneurial orientation of Russian SMEs in the context of the sanctions/countersanctions can be associated with both newly established and incumbent firms in the market [Bogatyreva et al., 2017]. Notably SMEs that started their business operations after 2014 will be likely to use their entrepreneurial orientation as a strategic resource during an enduring turbulence: they might be more flexible because they did not need to conduct prior costly adjustments of their product range, investments, or internationalisation strategies and are thus free from organisational rigidities, as compared to incumbent SMEs that have emerged prior to 2014. Young SMEs that were founded after 2014 might also have established themselves in market niches that support product innovation despite the sanctions/countersanctions, which might be further amplified, at least, to some extent,

by Russia's import substitution policy in reaction to the sanctions.

Notwithstanding, as the literature shows [Baker, Sinkula, 2009; Seo, 2019], product innovation and entrepreneurial orientation are two inter-related factors pertaining to firm performance [Verhees, Meulenberg, 2004]. Even incumbent SMEs that started their business operations before 2014 might be able to mitigate the negative effects of the new institutional regime by adopting a higher level of innovativeness, notably through product innovation [Sok, O'Cass, Miles, 2016]. Indeed, past research has demonstrated that even tough economic times (such as a recession) do not need to be detrimental to innovativeness when firms still exploit profit opportunities based on entrepreneurial effort [Bartz, Winkler, 2016; Shirokova et al., 2019; Beliaeva et al., 2020]. This is also echoed by recent evidence from the enduring COVID-19 crisis illustrates that firms that continue to innovate through product or process innovation during the crisis face higher chances of survival and recovery in the post-crisis era [Roper, Turner, 2020]. These considerations lead to the two following hypotheses.

Hypothesis H3a. All else equal, Russian SMEs that started their business operations after the introduction of the Russian sanctions/countersanctions and use their entrepreneurial orientation as a strategic resource will be less likely to perceive this new, and enduring, institutional context negatively, as compared to incumbent SMEs with prior start-up dates.

Hypotheses H3b. All else equal, Russian SMEs that developed product innovation after the introduction of the Russian sanctions/countersanctions will be less likely to perceive this new, and enduring, context negatively, as compared to SMEs without product innovation in this context.

Advanced technology capacity and exporting experience. Technology represents another strategic resource that supports the performance and competitiveness of firms [Bruton, Rubanik, 2002; Lee, Lee, Pennings, 2001]. The capacity of advanced technology also spurs the exports of firms to international markets [Wagner, 1995; Rodríguez, Rodríguez, 2005] which offers SMEs the unique experience of testing their products/services with the most demanding customers. In a context of political-economic turbulence, such as the Russian sanctions/countersanctions, the technologically advanced SMEs will be more likely to keep their position in the domestic and international markets [Wagner, Zahler, 2015]. Hence, for the purpose of this paper, we consider technologically advanced firms as best-performers in their emerging-market country (in terms of their advanced technology in combination with export operations, [Wagner, Zahler, 2015] because they have a higher chance of expanding their operations domestically and internationally and, thereby, become more resilient and survive.

However, with this long-lasting turbulence, the return on investment that these firms expect for the upgrading of their technology might be threatened or, at least, postponed to an unknown point in time. Hence, even the technologically advanced Russian SMEs face challenges of capitalising on their investments made. At the same time, Russian SME exporters using technology as a key strategic resource on international markets operate under the uncertainty that the sanctions/countersanctions situation will aggravate further, and they might face the risk of new restrictions on their export markets. These firms might thus lose out in the new institutional context because particularly their international market shares can be at stake, and a shift to new export markets requires new sunk costs. The perception of the new institutional regime and its effects by managers of technologically advanced *and* internationally competitive SMEs (otherwise the best-performers in their country) is likely to be associated with perceived growth limitations. In line with this logic, we propose the following:

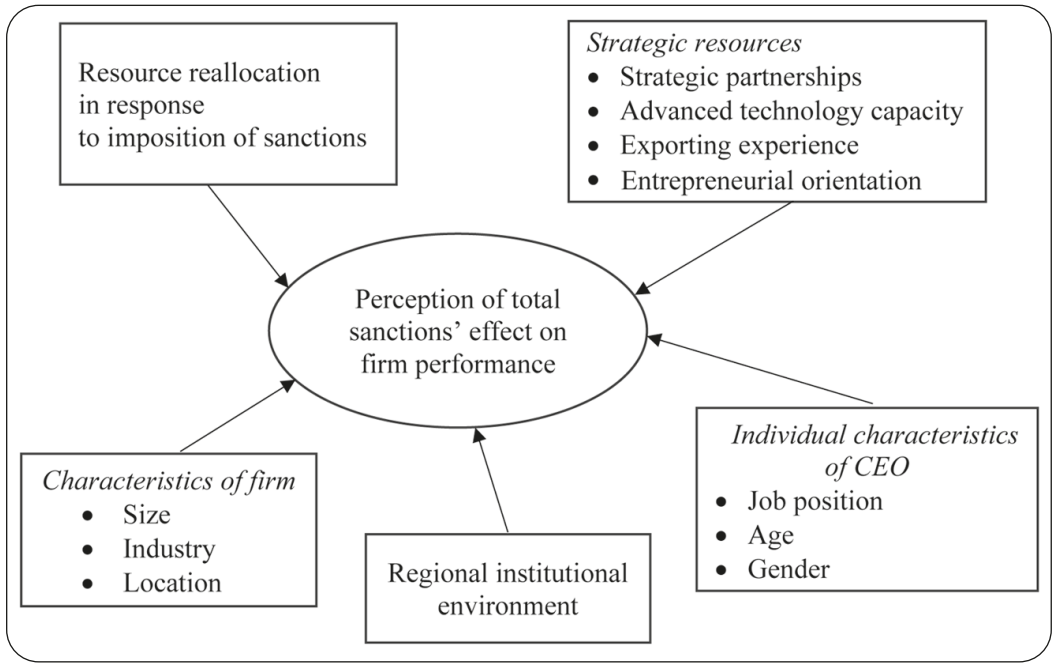

Figure. Conceptual framework of the research model

Hypothesis H4. For the technologically advanced and internationalised Russian SMEs that had operated during the introduction of the Russian sanctions/countersanctions, the perception of this new, and enduring, institutional context will be more likely to be negative, as compared to SMEs that are less technologically advanced and operate exclusively on the Russian market.

Conceptual framework of the study is presented in Figure.

The conceptual framework incorporates all discussed independent factors summarized in *hypotheses H1–H4* and main controls on characteristics of the firm, regional institutional environment and individual characteristics of the respondents.

METHODOLOGY AND DATA

Data sample

The empirical analysis in this paper draws from a sample (1 716 firms) that is based on a large-scale survey in the Russian manufacturing industries, implemented in 2018 by the National Research University Higher School of Economics. In this paper, we use a sub-sample of 972 SMEs. Since the group of large firms in the survey sample was overrepresented and we excluded this group from our analysis, a weighting procedure is applied in all estimations to render the sample of SMEs representative in relation to the general population of SMEs in the Russian manufacturing industries. The survey was conducted across eight federal counties ("okrugs") of the Russian Federation covering 56 regions. It uses a random structured sample of firms with more than 10 employees that was designed to be representative in terms of the distribution of companies by counties, industries, and firm size groups. The respondents are CEOs of the firms.

Measures

Dependent variable. Instead of measuring the actual performance effects of the sanctions/countersanctions on SMEs, which are

not reliably available from official accounting data on SMEs [Baker, Sinkula, 2009; Bamiatzi, Kirchmaier, 2014] and moreover difficult to disentangle from other overlapping macro-economic and institutional effects, this paper analyses how the new institutional context is reflected in the managerial perceptions of the effects and risks related to the political-economic turbulence on their firm performance four years after the introduction of the new context (i. e., in 2018)[1].

For our case it is important that being positively correlated with objective performance indicators perceptual measures of performance were justified as reliable sources of information in empirical research in small, medium and large businesses in variety of institutional contexts, including BRIC countries and developing economies [Wall et al., 2004; Jahedi, Méndez, 2014; Singh, Darwish, Potočnik, 2016; Vij, Bedi, 2016; Beliaeva et al., 2020]. Perceptions of sanctions' effect just after initial shock in 2014 were analysed by V. Golikova and B. Kuznetsov, and Y. Shida [Golikova, Kuznetsov, 2017a; Shida, 2020].

Since the sanctions/countersanctions were introduced in 2014, it cannot be claimed that, in 2018 (four years down the road), the perception of the executive managers about the new institutional regime would be associated with an initial emotional reaction. Our key informants — top managers of the firms responsible for business strategy implementation represent a homogeneous group, so it is rather likely that, in 2018, when the survey was conducted, the general perception of the sanctions' resumes all potential positive and negative effects on the firm performance, thereby indicating the total after-shock effect of the new institutional regime, rather than its singular aspects.

We also take into account that according to upper echelon theory the ability of top management to evaluate total effect of sanctions reflects personality, values, cognitive structures, and experiences of managers [Hambrick, 2007; Peterson et al., 2003]. We use individual characteristics of the respondents (job position, age and gender) available in survey data to control for possible cognitive bias in sanctions' effect assessment.

The original question in the survey questionnaire on the managers' evaluation of the effects that the sanctions/countersanctions have was formulated as: "In 2014, the introduction of a regime of international economic sanctions and Russian countersanctions changed the working conditions for many enterprises. Please rate the overall impact of the regime on the activities of your enterprise (only one answer was permitted): "1"— definitely negative; "2" — ambiguous but rather negative; "3" — no impact in general; "4" — ambiguous but rather positive; and "5" — definitely positive"[2]. The answer categories "1" and "2" were aggregated into one position marked as "a general negative perception", while the answer categories "3", "4" and "5" were grouped as another position marked as "no general negative perception". By this token, consistent with prior studies [Golikova, Kuznetsov, 2017a; Shida, 2020; Cheratian, Goltabar, Farzanegan, 2023] the dependent variable has a binary solution, which is "1" if the top manager evaluates the impact of the Russian sanctions as negative for the firm's performance, and "0" otherwise. Hence, in econometric estimations the procedure of logistic regression is applied.

Independent and control variables. For the logistic regression, the following inde-

[1] An increasing and promising role of self-reported data in applied research in the last years due to interdisciplinary cooperation and progress in collecting and processing data was examined by [Bakeev, Lola, 2023]. Additionally, we can't ignore that not all SMEs report accounting data and report properly, especially in economic crisis context as mentioned by [Beliaeva et al., 2020].

[2] To capture the perceived effect of sanctions on businesses researchers use more or less detailed scale of similar categories of effect [Golikova, Kuznetsov, 2017a; Shida, 2020; Cheratian, Goltabar, Farzanegan, 2023].

pendent and control variables from survey data were included.

The strategic resources in the context of the sanctions/countersanctions addressed are measured by a set of proxies of resource availability and resource re-allocation. In line with studies on the effects of global financial crisis of 2008–2009 [Golikova et al., 2017], to build an indicator of resource reallocation characterizing a set of restructuring efforts, we coded as "1" those firms that implemented any adjustment action in response to the sanctions/countersanctions context, and "0" the firms that indicated no special actions for adjustment[3].

For the availability of the specific strategic resources addressed, three indicators are used: an indicator of Russian and foreign partners that reflects a firm's strategy to establish a strategic partnership exclusively with Russian partners, exclusively with foreign partners, or a mix of Russian and foreign partners ("1" for the particular type of partnership, and "0" otherwise)[4]; the variable "technological level", which is "1" for world-class or average level and thus measures the advanced technology capacity through the rank of technology use among peer firms[5], and "0" otherwise; and "exporting experience" as a third variable that takes the value of "1" if the firm exports (directly or through intermediaries), and "0" otherwise if the firm operates on the Russian market only.

Concerning the entrepreneurial orientation, a dummy variable "young firm" is introduced as a proxy[6], which is "1" if the firm was established after the introduction of the Russian sanctions/counter-sanctions in 2014, and "0" otherwise, and moreover a binary variable "product innovator"[7], which refers to the years of 2016–2017 and indicates innovative firm behaviour (irrespective of the start-up period) through product innovation during these two years after the introduction of the new institutional regime. In addition, by selecting manufacturing SMEs, it is taken into account that a sufficient amount of initial investment was required for SMEs, which led to the selection of SMEs with more than 10 employees. By this token, young, entrepreneurial firms are represented in this study by the cohort of opportunity-driven entrepreneurs, rather than self-employed micro/small necessity entrepreneurs.

The standard control variables include categorical variable "industry affiliation" where the food industry is the reference category and firm size (size) measured as the logarithm of the number of employees. We also control for a potential positive countersanction effect, which can mitigate the negative perception of the sanctions on the part of firms that benefited from the countersanctions). Additionally, we control on location of the firm in the federal counties with Moscow as the reference category.

Finally, consistent with previous studies [Golikova, Kuznetsov, 2017a; Shida, 2020; Cheratian, Goltabar, Farzanegan, 2023] regional heterogeneity is taken into consideration by utilising a Rating of Economic Freedom at regional level in 2018 as an additional control of the firms' regional business environment, derived from [Coates, Mirkina, 2021]. Higher ratings refer to the regions

[3] Recent studies focus on analyzing a bulk of available resources and configuration of actions (resource orchestration) to leverage them for creating competitive advantage [D'Oria et al., 2021].

[4] According to previous studies and metrics used in the study [Golikova, Kuznetsov, 2017b; Molodchik, Jardon, Yachmeneva, 2021].

[5] Consistent with operationalization in [Simachev, Kuzyk, Zudin, 2016; Molodchik, Jardon, 2017; Golikova, Kuznetsov, 2017a].

[6] We take in to consideration that young age of the firm as a proxy for entrepreneurial orientation should be treated with caution in line with clear distinction among opportunity-driven and necessity-driven entrepreneurs as mentioned by [Bartz, Winkler, 2016].

[7] This indicator refers to the question "Which of the following measures did your company finance in 2016–2017?". Introduction of a new or significantly upgraded product ("yes", "no", "do not know", "refuse to answer").

with higher levels of economic freedom, which, in turn, could contribute to a quicker, better, and less costly adjustment of firms to the sanctions/countersanctions (and *vice-versa*).

EMPRICIAL ANALYSIS

Descriptive statistics

Table 1 presents the descriptive statistics. In 2018, when the survey was conducted, 38 percent, or, more than one third, of the Russian manufacturing SMEs considered the sanctions as having a negative impact on their firm performance.

Every second firm (51%) had implemented specific adjustment strategies in the initial years after the introduction of the new context (2014–2017) (Appendix 1), and 41.4% of the SMEs implementing an active adjustment strategy reported about new Russian suppliers of raw materials and components, and 8.9% about new foreign suppliers. Furthermore, about 40% of the SMEs perceived a positive counter-sanctions effect on their firm performance (Appendix 2). A higher market share due to the import substitution policy and new prospective market niches for the introduction of innovative products were among the main benefits that the respondents reported.

In addition, Table 2 presents the correlation between all main variables.

Presented estimations suggest that multicollinearity is not a problem in the estimations. Additionally, to check for potential multicollinearity, a VIF analysis was conducted, which presented a maximum VIF value of 1.193, which is much less than the value of 5, i. e., this points to a very modest correlation of variables.

Logit regressions: Basic models

Table 3 reports the logit models (Models 1, 1a, 2, 2a) of the respondents' perceptions of the Russian sanctions/countersanctions on the firms' performance; a significant positive coefficient is associated with a higher propensity of negative perceptions, and a negative coefficient with a lower propensity of negative perceptions. For all four models, the marginal effects are calculated to estimate the size of the effects.

In Model 2, instead of using the variable "re-allocation of resources", the predicted prob-

Table 1

Descriptive statistics

Variable	Mean	SD	Min	Max
Negative perception of the sanctions on firm performance	0.38	0.49	0	1
Positive countersanctions effect on firm performance	0.40	0.49	0	1
Reallocation of resources	0.51	0.50	0	1
Only Russian strategic partners	0.38	0.48	0	1
Only foreign strategic partners	0.02	0.13	0	1
Both Russian and foreign strategic partners	0.04	0.19	0	1
Young firm	0.17	0.38	0	1
Introduction of new product	0.33	0.47	0	1
Export	15.5	0.36	0	1
Technological level world-class or average	0.21	0.41	0	1
Log employees	3.27	0.72	2.30	7.60
Rating of the Economic Freedom at the regional level	5.39	0.22	4.30	5.70

Table 2

Correlations of main variables

	Negative perception of the sanctions on firm performance	Positive countersanctions effect on firm performance	Reallocation of resources	Strategic partners	Young firm	Introduction of new product	Export	Technological level world-class or average
Negative perception of the sanctions on firm performance	1							
Positive countersanctions effect on firm performance	–0.014	1						
Reallocation of resources	0.377**	0.294**	1					
Strategic partners	–0.069*	0.146**	0.0922**	1				
Young firm	–0,091**	–0.023	–0.093**	0.117	1			
Introduction of new product	–0.020	0.240**	0.159**	0.199**	–0.025	1		
Export	0.021	0.093**	0.089**	0.128**	–0.019	0.209**	1	
Technological level world-class or average	0.094**	0.109**	0.103**	0.069*	–0.008	0.159**	0.156**	1

Notes: pearson correlation coefficients, two-*tailored* test; ** — significant at 0.01; * — significant at 0.05.

ability of the implementation of adjustment strategies is applied to check the robustness of the of the basic Models 1 and 1a.

The basic Model 1 estimates the likelihood of the perceived negative effects of the sanctions by SME managers in relation to different independent variables. Model 1a is a basic model with a robustness check: additional controls are included concerning the variety of the respondents' individual characteristics in terms of their age, gender, and job position in order to eliminate their role in the subjective evaluation of the perceived effects of the sanctions/countersanctions. Two additional Models (2 and 2a) are utilised to check the robustness of the basic Models 1 and 1a; they consider the probability of the resource re-allocation by the SMEs. Hence, in Model 2, instead of using the variable "re-allocation of resources", the predicted probability of the implementation of adjustment strategies is applied. Model 2a is a variant of Model 2 with the respondents' individual characteristics considered.

Table 3

Predicting negative managerial perceptions of the sanctions on firm performance

Variable	Model 1	Average marginal effect	Model 1a	Average marginal effect	Model 2	Average marginal effect	Model 2a	Average marginal effect
Reallocation of resources (H1)	2.208*** (0.131)	0.398*** (0.016)	2.268*** (0.119)	0.396*** (0.015)	–	–	–	–
Predicted reallocation of resources (H1)	–	–	–	–	1,789** (0.771)	0.395* (0.161)	1.744** (0.754)	0.375** (0.178)
Only Russian strategic partners (H2a)	–0.348 (0.232)	–0.063 (0.041)	–0.322 (0.231)	–0.056 (–0.040)	–0.471 (0.337)	–0.104 (0.072)	–0.400 (0.310)	–0.086 (0.064)
Only foreign strategic partners	–0.231 (0.515)	–0.042 (0.093)	–0.129 (0.487)	–0.023 (0.085)	–0.078 (0.626)	–0.017 (0.138)	–0.067 (0.580)	–0.014 (0.125)
Russian and foreign strategic partners (H2b)	–0.952* (0.525)	–0.172* (0.094)	–1.061* (0.551)	–0.185* (0.095)	–0.937 (0.710)	–0.207 0.155	–0.965 (0.734)	–0.207 (0.155)
Young firm (H3a)	–0.389* (0.232)	–0.070* (0.042)	–0.438* (0.228)	–0.076* (0.040)	–0.808 (0.591)	–0.178 (0.134)	–0.720 (0.623)	–0.155 (0.138)
New product innovator in 2016–2017 (H3b)	–0.338 (0.296)	–0.061 (0.054)	–0.410 (0.291)	–0.072 (0.052)	0.130 (0.423)	0.029 (0.093)	0.131 (0.937)	0.028 (0.085)
Technological level world–class or average (H4)	0.648* (0.393)	0.117* (0.070)	0.641* (0.353)	0.112* (0.061)	0.268 (0.322)	0.059 (0.070)	0.271 (0.314)	0.058 (0.066)
Export direct or via intermediaries (H4)	0.265 (0.246)	0.048 (0.051)	0.336 (0.271)	0.059 (0.048)	0.267 (0.219)	0,059 (0.049)	0.378* (0.213)	0.081* (0.046)
Economic Freedom of Russian Federation regional index	–0.675** (0.349)	–0.122** (0.063)	–0.350 (0.368)	–0.061 (0.065)	0.676 (0.552)	0.149 (0.120)	0.865 (0.574)	0.186 (0.121)
Positive countersanctions effect	–0.614** (0.245)	–0,111** (0.043)	–0.578** (0.252)	–0.101** (0.043)	–0.102 (0.340)	–0.022 (0.075)	–0.084 (0.358)	–0.018 (0.077)
Log empl	–0.321** (0.126)	–0.058** (0.023)	–0.379** (0.133)	–0.066** (0.233)	–0.442*** (0.139)	–0.098*** (0.031)	–0.491*** (0.145)	–0.105*** (0.031)
Industries	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Federal counties	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Respondent individual characteristics	No	No	Yes	Yes	No	No	Yes	Yes
Const	3.370 (1.973)		2.332 (2.015)		–3.463 (3.081)		–3.885 (3.173)	
–2LL	921.622		448.348		332.869		330.863	
Rsq Nagelkerk	0.182		0.204		0.06		0.07	
No of observations (N)	855	855	855	855	545	545	545	545
L–ROC, percent	77.1		78.1		65.1		67.4	

Notes: logit regression, weighted data; *** — $p < 0.01$; ** — $p < 0.05$; * — $p < 0.1$; standard errors clustered by regions in parentheses; reference category variables — food industry, Moscow.

Concerning *hypothesis H1*, a highly statistically significant relationship at $p<0.01$ is found between the need to re-allocate resources and a negative perception of the sanctions on firm performance (Model 1). In the modified Model 1a in which it is controlled for a variety of individual characteristics of the respondents, this relationship holds at the same high level of significance. Hence, firms that spend managerial effort to re-allocate resources and adjust to the new institutional context consider this context more often as negative. The average marginal size of the effect suggests that the chance of negative perceptions by managers increases by 39.8% if the firm had to re-allocate resources.

Among the strategic resources considered, strategic partnerships with only domestic or foreign partners are statistically not significant whereas a mix of domestic and foreign strategic partners is significant (at only $p<0.1$ in Models 1 and 1a). Because only two per cent of the SMEs in the sample choose foreign strategic partnerships only, this option is not typical for the Russian manufacturing SMEs. By contrast, 38% of the SMEs have only domestic partnerships. A more popular strategy among the SMEs are strategic partnerships with Russian and foreign partners, as compared to only domestic or foreign partnerships (13.4% of the internationalised SMEs choose this option). Such partnerships significantly reduce the chance of a negative perception by 17.2 and 18.5% in Models 1 and 2 (at $p<0.1$) respectively. Hence, there is support for *hypothesis H2b* only for the firms with Russian and foreign partners while *hypothesis H2a* is not supported.

Moreover, young SMEs started their business operations after the introduction of the new context, i. e. after 2014 and demonstrate entrepreneurial orientation are less preoccupied about the new setting and its effect on firm performance in both models (significant at $p<0.1$). Hence, *hypothesis H3a* is supported. However, the average marginal effect on the dependent variable is much smaller than for the re-allocation of resources and the availability of strategic partnerships. *Hypothesis H3b* on the role of product innovations for the managerial perceptions is not supported: although the sign of the coefficient is negative in both models, as predicted, it is not statistically significant.

In addition, technologically advanced SMEs are among the most critical SMEs concerning the perceptions of their managers about the Russian sanctions and their effects on firm performance, which is a statistically significant finding in both models (at $p<0.01$ in Model 1 and $p<0.1$ in Model 1a), confirming *hypothesis H4* partly. The coefficient before the exporting variable in Model 1 is also positive, but insignificant. This result for exporting SMEs (*hypothesis H4)* is puzzling, as exporters should be the most vulnerable firms under a threat of aggravating sanctions. One may speculate that this group is more experienced in effective implementation of adjustment strategy.

Concerning the control variables[8], the size of the firms is negatively associated with the perception of the sanctions/countersanctions, which signals that their burden is perceived more dramatically on firm performance among micro and small businesses, as compared to medium-sized SMEs ($p<0.01$ in both models).

As hypothesised, this burden is partly mitigated for manufacturing SMEs by the introduction of Russia's countersanctions: firms that evaluate this effect positively do significantly less often (at $p<0.01$) demonstrate negative perceptions of the sanctions on their firm performance. The average marginal effect of countersanctions policy is 10.1%, which translates to a 10% reduction of the likelihood for negative perceptions by managers. The coefficient of the regional rating of economic freedom is always negative, but only significant in Model 1 (at

[8] Industry- and location-specific characteristics will not be included.

Table 4

Profitability of the surveyed SMEs in 2015, compared to 2013

Dynamics of firms' profitability	Number of firms	Share,%
Firms with losses in 2013 and increased levels of losses in 2015	18	2.8
Firms with the same or lower level of losses in 2015	16	2.4
Profitable firms in 2013 with losses in 2015	76	11.9
Firms with losses in 2013 that were profitable in 2015	65	10.1
Firms that kept the same level of profitability in 2013/2015	220	34.2
Profitable firms in 2015 but lower levels of profitability, compared to 2013	249	25.6
Total	644	100.0

Based on: RUSLANA data base, Bureau van Dijk. URL: http://www.bvdep.com (accessed: 27.01.2022).

$p<0.01$) and thus not robust. Finally, some personal characteristics and job positions of the respondents affect their perceptions: while no significant difference is found in the perceptions between female and male top managers, the respondents in the age group between 41–60 years are more likely to express a negative perception of the new institutional context, as compared to the youngest peers.

Additional robustness checks

In addition, the profitability of the SMEs before and after the introduction of the new institutional context is compared: in 2013, the year preceding the introduction of the new institutional regime, and in 2015, the first year after its introduction. This comparison allows to control for early-stage adjustment strategies when initial negative effects on the firm performance would have become evident to the top-level managers and encouraged their action-taking[9]. To this aim, the survey data utilised in Models 1 and 1a are linked to firm accounting data[10] from for a total of 644 firms (out of the total sample of 972 SMEs).

Table 4 provides the distribution of SMEs according to the comparison. The largest group (34.2%) is SMEs that kept the same level of profitability in 2013 and 2015, followed by 25.6% of SMEs that were profitable in 2015 but on a lower level, as compared to 2013. Every tenth SME managed to turn profitable again in 2015, while 11.9% of the firms were profitable in 2013 but made losses in 2015. In total, 44.3% of the SMEs found themselves being resilient towards the initial institutional change and turbulence, whilst 37.5% of the SMEs lost profitability.

The latter group of SMEs, i. e., those firms that either became not profitable from 2013 to 2015 or faced ongoing profitability losses during 2013 and 2015, is of specific interest for the investigation of reverse-causality issues, because these firms might implement adjustment strategies earlier than other SMEs in the sample. Therefore, in addition to Model 2a, which predicts the probability of adjustment strategies, an additional logit model is calculated to estimate whether the firms that lost profitability during the institutional change are more

[9] Technically, this control is linked to issues of reverse causality between an independent variable "the re-allocation of resources" and a dependent variable "the perception of the sanctions/ countersanctions".

[10] Derived from the database RUSLANA, Bureau Van Dijk.

likely to implement adjustment strategies than other SMEs. Due to space limitations the estimation results are available on request. The estimation results suggest that both groups of SMEs facing a lower profitability in 2015 do not show a significantly higher (or lower) probability for the implementation of adjustment strategies, compared to other SMEs in the sample, which suggests that reverse causality is not relevant for the estimations presented in Models 1, 1a, 2 and 2a.

DISCUSSION

The empirical analysis suggests that the 2014 sanctions were harmful for every third Russian manufacturing SME, decrease the value of their resource combinations, including their strategic resources (see e. g., [Crook et al., 2008]), and generate additional adjustment costs. While some strategic resources continue to provide value to the SMEs during the institutional change and political-economic turbulence, others may be less valuable for the coping with resource availability changes due to the new context [Beliaeva et al., 2020]. Those SMEs that actually had to re-allocate their resources perceive this context more negatively than other firms.

Our research demonstrates that SMEs benefit from their strategic partnerships with both domestic and foreign strategic partners, which suggests that a mix of strategic partnerships represents a valuable strategic resource for the SMEs in this setting [Das, Teng, 2000; Volchek, Henttonen, Edelmann, 2013]. Stable relationships with mixed strategic partners associated with different geographical supply chains (see e. g., [Sun et al., 2022]) have an exceptional value for, and contribute to, the survival and resilience of SMEs operating on different markets.

By contrast, the value of advanced technology utilised as a strategic resource is questionable under the new institutional regime. Technologically advanced SMEs perceive that they losing out in the enduring turbulence. Hence, these relative "best performers" in the Russian SME sector face postponed and uncertain returns on their investments and growth limitations, which lowers the value of the otherwise valuable strategic resources. Surprisingly, we did not find evidence that exporting SMEs perceive negative effects of the sanctions on exports as a strategic resource, which will need further investigation.

Young manufacturing SMEs, in turn, are more optimistic about their performance under this context. Firstly, former start-ups (established after 2014) are likely to navigate more smoothly through the enduring turbulence; these firms have evidently already internalised the turbulence in their entrepreneurial strategy. This finding stresses the strategic value of new business ventures (entrepreneurship in the narrow sense) and entrepreneurial, i. e., opportunity-driven SME management (entrepreneurship understood as the broader idea of entrepreneurial orientation). It is also in line with other empirical studies on the entrepreneurial orientation of SMEs during crises [Beliaeva et al., 2019; Simón-Moya et al., 2016] and on resilience of SMEs under external shocks [Egorova, Chepurenko, 2022].

Hence, from a resource-based perspective [Crook et al., 2008; Lim, Morse, Yu, 2020], the strategic resources explored explain to some extent the resource adjustments enforced on the Russian SMEs. The costs of these adjustments are partly mitigated by the countersanctions of the Russian government, which is of value, however, for only 40% of the SMEs in the sample. The institutional context of enforced sanctions' regime will thus imply the evolution of firm-specific strategies over time, and the Russian SMEs will notably exploit their managerial resources for the interaction with other, more intuitively valuable, strategic resources, such as strategic partnerships abroad, entrepreneurial orientation and product innovation. These strategies, which are based on the

observed resource adjustments and re-allocations, will reflect the firms' valuable experience of coping with different crises since 1990s [Chepurenko, 2010; Kalita, Chepurenko, 2020; Egorova, Chepurenko, 2022].

CONCLUSION

Sanctions on Russian economy imposed in 2014 represent an initial shock for the whole population of firms (both targeted and non-targeted directly). This paper illustrates that the Russian sanctions/countersanctions, which have been introduced in 2014, persisted and were even strongly re-inforced more recently, represent, first, a shock followed by increased risk perceptions [Golikova, Kuznetsov, 2017b] and further long-lasting turbulence for SMEs in an emerging-market context. This turbulence together with success or failure in providing resilience to sanctions is reflected in the managerial perceptions of its total effects on their firm performance four years after imposition of the first sanctions' package. Thereby, the context of sanctions puts an additional burden on SME sector that has been experiencing growth challenges already prior to the introduction of sanctions in 2014 [Puffer et al., 2016].

Moreover, the deteriorated business environment decreases the value of important strategic resources of the SMEs, forcing the firms to conduct costly resource adjustments and re-allocations in a framework of limited available resources. Based on a large, representative sample of manufacturing SMEs, this research provides strong empirical evidence that during the first period of sanctions' regime in 2014–2018 the managerial perceptions of the negative effects of sanctions in manufacturing industries are mainly associated with the enforced re-allocations and that they are significantly more harmful for technologically advanced firms than for other SMEs.

Inside the SME sector, the economic burden of the sanctions is perceived more sharply by the smaller firms because their positions in domestic or global supply chains are weaker given their dependence on contractors that might be targeted with the sanctions[11]. The smaller SMEs are also limited in their resource availability for the search for new niche markets and customers.

This study demonstrates furthermore that countersanctions mitigate to some extent the perceived negative effects of sanctions even though only 40 % of the surveyed SMEs treat countersanctions as an effective policy measure for their firm. Our conclusions can be generalized statistically to the entire population of Russian SMEs in manufacturing industries.

Sanctions imposed in 2022 are much more stronger than in 2014 and not surprisingly that risk perceptions among SMEs and large firms are more pessimistic [Simachev et al., 2023]. In terms of studies on sanctions' effects it is important to stress that from methodological point of view we should compare perceptions of its effects either at the moment of imposition (2014 vs 2022) because it incorporates threats or after the similar period of adjustment to shocks because the subjective evaluation of damage tends to diminish in time.

In terms of both research limitations and future research avenues, this paper uses managerial perceptions to evaluate the total effect of the sanctions, instead of utilising actual accounting data on SMEs. This is generally in line with the literature, such as [Wall et al., 2007; Singh, Darwish, Potočnik, 2016], who found that subjective performance measures represent appropriate objective performance measures in terms of convergent, discriminant and construct validity. In the paper, objective performance measures are utilised only for the prediction of re-allocation adjustment strategies. Due to

[11] We can't compare directly our finding with Iranian case [Cheratian, Darwish, Potočnik, 2023] because our sample doesn't include microfirms with less than 10 employees and criteria of small and medium business in two countries are completely different.

a serious drop in the number of observations with available accounting data, which reflects an insufficient reporting by SMEs, the estimations based on accounting data for the SME sector in a transition-economy context might be biased. Therefore, future research should amend the subjective firm-performance indicators utilised in this paper with objective data that might be less prone to biases, such as sales figures and sales growth.

Moreover, as the sanctions' regime has become evidently a long-live reality with aggravated pressure on businesses since 2022 Russian firms need to adjust firm-specific strategies over time based on learning experience obtained at the first wave of sanctions and during COVID-19 pandemic. Our findings, being a "starting point" in evaluation of sanctions' effects in 2014–2018 for manufacturing SMEs, will contribute to better understanding of adjustment strategies, firms' survival and performance after more severe shock to businesses in 2022. Promising areas for future research are the selection of particular strategies by the Russian SMEs and comparison with other sanction-burdened countries like Iran [Cheratian, Darwish, Potočnik, 2023], the factors affecting the choice of strategies, the link between these strategies and firm performance, and the degree to which SMEs pivot their entire business model [Morgan et al., 2020] in response to the enduring turbulence. Given the more recent severe sanctions of 2022, which restrict even more the access of Russian firms to the European markets that have been traditional partner countries for exports, imports, or other forms of international trade, the analysis of geographical shifts of international trade relations of SMEs will be another fruitful avenue for follow-up research.

This study has several important policy and practical implications. Firstly, a large domestic market, such as the Russian market, may represent a trap for SMEs that might be less motivated to internationalise and lose the chance of benefiting from international strategic partnerships. This might decrease the incentives of Russian SMEs to compete with more advanced firms internationally, expand and grow. While the question of being global or local represents a general challenge for all SMEs, it turns vital for SMEs in a sanctioned emerging-market country with high growth prospects, but a dominant and, due to the sanctions, even increasing role of state-owned enterprises. Hence, export-oriented SMEs would benefit from a SME-targeted state policy supporting their internationalisation and technological upgrading, particularly the search for new foreign partners in markets not affected by the turbulence. Secondly, fostering innovation and entrepreneurship with both new start-ups and incumbent SMEs will enhance the resilience of the SME sector [Bruton, Su, Filatotchev, 2018].

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Оценка менеджерами влияния экономических санкций на деятельность российских малых и средних компаний

В. В. Голикова

Институт анализа предприятий и рынков, Национальный исследовательский университет «Высшая школа экономики», Россия

Цель исследования: изучить реакцию на санкции против России после первой волны санкционных ограничений, введенных в 2014 г., и ответные контрсанкции в контексте изменений в располагаемых ресурсах и адаптации (вынужденной) стратегических ресурсов, опираясь на ресурсный и институциональный подходы. **Методология исследования:** оценены логит-модели по данным 972 малых и средних предприятий, входящих в выборку более 1700 предприятий обрабатывающей промышленности, не являющихся прямой мишенью санкций. Кроссекционные данные опроса 2018 г. используются для изучения восприятия санкционного контекста менеджерами относительно влияния на деятельность их предприятий. **Результаты исследования:** санкции снижают ценность комбинаций ресурсов фирмы и заставляют малые и средние предприятия нести затраты на адаптацию. Предприятия, ограниченные в ресурсах, считают обременительным разрабатывать стратегии адаптации путем их перераспределения. При прочих равных технологически продвинутые фирмы чаще отмечают негативные последствия санкционного режима, в то время как мо-

лодые фирмы, а также имеющие российских и иностранных партнеров менее чувствительны к нему. Контрсанкции помогают снизить негативный эффект санкций. **Оригинальность и вклад автора:** исследование вносит вклад в уточнение понимания эффектов санкционного режима для фирм, не являющихся прямым объектом санкций, дополняя исследования на макроуровне и в отдельных отраслях изучением процессов, происходящих на микроуровне с учетом гетерогенности реакции компаний на внешние шоки.

Ключевые слова: экономические санкции, малые и средние предприятия, обрабатывающая промышленность, наличие ресурсов, адаптация ресурсов, стратегические ресурсы.

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Appendix 1

Details of the SMEs' adjustment to the sanctions/countersanctions

Adjustment action	Number of firms, %
No special adjustment actions	49.0
Any action, and among them:	51.0
Diversified products and services	9.4
Reoriented to the production of other products	12.3
Compensated for losses in some export markets due to growth in others where firm already present	4.9
Entered new export markets	5.3
Found new Russian suppliers of raw materials and components	41.4
Found new foreign suppliers of raw materials and components	8.9
Cut costs	48.1
Began in-house development of new products and technologies	23.4

Based on: HSE survey results (2018). URL: https://iims.hse.ru/rfge/meth (accessed: 14.01.2023).

Appendix 2

Details on the SME's perception of the countersanctions on firm performance

Perceptions of countersanctions' effect	Number of firms, %
The countersanctions had a positive impact on firm performance, including:	40.4
A higher share of basic products in the Russian market due to the substitution of imports	46.5
More promising market niches for the development of new products	40.7
Firm received financial/organizational support from the authorities	6.9
Other positive impact	18.6

Based on: HSE survey results (2018). URL: https://iims.hse.ru/rfge/meth (accessed: 14.01.2023).