**Market entry modes of Chinese companies in Russia under sanctions**

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The reorientation of Russia's foreign economic relations towards friendly nations, alongside the withdrawal of western brands, has significantly increased Chinese business activity in Russia. From 2021 to 2023, revenues of companies co-owned by Chinese surged nearly threefold [3], outpacing overall economic growth. In the context of industry dynamics, the development trajectories of companies involving Chinese enterprises exhibit significant disparities, highlighting a shift in industry preferences. Chinese enterprises are mainly concentrated in six key sectors, accounting for over 94% of total revenue, including Trade in Vehicles, Professional, Scientific and Technical Activities, Transport and Storage, Manufacturing, Wholesale and Construction [3]. This study utilizes data from the SPARK financial disclosure database to examine the factors influencing the financial performance of 192 legal entities in the six key sectors with Chinese co-owners from 2021 to 2023, incorporating equity entry mode, industry, company age, company size and environmental factor. The research aims to provide empirical insights for companies navigating the Russian market across various industries amid evolving global economic dynamics.

Extant literature demonstrates that entry mode choices can have major performance implications [6], which is being widely recognized as the determinator to the strategic success and failure [8]. This choice can be classified into two categories: equity entry modes encompass direct investments into the host country, including joint ventures (JVs) and wholly-owned subsidiaries (WOSs). Non-equity entry modes include direct and indirect exporting as well as contractual agreements such as licensing [9]. Among studies on performance outcomes of entry mode choices show that overall high-control entry modes lead to higher performance [1], which have varying effects depending on the industry.

From the industry-based view, Chinese firms either enter a foreign industry that they are confident of competing or likely to be motivated by other strategic purposes, which is rational of WOS as preferred entry mode to capture host-industry learning opportunities in overseas asset seeking, also to minimize partner intervention and maintain operational control to transfer their low-cost advantage overseas especially in manufacturing industries [7].

Company age is another important factor on performance, which related to early entrant advantage, accumulated knowledge of the market [4], and established working relationship in the market [5].

Regarding company size, larger firms often have more resources and capabilities to manage high-control entry modes like WOS effectively. Also, Firm size influences the ability to absorb risks associated with foreign market volatility and adapt strategies for maximizing returns on sales and assets [2].

Environmental factors, such as economic stability, political conditions, cultural distance, and regulatory frameworks, significantly moderate the relationship between entry mode choice and performance. Firms tend to choose JVs or other low-resource modes in volatile host markets to mitigate risks associated with demand uncertainty and political instability. High-control modes like WOS are more suitable for stable environments where firms can capitalize on their resource commitments [2].

This study investigates the influence of entry mode on the financial performance of Chinese firms operating in Russia during a period marked by significant economic sanctions (2021-2023). Utilizing a linear regression model, the research examines how entry mode choice between WOS and JV, in conjunction with industry, company size and company age, and sanction-related revenue impacts, affects mean revenue outcomes as performance indicator. The findings reveal that while firm size significantly impacts revenue for Chinese companies in Russia, the interaction between entry mode and sanction-related revenue changes emerges as a critical determinant of financial performance. Specifically, the results indicate that wholly-owned subsidiaries (WOS) exhibit a demonstrably stronger positive association between revenue and sanction, suggesting superior adaptive capabilities compared to joint ventures (JV). These findings emphasize the nuanced interplay between strategic entry decisions and responsiveness to external economic shifts, underscoring the need for firms to dynamically adapt their strategies in volatile markets.

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