

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Diploma Thesis

**Role of transnational corporations for the economy and potential of
transnationalization of Russian companies**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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Thesis title

Role of transnational corporations for the economy and potential of transnationalization of Russian companies

Objectives of thesis

The relevance of the study of this topic is that nowadays TNC is one of the main structural elements of the economies of most countries, as well as the driving force of its development. To improve the efficiency of the Russian economy and the sustainability of its development is necessary to evaluate the potential of domestic companies and to develop recommendations for the exit to the transnational level.

The problem is that methodological universal basis for evaluating the potential of transnationalization companies do not exist. In this regard, the phenomenon of transnational corporations and transnationalization problems require further study.

The goal of this study is to develop a methodology to evaluate the potential of transnationalization of Russian companies, in other words, the potential of entering to the foreign markets.

The object of the study will be transnational corporations, and the subject of research will be Russian companies that have the potential of transnationalization.

From the goal arise the following tasks:

- to study the phenomenon, the concept and essence of transnational corporations;
- to explore the history of the emergence and development of TNCs;
- to evaluate the place, role and development tendencies of TNCs in the world economy;
- to characterize the sources of effective activities of transnational corporations;
- to evaluate key performance indicators TNCs;
- to identify the role of TNCs in the economy of Russia;
- to learn the specifics of transnationalization of modern Russian companies;
- to identify the most important factors in evaluating the potential of transnationalization companies;
- to develop a methodology to evaluate the potential of transnationalization companies;
- to develop the recommendations for Russian companies for increasing the potential of transnationalization.

Methodology

Theoretical and methodological basis of the study will be the works of Russian and foreign scientists and experts in the field of economic theory, the global economy, regulation of foreign economic relations, normative-legal acts and information materials.

In the process of writing the work will be used a set of economic, mathematical and statistical methods of analysis of TNK "Transneft" and methods of system analysis obtained economic information.

Also in the work will be used general and specific research methods, including systematic analysis of place, role and development tendencies of TNCs in the world economy, key performance indicators TNCs, etc.

The main sources of information will be books by authors such as Abramov V. L., A. S. Bulatov, V. V. Polyakov, Ribalkin V. E., Faminskii I.P., Shchenin R.K., as well as books by foreign authors H. Dunning, A. Bloomfield and P. Bairoch. In addition to scientific literature will be used periodicals and internet sites, as well as materials of various scientific conferences.

The proposed extent of the thesis

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transnational corporation, transnationalization, globalization, integration, world economy, international trade, Russian TNC

Recommended information sources

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Declaration

I declare that I have worked on my diploma thesis titled "Role of transnational corporations for the economy and potential of transnationalization of Russian companies" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on

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Role nadnárodních korporací v ekonomice a potencialita transnacionalizace Ruských firem.

Souhrn:

Cílem této práce bylo vyvinout metodiku pro vyhodnocení potenciálu transnacionalizace Ruských firem.

V přehledu literatury byla popsána historie vývoje nadnárodních společností, jakož i analýza míst, rolí a vývojových trendů nadnárodních společností ve světové ekonomice. Byly identifikovány parametry pro hodnocení účinnosti různých nadnárodních společností, a na jejich základě je zkonstruována další metodika hodnocení transnacionalizace kapacity. V praktické části, na základě získané informací, metodika byla vyvinuta, a později byla aplikována na vybranou společnost JSC "Transněft".

Po zvážení vlastností transnacionalizace, podnikatelského prostředí společností a finančních výsledků hospodaření v Rusku, došlo k závěru, že v této fázi vývoje, společnost má velmi dobré vyhlídky pro transnacionalizace. Doporučení byly rozděleny do 6 skupin, které pokrývají nejdůležitější oblasti na ruském trhu, ke kterému je třeba věnovat pozornost během procesu transnacionalizace.

Klíčová slova: nadnárodní korporace, transnacionalizace, globalizace, integrace, světová ekonomika, mezinárodní obchod, ruský TNC, Transneft, doprava ropy a zemního plynu, mezinárodní obchod.

Role of transnational corporations for the economy and potential of transnationalization of Russian companies

Summary

The goal of this study was to develop the methodology to evaluate the potential of transnationalization of Russian companies.

In the literature review were observed the history and development of TNCs, as well as analyzes the place, role and development trend of TNCs in the world economy. Parameters for assessing the effectiveness of different TNCs were identified, on the basis of which further methodology for evaluation of transnationalization capacity has been constructed. In the practical part, based on the obtained information, the methodology was developed, which was later applied to the selected company JSC “Transneft”.

After consideration of the features of transnationalization in Russia, the business environment of the companies and the financial results of operations, was concluded that at this stage of development, the company has a quite good prospects for the transnationalization. The recommendations were divided into 6 groups, which cover the most important areas of the Russian market to which is necessary to pay attention during the process of transnationalization.

Keywords: transnational corporation, transnationalization, globalization, integration, world economy, international trade, Russian TNC, Transneft, oil and gas transportation, international business.

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1 Introduction

The most important element of the modern world economy and international economic relations are transnational corporations (TNCs). In recent decades, to them paid a lot of attention. Their development reflects the exacerbation the international competition, the deepening of the international division of labor. TNCs are seen as direct participants in the whole spectrum of world economic relations, as the engines of the global economy, that is, on the one hand, are the product of the rapidly developing international economic relations, and on the other - are themselves the a powerful mechanism of influence on them.

TNCs operate in the world economy; their influence extends to the world policy, which allows to recognize the TNCs, along with national governments and international organizations, the subject of world politics, the objective reality of the modern world.

With the weakening of inter-country barriers to the movement of goods, services and factors of production in the global space more important factor in the development of industrial companies became foreign trade operations - export and import of goods and services, foreign investments, various forms of cooperation with foreign countries companies. On increasing the role of external economic factors in the development of the global market economy indicate growth rates of world trade and the export of capital in the form of direct private investments. The role of transnational corporations is increasing in the process of international movement of capital.

The current state of the Russian market due to the simultaneous existence of two contradictory processes: competition and monopoly. In recent years the rise of the Russian economy and its integration into the world economic relations, in many segments of the Russian market there was an increase both trends. Therefore, there is a set of specific problems of integration of transnational corporations into the national Russian economy, which is associated with the formation of mechanisms of regulation of their activities.

This also applies first of all to those market segments where it is necessary to weaken the interference of transnational corporations in the economic life of the country. By virtue of the features of the raw materials economy, Russia should take into account that the most developed and powerful companies are found in this industry.

The relevance of the study of this topic is that now the TNCs are one of the major structural elements of the economy in most countries, as well as the driving force of its development. To improve the efficiency of the Russian economy and the sustainability of its development it is necessary to evaluate the potential of domestic companies, and to develop recommendations for the entrance to the transnational level. One of the main factors in the development of the world economy - international production business associations, based on the international movement business capital. Capital is characteristic high degree of international mobility its movements occur in the process of moving the financial flows between lenders and borrowers in different countries, between owners and their companies that they own abroad. International capital flows rush the place where implementation of investment projects provides a greater return. A continued growing role of transnational corporations in the process of international movement of capital determines the relevance of the topic.

TNCs have economic, financial, commercial, technological, and political and social interaction around the world. The activities of TNCs fundamentally changes the picture of the world. The problem is that universal methodological bases for assessing the potential of transnationalization of companies does not exist. In connection with this phenomenon of TNCs and transnationalization, it is required the further study.

This work consists of three chapters. In the first chapter the phenomenon and the essence of the concept of transnational corporations will be studied, the history of the emergence and development TNCs, as well as the place, role and development trend of TNCs in the world economy. In the second chapter of the work will be made the characteristic of the effective sources activities of transnational corporations, the role of the analysis of the business environment in assessing the potential of transnationalization and developed a method for assessing this indicator. The third chapter will be devoted to the features of the Russian economy in terms of transnationalization capabilities, tested the method developed by the example of JSC “Transneft”, as well as recommendations to Russian companies for the effective transnationalization.

2 Objectives and Methodology

2.1 Objectives

The hypothesis of this study is that Russian companies have the potential to enter to the transnational level and necessary facilities for its implementation

The goal of this study is to develop a methodology to evaluate the potential of transnationalization of Russian companies, in other words, the potential of entering to the foreign markets.

The object of the study will be transnational corporations, and the *subject* of research will be Russian companies that have the potential of transnationalization.

From the goal, arise the following *objectives*:

- to study the phenomenon, the concept and essence of transnational corporations;
- to explore the history of the emergence and development of TNCs;
- to evaluate the place, role and development tendencies of TNCs in the world economy;
- to characterize the sources of effective activities of transnational corporations;
- to evaluate key performance indicators TNCs;
- to identify the role of TNCs in the economy of Russia;
- to learn the specifics of transnationalization of modern Russian companies;
- to identify the most important factors in evaluating the potential of transnationalization companies;
- to develop a methodology to evaluate the potential of transnationalization companies;
- to develop the recommendations for Russian companies for increasing the potential of transnationalization.

2.2 Methodology

- Collected data and analyses.
- Literature review and bibliographic research (help to examine the phenomenon and concept of TNC, to identify the differences of transnational and multinational corporations, to make the description of specific features of TNC, as well as consideration of some forms of the TNC).

- Descriptive analysis, based on the use of measures such as the mean, mode, median.
- Classification analyses (determine the level of transnationalization of the company) transnationalization index, internationalization index, index of latitude of affiliate's network. It is necessary to consider developed modern approaches to evaluating the activities of TNCs and the main indicators of their activities.
- Analyzed the rating of the largest transnational corporations of the world by dynamic analysis of foreign and general assets and by its comparison.
- PEST-analyses (economic, socio political, and technological projections (so-called system PEST) to determine the long-term opportunities of the enterprise).
- Sectoral analyses.
- Economic and financial analysis (in case to identify paying capacity and financial stability of the company)

Microeconomic:

- profitability
- volume of sales,
- inventories,
- accounts receivable,
- profit
- return on equity,
- return on assets and debt,
- cover ratio etc.

3 Literature Review

3.1 The theoretical bases of research of transnational corporations

3.1.1 Concept, essence and tendencies of development of transnational corporations

The purpose of the current chapter is to examine the phenomenon and concept of TNCs, as well as understanding of the nature of their activities, which will help in further in subsequent evaluation of potential companies transnationalization. To do this, the history of the emergence and development of TNC should be learnt, as well as to analyze the place, role and tendencies of development of TNCs in the world economy.

The purpose of this section is to study the theoretical aspects of activity of modern transnational corporations. The objective of this section is to examine the phenomenon and concept of TNC, to analyze the differences of transnational and multinational corporations, to make the description of specific features of TNC, as well as consideration of some forms of the TNC.

A literature review showed that there are several close within the meaning of the definition of TNC.

The first well-known analysis of the TNC was held by Stephen Hymer, who is credited with the authorship of the theory of the growth of transnational corporations. It is represented mainly in a collection of selected articles Hymer about TNC issued by his colleagues in 1979 after his death. The growth of the company is carried out by the internal scaling up, mergers and acquisitions, vertical integration and diversification, the development within the country and then - in other countries. A general motive of expansion of the company acts the pursuit of profit. [1]

According to Professor A.S. Bulatov, TNCs are business associations, consisting of the head (the parent) companies and foreign branches. The parent company controls the activities of members of the Association of enterprises through ownership of shares (participation) in their capital. TNCs are the main driving force in the process of transnationalization, characteristic of the modern world economy. [2]

By Abramov V. L. definition , TNCs are national monopolies with foreign assets.

Their production, trade and marketing activity goes beyond one state. The legal regime of transnational corporation assumes the business activity, which is carried out in the different countries by means of formation in them of subsidiaries and branches. These companies have rather independent services of production and sale of finished goods, research development, etc. In general, they make a uniform large production and marketing complex with the property right over the share capital only of representatives of the founder country. Subsidiaries and branches can be the mixed enterprises with mainly national participation.[3]

At the same time Abramov V. L. gives definition to multinational corporations, he understands them as the international corporations, which unite the national companies of a number of the states on a production and scientific and technical basis. MNC example – the Swiss-Swedish ABB Company (Asea Brown Boveri) which specializes in area of mechanical engineering, electronic engineering. ABB has some joint ventures in camps of the CIS. [4]

By definition of the United Nations Conference on Trade and Development (UNCTAD), the transnational corporations (TNCs) are the companies consisting of the parent companies and their foreign subsidiaries. In turn, the parent company is the one that controls assets of enterprises in foreign countries, usually through participation in their share capital. Foreign subsidiaries called enterprise in which an investor, who is the resident of other country, owns a share allowing him to carry out long-term participation in enterprise management. Classification of the United Nations relates to transnational corporations firms with an annual turnover more than 100 million dollars (USD) and the branches at least in six countries. In addition, an important factor of definition of the transnational status of firm is the size of percent of its sales realized outside the country of residence. [5]

At present about 40% of property value of 100 largest transnational companies, including financial, are based on territories of other governments. The main part of transnational corporations is concentrated in the USA, Japan and the countries of the European Union. Transnational corporations control approximately 40% of industrial production in the world, as well as significant part of international trade. [6]

The features of multinational corporations: the presence of the multinational share capital; the existence of the multinational governing center; recruitment of foreign subsidiary administration staff, who know local conditions. [6]

The fundamental reason of occurrence of TNC - aspiration to receive greater profits. Strong competition and the need to survive in this struggle contributed to the concentration of production and capital on an international scale and the appearance of TNCs. [6]

Due to the fact that TNCs are the result of objective economic processes taking place in the world economy, they have some specific features, among which the following are [6]:

- 1 TNCs as active participants of the international division of labor contribute to its development;
- 2 TNCs establish a system of international production, based on the placement of branches, subsidiaries, offices in different countries of the world;
- 3 the movement of the capitals of multinational corporation, as a rule, irrespective of the processes happening in the country of basing of corporation;
- 4 TNCs cover high-tech and knowledge-intensive industries of production, which demand considerable investments and qualified personnel; thus, the tendency to monopolization of these branches of Multinational Corporation is considerably shown.

Having strong production base, TNCs carry out such production trade policy, which provides highly effective planning of production, the commodity market. Planning is carried out within the parent company and extended on subsidiaries. TNC carry out dynamic policy in the field of capital investments and research works in continental and international scale. Expanding the expansion, TNCs use various forms of development of the world market. These forms substantially have a contract basis and are not connected with participation in the share capital of other firms. [7]

Among these forms of economy, TNCs are usually related to [8]:

- licensing;

- franchising;
- management contracts;
- the provision of technical and marketing services;
- leasing enterprises “turnkey”;
- time-limited contracts for the establishment of joint enterprises;
- agreement on the implementation of specific operations.

Despite all the benefits, there are several problems associated with the activities of transnational corporations in the host and the exporting country.

The most typical advantages and disadvantages of TNCs for the host country and for the country, which is exporting capital, are presented in the Table 1

Table 1 Advantages and disadvantages of transnational corporations

	The host country	The exporting country
<i>Advantages</i>	<ul style="list-style-type: none"> - Receiving additional resources (capital, technologies, administrative experience, skilled labor); - stimulation of development of national economy, increase in volume of the manufactured product and the income, acceleration of economic growth and development; - receiving taxes from activity of transnational corporation. 	<p>Foreign investments are more effective, than the similar internal investments.</p>

	The host country	The exporting country
<i>Disadvantages</i>	<ul style="list-style-type: none"> - Representatives of the host country are not allowed to participation in carrying out research and development; - the strengthened operation and establishment of external control from transnational corporation; - transnational corporations can manipulate the prices for the purpose of avoidance of taxes. 	<ul style="list-style-type: none"> - Government regulation of foreign investment: ban on the investment in some sectors, special investment conditions (use of local semi-finished products, local training, R & D in the host country), the loss in the trade balance; - risk of the confiscation of investment.

Source: made by the author on Shchetinina V.D. The role of transnational corporations in the world economy and their impact on the international competition

The most popular misconception about consequences of activity of transnational corporation is the opinion, that because of the international operations of transnational corporations, one country surely wins, and another – sustains losses. In reality, such situations cannot be excluded, but there can be also other results: both parties can be the winner or a loser.

In practice, it is often difficult to draw line between this and that form of activity of transnational corporation, as they are used not differentially and often intertwine. Quite often, they are not alternative to traditional foreign investment, and supplement it. Important feature of development of these forms that they are used in considerable degree in the relations between transnational corporations themselves, expressing strengthening of tendencies. [9]

Transnational corporations are characterized by a big variety, but nevertheless their typology is possible. In particular, there are the following types of transnational corporation in literature. [9]

- 1) Ethnocentric. The companies of this type create branches abroad for ensuring deliveries of raw materials or providing the software markets, but the foreign markets for them remain first of all continuation of the public market - the market of their country.
- 2) Polycentric. The companies of this type are characterized by the fact that the external market is at least and often more important sector of their activities in comparison with the domestic market. At these transnational corporations foreign subsidiaries are larger and more various, they do not so much sell production of parent company, how much produce it on a place abroad.
- 3) Regiocentric. This type is not focused on the markets of individual countries; it is focused on whole regions, for example to all Western Europe, but not to Germany or Great Britain. However, foreign subsidiaries in this case are placed in the certain countries, but they are focused on all region or, at least, obey to regional headquarters. This type of transnational corporation is especially popular in the integration groups.
- 4) Geocentric. This type is characteristic for those multinational corporations, which are as if the decentralized federation of regional branches. The parent company considers itself not as the center of transnational corporation, but as one of divisions.
- 5) Transforming and extending, transnational corporations introduce into economies of other countries, thus they influence on national policy and the legislation, forcing the governments of these or those states, to determine, for example, structure of industries of national economy, lobby changes and/or entering of the new regulations allowing them to perform implementation more effectively.

On an organizational sign, economists, as a rule, offer the following classification [10]:

1. Transnational corporations (TNCs) are national monopolies with foreign assets. Their productive, trade and sales activity goes beyond one state.
2. Multinational corporations (MNCs) actually are the international corporations uniting the national companies of a number of the states on a production, scientific and technical basis.

Thus, summing up the result of the above, should be noted that, though a great job by determination of transnational corporation is done, nevertheless the problem of a definition remains. It is connected with the fact, that first of all it is necessary to divide the concepts “multinational” and “transnational” corporation. In the current section are concluded that multinational corporations – it is such corporations, which perform certain activities in other countries, but it has no qualitative great influence on the political and economic processes proceeding in these countries. Transnational corporations are such companies which activities have supranational character and leads to creation and management of the communications, standing above the government, it has very active impact on the processes occurring in other countries.

Today TNCs have become key actors in the world economy and in the system of international economic relations; their role cannot be overestimated. Foreign activities of transnational corporation determine nature of the external economic communications for the leading industrialized countries. Transnational corporations are increasingly become the determining factor for the solution of destiny of this or that country in the international system of commercial relations. Active production, investment, trade activities of transnational corporation allow them to carry out function of the international regulator of production and distribution of production and to promote economic integration in the world.

In modern conditions the host countries, both developed and developing, as a rule, approve activities of transnational corporations in its territories. Moreover, in the world there is a competition between the countries to attract direct foreign investments, during which transnational corporations receive the tax discounts and other benefits. In case of a country choice, transnational corporations estimate investment conditions in the following main criteria [11]:

- an estimation of the local market from the point of view of its capacity;
- availability of resources, locations, political stability in the country;
- legal conditions of foreign investments;
- system of the taxation;

- nature of trade policy;
- the degree of development of infrastructure;
- protection of intellectual property;
- state regulation of economy;
- low cost of labor and level of its qualification;
- stability of national currency.

Regularities of development of transnational corporations considerably differ from regularities of development of bulk of national firms. In the process of work, the main tendencies of their development were identified [11]:

1. The first tendency consists in increase in a share of their participation in production of GDP. Besides, the national states and transnational corporation support and strengthen each other on the main directions of world scientific and technical progress. When there are large increase of industrial corporations, the international financial and industrial groups in the country, it means building-up of economic power of the country and strengthening of its geopolitical position. A slight decrease in (or lack of decrease) turnover of transnational corporations during the periods of crises, in separate industries their turnover does not depend even on the long depressive phenomena.
2. Now transnational corporations determine and direct world production of natural raw materials, constructional materials, fuel and the electric power, modern equipment, technological knowledge, information and global information networks, means of planetary transport and arms. It acts as the second tendency.
3. The third tendency can be characterized by innovative-investment nature of transnational corporations. Competitive advantages of world transnational corporations, their capability to resist to financial and economic shocks and to be in the lead in global economy are caused by unique corporate strategies, dynamic organizational structures in which the self-training and training systems of strategic management, innovative structures, the large research centers, division of professional development and training. Heads of new type control world transnational corporations - leaders who are creators of the corporate structures providing own long-term viability

and development of the globalized world economy. Transnational corporations are in the lead in training of modern specialists and managers, push leaders of new type who in the queue give flexibility, dynamism and anti-crisis stability to transnational corporations.

4. The fourth tendency is that transnational corporations have opportunity to succeed regardless of a condition of national economy. Within the country, transnational corporations receive a smaller prize from improvement of an environment. Thus, the companies with the international nature become independent of development of an environment in the certain countries, and progress of transnational corporations helps national economy a little. That is, there is a sharp contrast between wellbeing of the largest companies and serious difficulties of economy of the country in general - unstable development of production, inflation, insufficient amount of capital investments, mass unemployment.

Besides, transnational corporations increase the degree of concentration and centralization of the capital, processes of merges and corporation takeovers become more intensive. Strengthening of influence of transnational corporation in globalization processes, and also increase in participation of transnational corporation in integration processes is observed.

Research, which was carried out in this section, allows us to make a number of conclusions. Transnational corporations have become key actors in today's global economy; they are increasingly becoming a determining factor in determining the place of any country in the international system of economic relations. The main of tendencies of development of transnational corporation are the following:

- increase in a share of their participation in production of GDP;
- transnational corporations determine and direct world production of natural raw materials, modern equipment, technological knowledge, information;
- transnational corporations have innovative and investment character;
- transnational corporations increase degree of concentration and centralization of the capital, processes of merges and corporation takeovers become more intensive. There is

observed strengthening of influence of multinational corporations in globalization processes, and also increase participation of transnational corporation in integration processes.

3.1.2 Basic methodological approaches to evaluating the activities of transnational corporations

The purpose of this section is the analysis of the main methodological approaches to evaluating the effectiveness of activities of various transnational corporations based on which will be construct in the future method of estimating the potential of transnationalization. For achievement of an objective, it is necessary to consider developed modern approaches to evaluating the activities of TNCs and the main indicators of their activities.

A literature review showed the presence of some motives of creation foreign subsidiaries, which are based on the benefits of a location of direct investments, they appear differently at TNCs with different strategies [12]:

- 1) The transnational corporations which are oriented on the local markets of sale of foreign countries, as the main motives have the size of the market of the foreign country and the income in it per capita, dynamics of the market, the possibility of supply of goods and services from this country on the markets of neighboring countries and on the world market, features of the consumer demand in the local market and its structure. Large markets help firm to realize the economies of scale. Fast growth rates of the market stimulate both internal and foreign investments.
- 2) For the transnational corporations aimed at effective use of local resources, the main motives are the availability and the cost of natural resources, production infrastructure, labor, besides these, the availability in the country of knowledge resources.
- 3) For the transnational corporations which are oriented on increase of economic efficiency within all its business network (parent company and its foreign subsidiaries), the determining motives will be: the cost of raw materials, labor, availability in the host countries of a production infrastructure, knowledge, and also the size of expenses on transport, communication with these countries and inside them, participation of this or that country in regional integration from the point of view of opportunities of establishing a

regional network of foreign subsidiaries.

There are various methodological approaches, which allow determining the level of transnationalization of the company. Noting the main feature of transnational corporation – availability of foreign subsidiaries of production and sale of goods and services based on direct investments, researchers of transnational corporations developed a number of models of direct foreign investments [12].

1. The model of monopolistic (unique) benefits is developed by S. Haymer and further by Ch.P. Kindleberger, R. E. Keyvz and others. According to this model, the foreign investors is in less advantageous position in comparison with the local: they know the market of the country worse, they have not enough communications, and they bear additional transport costs and have more risks. Therefore, the foreign investors need additional benefits over the local companies due to which they could get higher profit. It is the award for investment risk obtained by the benefits, which arise during the monopolistic competition. Such benefits can be reached due to usage of original production, the latest technology, the entrepreneurial experience, a benefit of economy of scales etc.

2. R. Vernon developed the model of product lifecycle. It was based on the theory of the growth of the company. According to this model the product goes through four cycles of their life [13]:

- implementation on the market;
- growth of sales;
- maturity;
- decline in sales.

The international lifecycle of a product for the firm, which arranged its production for the first time, looks a little differently [13]:

- exclusive production and export of a new product;
- appearance in foreign competitors of a similar product and their implementation on the markets;

- entry of competitors into the markets of the third countries and therefore reducing export of a product of the first country;

- entry of competitors into the market of the first country.

With increasing threats to export, the company can arrange production abroad; it will prolong its lifecycle. At stages of growth and a maturity, the expenses, as a rule, decrease that leads to reduction of price of a product, increasing in opportunities for expansion of export and for increase in foreign production. In comparison with export, production abroad usually more profitable because of lower variable costs, opportunity to bypass customs barriers. Besides, there is a strengthening position in the struggle with other transnational corporations [13].

3. The majority of transnational corporations are represented as large enterprises of oligopolistic or monopolistic type with diversified, horizontal or vertical integration of production, they control production and sales of products, providing of services both in the country of basing and beyond its borders. Using R. Kouz's idea that within the large corporation between its divisions operates the special domestic market regulated by a management of corporation, English economists P. Buckley, M. Kesson, J. McManus, etc. created the model of internationalization according to which the considerable part of the international economic transactions is actually intercompany transactions between divisions of large economic complexes. All elements of the international structure of the corporation operated as a unified, harmonized mechanism in accordance with the global strategy of the parent company, aimed at achieving the main goal of TNCs - making profit from the operation of complex enterprises as a whole, rather than each of its parts [13].

4. The Marxist model is based on a postulate of the excess of the capital. In the second half of the 20th century, capital surplus exported the largest monopoly mainly through direct investments. Thus monopolies, which became international through export of direct investments, had advantages over local competitors due to the production, financial and technological power [14].

5. Many models observed above are characterized by one-sidedness and narrow-mindedness to the complex problem of transnational corporations. English economist John. Dunning has developed an eclectic model, which has incorporated from other models that

has been tested by real practice. According to this model, the firm begins production of goods and services abroad on condition of coincidence of three prerequisites [14]:

- 1) availability of competitive (monopolistic) advantages in comparison with other firms in the host country (specific advantages of the owner);
- 2) conditions in the host country promote the organization of the production of goods and services instead of their export there (a production internationalization advantages);
- 3) opportunity to use production resources in the host country is more effective, than at home (advantages of location).

Nowadays eclectic model is the most popular.

The world system of transnational corporations constantly changes the structure because of merge and a corporation takeover; the steady tendency to concentration of the capital is noted. In the majority of cases, the large transnational corporations purchase the smaller foreign companies, including transnational, or unite with other transnational corporations, which are based in the country. In the second case, the transaction often leads to inclusion of names of its participants to the name of new corporation. [15]

In modern conditions, TNC resort not only to mergers and to acquisitions, but also to strategic alliances and other intercompany cooperative agreements, which help them to use competitive advantages of all participants of such unions without expensive costs for the purchase their assets [15].

For evaluating the level of transnationalization of corporations use the transnationalization index, which represents average value of the following indicators: the relation of foreign assets to the total amount of assets, foreign sales to total sales, number of workers abroad to total number occupied in the company [16].

Calculation of an index of transnationalization (TNI) (Formula 1.1) is conducted by the following formula [16]:

$$TNI = \frac{\frac{A_f}{A_t} + \frac{S_f}{S_t} + \frac{W_f}{W_t}}{3}, \quad (1.1)$$

Where:

A_f - foreign assets;

A_t - total assets;

S_f - sales volume to foreign subsidiaries;

S_t - total sales of TNC;

W_f - foreign number of workers;

W_t - total number of workers of TNC.

In addition to a transnationalization index, on methodology of UNCTAD, economic activity of transnational corporation in general and its foreign component individually is described by two more indexes [17]:

Internationalization index (Formula 1.2):

$$I_I = \frac{FAF}{TAF} \cdot 100\% , \quad (1.2)$$

Where:

FAF - the number of foreign affiliates of TNCs;

TAF - the total number of affiliates of TNCs in the world (including subsidiaries based in the country).

Index latitude of affiliate's network (Formula 1.3):

$$I_S = \frac{N}{N^* - 1} \cdot 100\% , \quad (1.3)$$

Where:

N- number of countries where there are affiliates of TNCs;

N^* - number of countries taking any FDI (foreign direct investment).

Lack of indexes transnationalization and internationalization is that they do not take

into account the level of diversification of the foreign network whether branches are located only in several countries or diffused worldwide. Indexes of internationalization and latitude of affiliate's network do not give an idea of foreign assets, level of sale and employment. To remove these disadvantages, some researchers suggested using the sum of indexes of transnationalization and latitude of affiliate's network, which measure the degree of transnationalization of the company more exactly. [18]

One of the main features of the transnational economy is the export of capital, which in turn acts as one of the main forms of internationalization of capital of national corporations. In process of capital export, economic subjects turn into set of the corporations operating worldwide.

In this section, are discussed five main models of direct investments: monopolistic advantages, product lifecycle, internalization, Marxist model, eclectic model. Nowadays the eclectic model is the most popular. There are various motives by which transnational corporations are guided in case of creation and expansion of the foreign subsidiaries. Modern transnational corporations have considerable technological advantages - knowledge resources, high qualification of managerial personnel, huge capital resources. Availability of these advantages allows the companies to open affiliates abroad. The methodology of UNCTAD describes economic activity of transnational corporation by means of three indicators: transnationalization index, internationalization index, index of latitude of affiliate's network [73]. This method has some disadvantages, it is recommended to apply the amount of indexes of transnationalization and latitude of affiliate's network, which is measure the degree of transnationalization of the company more exactly.

3.1.3 Assessment of the main indicators of activities of the largest transnational corporations

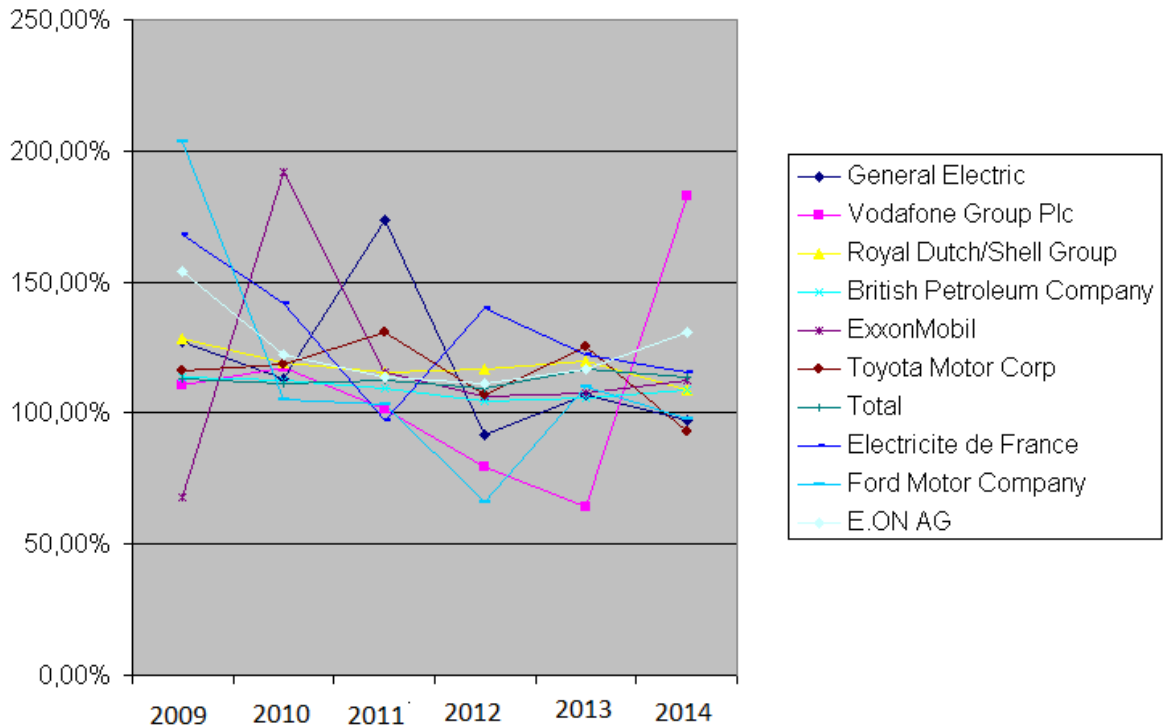
The purpose of this section is determination of the most important indicators of activities of the largest transnational corporations that will allow us to determine indicators of potential of transnationalization of the companies also. To achieve the objectives the main indicators of activities will be overviewed and evaluated. Also, will be considered and analyzed the rating of the largest transnational corporations of the world.

TNCs can be evaluated on various parameters. In particular, it is regarded as the standard indicators of any company (profitability, etc.), as well as specific indicators of TNC. In this section, will be considered the second group of indicators, among which the most important are [19]:

1. The amount and structure of foreign direct investment (FDI). This indicator is one of the most important in the evaluation of any TNCs. It allows us to estimate the degree of company's transnationalization. Keeping common control centers in the parent states, transnational corporations increase profitability of business activity as for the realization account of comparative advantages of the countries and the territories accepting FDI and because of the development of new sales markets.
2. Internal group of indicators of activities of transnational corporation. This group includes the following indicators:
 - company assets;
 - net - turnover;
 - number of the personnel;
 - gross value added (GVA);
 - net income.

In this work were considered the statistical materials of transnational companies such as General Electric, Royal Dutch Shell Group, British Petroleum Company, Toyota Motor Corp., Total, Electricite de France, Ford Motor Company, and E.ON AG. These materials show that average growth rates of assets abroad for the specified companies are located in the range of values from 108,93% to 130.82%. (Figure 1).

Figure 1 Dynamics of growth rates of foreign assets of 10 largest non-financial transnational corporations of the world



Source: constructed based on appendix 1.

Average growth rates of general assets for the same companies occupy narrower interval from 100.17% to 116.04% (see figure 1) and these growth rates are slightly lower, than growth rates of foreign assets. The last can be explained strengthening of assets export from the country of basing of the company, or strengthening of development of foreign departments.

Availability of considerable technological benefits allows the companies to open branches abroad. The methodology of UNCTAD describes economic activities of transnational corporation by means of three indicators: transnationalization index, internationalization index, index of latitude of affiliate's network. This method has some disadvantages, it is recommended to apply the amount of indexes of a transnationalization and latitude of affiliate's network to their elimination. During the work progress was carried out the dynamic analysis of foreign and general assets of the largest multinational corporations of the world [74]. The figure 1 illustrating rates of growth of their assets have no sharply expressed tendencies that can testify to stable and approximately identical status

of these transnational corporations in world economic space.

In the current chapter were considered the phenomenon and concept of transnational corporation, opened essence of their activities. Also in this chapter, was analyzed the role and tendencies of development of transnational corporations in system of the world economy. As a result of the executed research the following conclusions were done. Nowadays there is a problem of a formulation of exact determination of transnational corporation. It is connected with that first of all necessary to divide the concepts “multinational” and “transnational” corporation. In work was made the conclusion that multinational corporations are corporations, which perform certain activities in other countries, but it has qualitatively no great influence on the political and economic processes proceeding in these countries. Transnational corporations are the entities which activities have supranational character and lead to creation and management of the communications, which are above the governments.

Global transnational corporations create financial center of economy, which globally influences on functioning and development of world production of products, services, knowledge, information, the intellectual equity, the global market of labor.

Transnational corporations of the XXI century are the difficult social and economic systems uniting financial, production, scientific and technological, trade, service and managing structures, which activity, as leading subjects of world economy, is characterized by global scale.

3.2 Methodological bases of an assessment of potential of transnationalization

At the present stage of transnational corporation have become the key actors of the world economy, playing huge role in system of the international economic relations. Development of transnational business has deep impact on economy of the certain states, both developed and developing. This influence can have positive and negative character.

The commission of the UN on transnational corporations identified number of features that in modern conditions must recognize the TNC. These include [37]:

- annual turnover (sales volume) more than 1 bln dollars,

- availability of branches at least in 6 countries,
- the share of foreign assets should be 25 – 30% in a total cost of all company assets,
- 1/5 - 1/3 of the total turnover of the company should be in its external operations that is realized outside the country of residence.

However not each company capable to become transnational, will be able to reach such indicators if at all will keep in the international market. Therefore, first of all, it is necessary to answer a question: what company has opportunity to become transnational? The purpose of this paragraph is development of a technique of an assessment of potential of transnationalization of the company. To achieve this goal it is necessary to identify the sources of effective activities of TNCs, to consider the most important factors in assessing the indicators of potential of transnationalization and to determine the role of each of them in the process of transnationalization.

3.2.1 Sources of effective activity of transnational corporation

The purpose of this section is to identify and analyze the sources of effective activity of TNCs. To achieve this goal it is necessary to identify the factors influencing the activities of transnational corporations to determine their importance and role in the effectiveness of TNCs.

Modern concepts of TNCs are based on the theory of the firm as an enterprise for production and distribution of goods and services. Most of the international companies are beginning to operate with maintenance of national markets. Then, using the comparative advantages of the country-based and competitive advantages of the company, they have expanded the scope of its operation of the internationally markets, exporting products abroad or carrying out foreign investment in order to organize production in the receiving countries [37].

The main factor for the effective operations of TNCs is an international production of goods and services, which is the output of the parent companies of TNCs and their foreign affiliates based on the internationalization of production.

A more detailed analysis of the activities of transnational corporations and foreign

direct investment theories allows selecting a number of the major sources of the effective activities of TNCs (compared with purely national companies). [38]

1. The use of the advantages of owning natural resources (or access), capital and knowledge, especially the results of R & D to companies carrying out their business activities in one country and meet their needs in foreign resources only through export-import transactions.
2. The possibility of optimal location of their businesses in different countries, taking into account the size of their domestic market, economic growth, prices and the workforce, prices, and availability of other economic resources, infrastructure development as well as political and legal factors, among which the most important is political stability.
3. The possibility of accumulating capital within the system of TNCs, including borrowings in the location of foreign affiliates, and its application in the most favorable circumstances for the company and places.
4. The use to its goals the financial resources of the entire world. For this purpose, foreign affiliates of TNCs are widely used commercial loans and financial institutions of the host State and third countries, not just the home country of the parent company.
5. Constant awareness about the conjuncture of the commodity, currency and financial markets in different countries, that allows operatively transfer the capital flows into those countries where the conditions are with minimal risks for maximum profit, and at the same time allocate financial resources (including risks from fluctuations in national currencies).
6. The rational organizational structure, which is under close attention of a management of transnational corporation, is constantly improved. The organizational structures of transnational corporation, which are based on communications from the head company with the foreign branches, provide more rapid adjustment of production and sale in host countries in comparison with the firms, which concentrated the activity only on the market of one country. In particular, transnational corporations quickly and economically can provide the foreign enterprises with the capital, technologies and components from the research centers and production branches located in other countries. National firms usually do not have such opportunities.

7. The experience of international management, including optimal organization of production and marketing, maintaining the high reputation of the company. Sources of the effectiveness of this type are dynamic: they usually increase with the growth of the company's assets and diversify its activities. At the same time necessary conditions for realization of these sources is a reliable and inexpensive communication of the parent company with foreign subsidiaries, a wide network of business contacts of foreign branch with local firms of the host country, the skillful use of the opportunities provided by the legislation of that country.

TNCs equally intensive use in their expansion three ways of capital investment - a merger, acquisition, business creation "from scratch" and other methods. However, their strategies, as research shows, are different depending on the region. [39]

Asia and the Pacific region. TNCs are optimistic about the prospects for this region. China is regarded as the main source of their attraction that is far ahead of the rest of the countries. India ranks second in rating, followed by Thailand.

Latin America and the Caribbean. Brazil, Mexico, Argentina and Chile have traditionally attractive situation for foreign capital, they will remain the same and further behind them in fifth place in rating is Venezuela.

Africa. Most of the TNCs expect their capital flows in the countries of the continent will remain stable and will not change. In this region, many foreign TNCs prefer to use other options of capital investment, because, as a rule, work in the region on the principles of unequal cooperation.

Central and Eastern Europe. In the countries of this region, the first place in the investment attractiveness takes Poland. This is partly a consequence of Poland's accession to the EU. High ratings of Hungary and the Czech Republic may also be in some measure explained by their accession to the EU.

The developed countries. The United States is considered as the most attractive country for investment. For the US follows the UK. Canada, Germany and Japan also are among the most attractive developed countries for capital of TNCs. Cross-border acquisitions TNCs remain the dominant form of their expansion in the developed

countries.

The main measures to improve production efficiency on foreign transnational enterprises are the following [40]:

- 1) constant modernization of equipment and technological processes on the basis of a continuous comparison of its performance with the condition of the production of its competitors;
- 2) the application of information systems for the analysis of the functioning of all parts of the production process;
- 3) creation of temporary multifunctional teams of experts from different countries for pointing “bottlenecks” in the technological cycle;
- 4) periodic rearrangement of the leaders of all ranks with the involvement to the highest echelons of management of national experts of the host countries.

Such activities cover almost the entire spectrum activity of the company for improving production efficiency, allowing on time to react and make changes that can bring a positive effect in the future.

For industrial and commercial strategies of TNCs in order to maintain the level of competitiveness, the researchers include [41]:

- a) activities to ensure leadership in selected markets;
- b) standardization of products and unification of components;
- c) the concentration of production facilities and R & D in the countries - the main consumers of products;
- d) aspiration for meeting the demand in the host countries, taking into account its specific features;
- e) coordination of all foreign affiliates of TNCs to preserve the level of competitiveness in the world market.

As noted earlier in this work, the modern activities of TNCs have developed to the

point where a large share in the success of the company contribute the transnational activities. Accordingly, it is necessary to pay the most attention to it, permanently coordinating and controlling. After all, foreign markets for the company are the most difficult for activity and require deep analysis. The above actions allow considering all opportunities to achieve market leadership [41].

Konina N. expresses the opinion that for success in the modern competitive struggle is not so important, what material goods the company has at the moment. The important thing is the speed with which it can purchase or create the necessary assets and develop them. More complex and time-consuming process is not the process of creating the strategy but its implementation. The author identifies two problems on the way to the successful implementation of competitive strategies [42]:

- 1) risk management under conditions of uncertainty;
- 2) providing support to the strategic decisions of the company staff.

Transnational corporations transform the world economy into international production providing the acceleration of scientific and technological progress in all of its directions - the technical level and product quality, efficiency of production, improvement of the forms of management, management of enterprises.

The optimal management structure of TNCs should provide the uninterrupted management of the company for its foreign branches and at the same time make it possible for managers of foreign subsidiaries make their own decisions to meet the demand of consumers, taking into account the specifics of the local market and in accordance with the legislation of the host country. Problems of improving the governance structure of TNCs, management decides depending on the range of goods and services with which they come into the world market [30].

To summarize current section of work, can be draw the following conclusions. The main factor of effective activities of TNCs - the international production of goods and services, which is the output of the parent companies of TNCs and their foreign affiliates based on the internationalization of production. Also effective sources of transnational structures are: the use of the advantages of owning natural resources, capital and

knowledge; the possibility of optimal location of their businesses in different countries, taking into account a variety of factors; the possibility of accumulation of capital within the system; continuous information about the conjuncture of the commodity, currency and financial markets in different countries; rational organizational structure; experience in international management. Nowadays transnational corporations are not only like the support on which the national economy is based, but also, having turned into the largest transnational groups including numerous foreign branches of production, research and development, supplying and sales nature, act on the international scene more actively, becoming the main force of world economy.

3.2.2 Business environment as one of the most important factors of transnationalization

The purpose of this section is to determine the importance of the business environment in the process of transnationalization. To achieve the goal it is necessary to identify the most important components of the business environment influencing the process of transnationalization of the company, as well as ways to bring data evaluation components in terms of their potential favorable for of TNCs.

Solving a problem of possibility of transition of the Russian companies to the category of transnational corporation is necessary to start from positions of research the business environment and the impact of factors on the parameters of its business activities, state and behavior of Russian companies.

External business environment is understood as set of socio-ecological and economic factors affecting the company and have an influence on the efficiency of its functioning. Thus, describing the nature of business environment, it is necessary to pay attention to dynamism and complexity [32].

Dynamism of environment is defined as function of frequency to which there are changes in internal processes of the corresponding elements as degree of distinctions in each change and irregularity degree in the general scheme of the happening modifications. For the environment is characterized by a huge number of variables, creating uncertainty in the strategic plan. In turn, this uncertainty affects the performers as a function of the experience gained within the industry, and the properties of the individual. Managers with

extensive experience, who think that they can positively influence events usually work very well in the face of uncertainty. At the same time, less experienced managers or those who think they cannot influence the course of events, are not able to successfully cope with uncertainty due to changes in the external environment [43].

Some of the common variables for measuring environmental uncertainty and dynamism of the business environment [43]:

- The rate of change in prices of suppliers;
- The rate of change in prices of competitors;
- The rate of change in the labor supply;
- The rate of change in the demand curve for the product;
- The rate of change in the price of capital;
- The rate of change in the funding opportunities;
- The rate of change in the methods of competition;
- The rate of change in the policy of market regulation;
- The level of sales in the industry as result of entering the market with new products;
- The level of activity due to new competitors appear on the market;
- The extent of the changes resulting from abnormalities of product life cycle;
- The extent of changes resulting from the impact of the new technologies that appear in the industry.

Thus, a complex analysis the above indicators allows at the best way to evaluate the environmental uncertainty and dynamism of the business environment, consider the full range of factors affecting these two indicators. However, should be also taken into account such regional indicators [44]:

- The degree of development of infrastructure in the region where the company operates;
- The quality of the environmental situation in the region;

- Filling the regional budget;
- The degree of development of social networks in the region.

The internal environment can be characterized by two main characteristics:

- Quality of marketing policy;
- The level of professionalism of managers.

Analysis of the internal environment still provides only a portion of information about the situation. Therefore, should also conduct an analysis of the external environment, which fully complement the internal.

Analysis of the external environment is the process by which the developers of the strategic plan control external to the organization the factors to determine the opportunities and threats for the company. Analysis of the external environment includes the study of the impact of the economy, regulation and control of political processes, environment and natural resources, social and cultural components of society, scientific, technical and technological development of the society, infrastructure and etc [44].

A number of variables that have a direct or indirect impact on the industry determines the complexity of the external environment. The greater the number of variables, the greater the complexity and ambiguity of the environment in which exists firm (industry). In general, complexity is measured by the degree of geographical dispersion or concentration of such elements of the environment of the company, as competitors, suppliers and regulatory authorities. Thus can be listed a number of elements that determine the complexity of the environment [45]:

- The number of different suppliers of one category of materials in a particular market niche.
- The geographical concentration / dispersion of suppliers in a specific market sector.
- The geographical concentration / dispersion of labor in a particular sector of the market.
- The geographical concentration / dispersion of industry sales in a particular market sector.
- The level of product differentiation of industry segments within a particular market

sector.

- The geographical concentration / dispersion of competing companies in a particular sector of the market.
- The level of social and cultural diversification in a market niche.
- The diversification of forms of business in a market niche.
- The process technological diversification.

External business environment is generally divided into [45]:

- general (far) the environment;
- specific (close) environment.

We use the division conducted for a more detailed review of the studied phenomenon.

The analysis of the general (distant) environment includes economic, sociopolitical and technological forecasts (so-called PEST system) for definition of long-term opportunities of the enterprise in the conditions of the predicted indignations of the environment. Abroad the public institutions, the public (non-profitable) organizations and private firms that are engaged in consulting activity, develop such forecasts. The part of forecasts is published in periodicals, the part - is bought by firms for a certain payment. Existence of several forecasts for a certain subject of research, which are carried out independently from each other by the different organizations, allows to receive fuller information and to make decision that is more reliable [35].

In our country, the organization of such centers of consulting assistance related to the development of these forecasts should be considered as one of the components of the market infrastructure to compensate the elements of spontaneity of the market and make the development of national economy more sustainable.

Any business always operates in a specific environment. At the same time under the environment should be understood not only natural resources, but also the legal framework, financial environment, regulatory framework, etc. The uncertainty is both a source of profit for the business and a source of risk for the company, especially the risk of bankruptcy.

To more completely assess the degree of financial stability, taking into account the

influence of the environment, authors of the article proposed to use modified Z-model, taking into account the effects of the environment and market mechanisms, having the following form (Formula 2.1) [46]:

$$R = A_1 \times X_1 + A_2 \times X_2 + A_3 \times X_3 + A_4 \times X_4 + A_5 \times X_5 + A_6 \times X_6 > 0, \quad (2.1)$$

where:

R - rating number;

X1 - a ratio of the company's own funds (the ratio of own current assets to total assets);

X2 - the current ratio;

X3 - return on equity;

X4 - the capitalization rate of the enterprise (the ratio of market value of equity to book value of the borrowed funds);

X5 - a common measure of solvency, defined as the ratio of the market value of all liabilities of the company;

X6 - the coefficient of management, defined as the ratio of revenue from sales to the amount of current liabilities of the company;

A1, A2, A3, A4, A5, A6 - index value of each factor of the model.

The coefficients are indicators of the company's degree of financial stability. They numerically express the risk of unfavorable development of the financial situation of the company.

Rating number R is a numerical expression of the reaction of the enterprise on the environment. The resulting value of R allows assessing the degree of financial risk of the enterprise at work in conditions of a priori hostile environment business. When calculating R for several consecutive time periods, we obtain the dynamics of change financial stability that allows analyzing the impact on the environment and a trend of further dynamics of financial stability [47].

By analyzing the external environment, an organization can create a list of dangers and opportunities with what it faces in this environment. The most widespread methods of monitoring the state of the environment are [48]:

- analysis of materials published in periodicals, books and other information media;
- participation in professional conferences;
- analysis of the experience of the organization;
- studying the views of employees of the organization;
- holding meetings and discussions within the organization

Analysis of the environment is generally considered the starting process of strategic management, as it provides both the basis for determining the mission and objectives of the company, and to develop the strategy of behavior, allowing the company to carry out its mission and achieve its objectives [48].

One of the key roles of any management is to maintain a balance in the interaction of organization with the environment. Each organization involved in the three processes [48]:

- obtaining resources from the environment (input);
- conversion of resources into a product (transformation);
- transfer of product into the environment (output).

Management is designed to provide a balance of input and output. Once the organization is disturbed this balance, it stands on the path of stagnation. The modern market has sharply increased the value of output in maintaining this balance. This is exactly reflected in the fact that in structure of the strategic management, the first block is the block of the environment analysis [49].

Analysis of the environment involves the study of its three components [49]:

- macro environment;
- the immediate environment;
- the internal environment of the organization.

Only constant and authoritative analysis of the economic environment will allow Russian companies successfully enter to overseas markets and thereby create real conditions for the transformation to TNC. During the technological analysis and

forecasting of general environmental perspective, is most commonly used the following characteristics [49]:

- government expenditures on R & D;
- choice of priorities of the state and financial-industrial groups in certain areas of technology efforts;
- new discoveries and inventions (national and international);
- the rate of technology transfer (the length of the chain “research – production”);
- production entry speed into the market (length of the first stages of life cycle of products).

In summary it should be noted that in the conditions of the rigid centralized management and directive planning the analysis of the general environment in our country wasn't required as to the enterprise by means of the plan lowered from above were defined both conditions of production, and the nomenclature of the made production and ways of its realization. In the conditions of market economy, the analysis of the general surrounding environment allows the enterprise to work more effectively, in advance preparing for possible negative changes and, on the contrary, seeking to use positive tendencies of economic development as much as possible.

Abroad firms pay to the analysis of the general environment priority attention. Therefore, in the USA already in the mid-seventies 73% of the companies analyzed the general environment in full, 15% - analyzed it only partially and only 12% of the companies were not engaged in this activity at all [50].

The current situation is not particularly favorable for the cooperation of the host countries with Russian companies. This is because foreign companies reluctantly go for placement of assets of the Russian enterprises. Indeed, in case of the Russian currency intervention, there is a possibility of acquisition of large equity stakes of the foreign companies. Besides, at such giant as Gazprom, exists possibility of acquisition of the elements of infrastructure connected with transportation and realization of gas to foreign partners. These circumstances, naturally, limit possibilities of creation of new Russian transnational corporations.

4 Practical Part

4.1 Development of the methodology of an assessment of potential of the company transnationalization

Due to the fact that the generally accepted universal method of estimating the potential of transnationalization is not exist, was found necessary to develop it. The purpose of this section is to develop a methodology for assessing the potential of transnationalization. Fort its development, it is necessary to allocate the stages of the methodology, to determine the ways and methods of performance assessment at each stage, and to consider in detail each of the components that influence on the potential of transnationalization.

The assessment of potential of transnationalization of the company is rather difficult process demanding high qualification and rather extensive volume of data. When developing a methodology of an assessment first of all it is necessary to define bases and the foundation of its construction.

The developed technique is based on the analysis of the business environment and indicators of activity of the company allowing to define possibility of creation of the sources of effective activity of future transnational corporation, which were considered before. For start there is given the general characteristic of the methodology.

The methodology consists of five basic stages:

Stage 1: Collection and processing of information.

At this stage in the analysis of potential of company's transnationalization, is required to determine sources of getting information, as well as provide enough information at each subsequent stage of methodology. All collected information should be evaluated in terms of its objectivity and adequacy for analysis.

Stage 2: The study of features of transnationalization in the "home" region for the company.

At this stage, it is necessary to determine the specifics of transnationalization of local companies.

Step 1: Brief characteristic of the regional transnational corporations. At this step, the most important is information about the practice of transnationalization in the region for successful transnational corporations, features of entering process of these companies to international markets, its success and the most “transnational” sectors of the regional economy.

Step 2: Identification and assessment of branch orientation of the economy. There is required to determine the most developed sectors of the economy “home” region, to assess perspectives of the development of other industries.

Step 3: Analysis of the role of the state in the process of transnationalization. At this step is necessary to determine the legal features of companies and transnational corporation in the region; evaluate the degree of government influence in the process of transnationalization of the economy and government-owned enterprises in the most developed sectors of the economy, and to identify the barriers created by the legislation of the country.

Step 4: PEST-analysis. It is mostly the resulting step, combined into a single table of previously collected data with the addition of the analysis of political, social and technological components of the economy. It includes the construction of a table that has the following form (Table 2):

Table 2 The resulting table of PEST-analysis

Political factors	Economic factors
Social factors	Technological factors

Source: Construct by the author based on the data obtained.

Stage 3: Analysis the business environment of the company.

In developed methodology, the most attention is paid to the analysis of the business environment of the company as one of the most important factors in evaluating the potential of transnationalization.

Analysis of the environment in this methodology is considered as the initial process

of evaluation of the potential of transnationalization. After all, the business environment is one of the most important factors influencing on the company activities and thus includes a number of elements on which company often are not able to influence, that will undoubtedly influence on the potential transnationalization indicator.

Analysis of the environment involves the study of its three components:

- macro environment of the organization;
- the immediate environment;
- the internal environment of the organization.

Step 1: Analysis of the macro environment. Analysis of the macro environment aims to find out what can expect the firm if it successfully carry out the work on transnationalization, and at what complications can wait if it is not able in time to prevent negative attacks that could provide its surroundings.

The analysis includes the study of the impact of economics, legal regulation and control, environment and natural resources, social and cultural components of society, scientific and technological development of the society, infrastructure and etc.

Macro environment creates the general conditions for the organization in the external environment. In most cases, macro environment does not have specific nature with reference to separately taken organization, but the degree of influence of the condition of the macro environment for certain organization is different, this is due to differences in fields of activity, and with internal potential of organizations [51].

In general, macro environment analysis can be divided into several main components [51]:

- The economic component. For transnationalization, at studying the economic indicators and factors, the most interest are not the values of indicators as such, but first and foremost is what opportunities and threats for this process it gives. Analysis of the economic component in any case should not be limited to the analysis of its separate components. It should be aimed at a comprehensive evaluation of its condition. First of all, this is a fixation the level of risk, the degree of intensity of competition and the level of business attraction.

- The legal component. The study of the legal regulation should not be limited only to the study of the content of legislation. It is important to pay attention to such aspects of legal protection, as the effectiveness of the legal system, established traditions in this area and the procedural side of the practical implementation of the legislation. In the study of the legal components of the macro environment for analysis of the transnationalization potential the most interesting is the degree of legal protection, the dynamism of the legal environment, the level of public control over the legal system. It is important to identify the degree of obligation of legal norms, and is its effect spreading on all organizations, or there are exceptions to the rule, and finally, clarification of how inevitably the application of sanctions to the organization in case violations by it laws.

- The political component. The political component of macro environment should be studied in the first place in order to have a clear picture of intentions government authorities in relation to the development of society and the means by which the government intends to implement its policies. It is important to understand the basic characteristics of the political system: what ideology determines the policy of the government, as far the government is stable, as far it is able to in its policy, what is the degree of public discontent, and how strong the opposition political structures.

- The social component. The study of the social components of the macro environment is aimed at the understanding of the business impact of social phenomena and processes, as the ratio of people to work and quality of life, the existing social customs and beliefs, shared by people values, such as the demographic structure of society, the growth of population, the level of education, mobility of people, etc. Feature of the social component is that it affects both to the other components of macro-environment and to the internal environment of the organization. Another feature of the social processes is that they are changed relatively slow, but leads to lots of very significant changes in environment of the organization.

- Technological component. Analysis of the technological components allows in time to see the opportunities offered by the development of science and technology for the production of new products, for the improvement of manufactured products and for the modernization of production technology and sales, as well as the willingness to accept foreign markets and new products. The progress of science and technology brings great

opportunities, and no less great threat to businesses.

Tracking the process of technology development is important because not only company need time to start using new technological developments, but also because the organization must foresee and predict the time of failure of the technology used. This means that the process of studying the technological components should contribute to macro environment selection decisions that allow not being late with the beginning of technological renovation.

However, a natural question arises: how to study and analyze these components? In general, this analysis assumes realization in free form. However, there are exist certain features and principles of this analysis in frames of the developed methodology to obtain the most accurate results. Therefore, next were considered the principles that should be followed in the analysis.

By studying the various components of the macro environment, it is important always to keep in mind the following two points. First - is that all the components of macro environment strongly influence on each other. Changes in one component necessarily lead to the fact that there are changes in other components of the macro environment. Therefore, their study and analysis should not be carried out separately, but systematically, tracking not only the changes in a separate component, but with clarification of how these changes will affect the other components of the macro environment. The second - is that the impact of certain components of macro environment on various organization is different. In particular, the degree of influence depends on the current size of the organization, its industry sector, geographic location, etc. It is believed that large organizations have greater dependence on the macro environment than smaller ones. To take this into, organization should determine for themselves which of the external factors, relating to each component of the macro environment, have a significant impact on its operations. Besides, the organization has to make the list of those external factors, which have potential threats for the organization. It is also necessary to have the list of those external factors changes in which can open additional opportunities for the organization [52].

For productive studying of a state of the macro-environment component in the

organization is created special system of tracking of external environment. This system has to exercise as carrying out the special observations connected to some special events and carrying out regular (usually once a year) observations over a condition of external factors, important for the organization [53].

Conducting observations can be carried out by a set of various ways. The most widespread ways of observations are:

- analysis of the materials published in periodicals, books and other information publications;
- participation in professional conferences;
- analysis of the experience of the organization;
- examining the opinions of organization employees;
- carrying out of meetings and discussions within the organization.

The study of macro-component should not end with just a statement of fact, in what condition they were in previously or currently. It is also important to open the trends that are characteristic of the change in the state of certain important factors, and try to predict trends in the development of these factors in order to anticipate what threats can expect organization and what possibilities are open to it in the future [53].

System of macro-analysis gives the desired effect, if it is supported by senior management and provides it with the necessary information, if it is closely linked to the planning system in the organization, and finally, if the work of analysts who work in this system, combined with the specialists work on strategic issues, which able to trace the connection between the data on the state of the macro-environment and the strategic objectives of the organization and evaluate this information in terms of threats and opportunities for implementing the organization's strategy.

Step 2: Analysis of the immediate environment of the company. The immediate environment is analyzed in the following main components: customers, suppliers, competitors, and the labor market. [52]

The analysis of the internal environment opens those opportunities, those potential

on which the firm in competitive fight in the course of achievement of transnationalization can rely on. The analysis of the internal environment also allows better to understand all the purposes of the organization, more truly to formulate mission, which is to define sense and activities of firm. Always extremely important to remember that the organization doesn't make only production for an environment, but also provides the possibility of its members by giving them a job, providing the opportunity to participate in the profits, providing them with social guarantees, etc.

The study of the immediate environment of organization is aimed at analysis of the components of the environment, to which the organization is in direct interaction. It is important to emphasize that the organization can have a significant impact on the character and content of the interaction, and thus actively participate in the formation of additional opportunities and to prevent threats to its continued existence [35].

A) Clients / Customers / Buyers

The analysis of clients as components of an immediate environment of the organization first of all has the task drawing up a profile of those who buy the product realized by the organization. Studying of buyers allows the organization to understand better what product in the greatest measure will be accepted by buyers, on what sales volume the organization can count, in what measure buyers are committed to a product, how possible to expand a circle of potential buyers that expects a product in the future and many other things.

Studying the customer, the firm understand for themselves, how strong his position with respect to it in the course of bargaining. For example, if the client has limited choice of desired commodity suppliers, its strength is significantly lower at the bargaining. Client trading force depends on, for example, how much important for him the quality of purchased products [35].

There are several factors that determine the power of the client's trading force, which must be opened and examined in the analysis. These factors include [35]:

- the ratio of the degree of customer depending on the supplier to the degree of dependence of the seller from the buyer;

- the volume of purchases made by the client;
- level of customer awareness;
- availability of substitute products / goods / services;
- the cost for the customer move to another seller;
- customer price sensitivity, depending on the total value of purchases carried out by them, on its orientation on a certain brand, the availability of certain requirements to quality of the product, the value of its income.

In measuring the indicator is important to pay attention to who pays, who is buying and who consumes, since not necessarily all three functions are performed by the same person.

B) Suppliers

The analysis of suppliers aims to identify those aspects in the activities of the subjects that supply the organization of various raw materials, semi-finished goods, energy and information resources, finance, etc., on which depends the effectiveness of the organization, the cost and the quality of the manufactured product organization [35].

Suppliers of materials and components, if they have great competitive strength, can put the organization in a very high dependence on himself. Therefore, when choosing suppliers is important to thoroughly and comprehensively study their activities and their potential in order to be able to build a relationship with them, which would provide maximum strength organizing in cooperation with suppliers. The competitive strength of supplier depends on the following factors [35]:

- level of specialization of the supplier;
- cost for the supplier of switching on other clients;
- the degree of specialization of the buyer in the acquisition of certain resources;;
- a concentration of the supplier at work with certain clients;
- importance for the supplier of sales volume.

When studying suppliers of materials and components, first of all it is necessary to pay attention to the following characteristics of their activity:

- the cost of the delivered goods;
- the quality assurance of the delivered goods;
- time schedule of delivery of goods;
- punctuality and obligation of implementation of terms of delivery of goods.

C) Competitors

Study of competitors means those with whom the organization has to struggle for the customer and for the resources that it tends to obtain from the external environment to provide its existence, has a special and very important role in the strategic management. This study is aimed to reveal the strengths and weaknesses of competitors and based on its strategy to build a competitive struggle [35].

Not only intra-sectoral competitors producing similar products and selling it on the same market form the competitive environment. The subjects of the competitive environment are those firms that can enter the market, as well as those that produce substitute product. In addition to them, in the competitive environment organizations have significant influence buyers of its products and suppliers, who having the power to bargain can significantly weaken the position of the organization [36].

Many firms do not pay enough attention to a possible threat from newcomers to their market and therefore are losing in the competition for them. It is very important to remember and to create in advance the barriers for the entry of potential newcomers.

These barriers can be deepened specialization in the manufacture of a product, lower costs due to the effect of scale, control of distribution channels, the use of local features that provide a competitive advantage, and etc. However, it is very important to know what, what barriers can stop or prevent a potential stranger to enter the market, and set up these barriers.

A very large competitive power have manufacturers of the substitution products.

Feature of market transformation in the case of appearance of the substitute product is that, if they had been killed old product market, it has typically not recoverable. Therefore, in order to be able to meet adequately the challenge on the part of firms producing substitute product, the organization should have sufficient capacity for the transition to a new type of product [36].

D) Market of labor

The analysis of the market of labor is directed to revealing his potential opportunities in providing the organization with human resource, which is necessary for the solving its tasks. The organization has to study the market of labor as from the point of view of existence in this market of human resource with necessary specialty and qualification, necessary education level, necessary age, gender, etc., and from the point of view of labor cost. An important area of study of the labor market is to analyze the policy of trade unions, affecting on the market, since in some cases they may greatly limit access to needed for the organization of labor [35].

Step 3: Analysis of the internal environment of the company. The internal environment is analyzed in the following areas [53]:

- company personnel, their potential, skills, interests, etc.;
- management organization;
- production, including organizational, operational, technical and technological characteristics, as well as research and development;
- finance company;
- marketing;
- organizational structure.

Stage 4: Analysis of the financial performance of the company in order to determine the possibility of transnationalization.

Business Environment characterizes only the conditions in which the company operates and allows estimating only a certain percentage of the capacity of transnationalization. Therefore, the following analysis of the elements that will fully complement the analysis of the business environment is the analysis of financial performance.

Total financial factors that can be applied to analysis of the company - about two hundred. Normally used only a small number of key factors and indicators and accordingly

the main conclusions based on them can be made. [54]

As an alternative, it is possible ordering and analysis of financial results by groups, characterizing the basic properties of the company's activities: liquidity and solvency; the effectiveness of the company's management; profitability of activity. Separation of financial indicators in the group characterizing features of the company is given in Appendix 2 [55].

Step 1: Analysis of solvency and financial stability of the company.

Solvency - is the possibility of organizing in time to pay its debts. This is the main indicator of the stability of its financial condition. Sometimes, instead of the term "solvency" say, and this is generally correct, about the liquidity, i.e. the ability of various objects that make up the balance of the asset to be sold. This is wider definition of solvency.

Step 2: Analysis of the creditworthiness of the company.

The creditworthiness enterprise - is the company's ability in time to fulfill the obligations taken by it. This step should focus on indicators of current and total liquidity reflects the creditworthiness of the company the most. The following formulas will be used for calculation of the indicators:

$$1) \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (2.2)$$

$$2) \text{ Quick (Acid Test) Ratio} = \frac{\text{Cash and Cash Equivalent} + \text{Marketable Securities} + \text{Account Recievable}}{\text{Current Liabilities}} \quad (2.3)$$

Step 3: Analysis of the company's asset structure.

Analysis of this structure lets to determine how effectively the company's management manages the assets entrusted to them by the owners of the company. According to the balance can be judged about the nature of the company's assets. It is important to remember that these figures are very approximate, as in the balance sheets of most companies, a variety of assets that are acquired at different times, are stated at cost.

Therefore, in the analysis, it is advisable to seek for the separation of financial indicators for certain types of activities or by kinds of production. In the process of transnationalization, these indicators will help to determine the effectiveness of financial

management in the company, professionalism and qualification of top managers.

Step 4: Analysis of the company's capital structure.

With the help of this analysis is possible to analyze the degree of risk of bankruptcy of the company in connection with the use of borrowed funds. By increasing the proportion of borrowed capital, increases the risk of bankruptcy, as increases the volume of the company's liabilities. This group of factors are primarily interested in the company's existing and potential creditors. The management and owners of the company evaluate the company as a continuously existing economic entity, but creditors have dual approach.

On the one side creditors are interested in financing the activities successfully operating companies, the development of which will meet the expectations; on the other side, creditors evaluate how much weight will claim for the debt, if the company has significant difficulties in returning a long-term loan. A separate group is formed financial indicators characterizing the ability to maintain the company's debt at the expense of funds received from current operations [55].

Positive or negative impact of financial leverage increases in proportion to the amount of borrowed capital used by the company. Creditors risk increases in collaboration with an increase in the risk owners. These figures also reflect the possibility of a loan to the company in the case of transnationalization. At the same time loans are quite common source of funding for the organization of activities in foreign markets. That is why this indicator should be given greater attention [55].

Stage 5: Summary of the results obtained in the application of methodology for assessing the potential of transnationalization and development of recommendations to improve the prospects of transnationalization.

Thus, was examined the capacity assessment methodology, consisting of several stages. Implementation methodology presented in stages will provide the necessary information to assess the potential of transnationalization of concrete firm. The technique consists of five stages and covers different areas providing the efficient operation of the company.

Thus, in this chapter, were considered main indicators for determining potential of market transnationalization. It was found out that one of the most important roles in

determining this indicator plays analysis of the business environment that have a strong influence on the process of transnationalization. In accordance with these conclusions, our methodology was developed, which allows taking into account not only the performance indicators of the firm, but particularly the business environment. Practical application of this methodology is devoted in the third chapter of this work.

4.2 Assessing the potential of transnationalization of Russian companies on the example “Transneft”

In part 4.1 of this work, the methodology of an assessment of potential of transnationalization of the company have been developed. Further, it is necessary to hold testing of the methodology. The chapter three is devoted to practical application of this methodology and the analysis of potential of transnationalization of the Russian companies on the example of “Transneft”. During approbation of the developed methodology is necessary to consider specifics of process of transnationalization of the Russian companies, to carry out the analysis of a condition of the Russian companies, their special features. By results of approbation of the methodology will be made the recommendations to the Russian companies on increasing the potential of transnationalization.

Stage 1: Data collection and processing of information.

In order to test the methodology developed by us, for the collection the information mainly were used periodicals and the Internet. All information collected, in the whole, is objective and sufficient to apply for the methodology and the results obtained.

4.2.1 Specifics of transnationalization in Russia

Stage 2: The study of transnationalization at the “home” region for the company.

One of the main parameters that are fundamental to the question of the company's entrance to the TNC level, can be highlight the economic environment. In order to understand what motivates companies opting for one or another strategy of behavior, which implies a choice between investing in the country and the withdrawal of part of the business (production) from Russia, it is important to analyze the parameters of the economic environment. This concept can be interpreted quite widely. In the thesis, were included in it the factors of the business environment, as well as the parameters of the cycle and its associated factors.

Let us now analyze the parameters of the economic cycle and its associated factors. The modern phase of the cycle, which can be characterized as the recession was preceded by a period of exit from a deep crisis and the decline in production, covering the period from the last quarter of 2008 to 2009 inclusive. The pre-crisis period of 1999-2007 year was extremely successful for our economy, but it was not the same in terms of economic conditions (state of the economic environment).

The decline in production and changes in the national currency exchange rate - the Russian ruble that occurred after the sanctions imposed by the US and the EU in 2014 became an occasion for the formation of the import substitution strategy. Capital starts gradually became into the Russian production. The situation is partly remind 1998 year, when in the first 2-3 years after the crisis of 1998: companies - the leaders of the commodity sector tried to build production chains in the country, mechanic plants were secured orders for several years ahead, car-building capacity did not have time to stamp railroad tank cars for oil, platforms and wagons - for metallurgists, miners and others. Strategy of Russian companies is well recognized in the Russian statistics. (Table 3 and Figure 2)

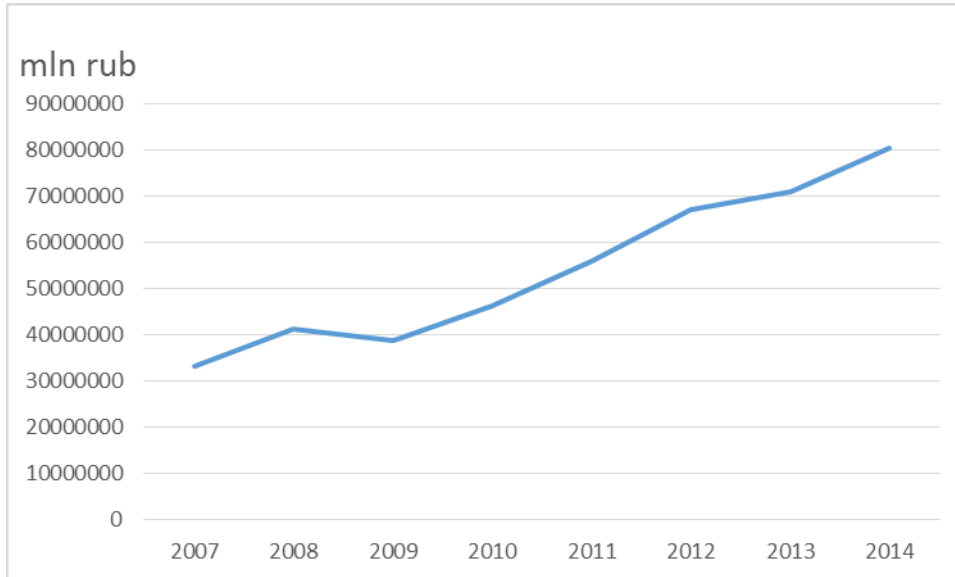
Table 3 Investments to the fixed capital (in current prices)

GDP, \$ USA	In % to previous year	Year	Fixed capital investments, in mln rub	In % to previous year
33,247,500	-	2007	6,716,222.4	-
41,276,800	127.7	2008	8,781,616.4	124.1501
38,807,200	73.6	2009	7,976,012,8	94.01698
46,308,500	124.7	2010	9,152,096	119.3297
55,967,200	124.9	2011	11,035,652	120.8573
66,926,900	105.8	2012	12,586,090.4	119.5824
71,055,400	103.1	2013	13,450,238.2	106.1687
80,412,500	89.4	2014	13,902,645.3	113.1687

Source: Federal State Statistics Service RF: <http://www.gks.ru/> , own calculations

Data on investment in fixed assets show an average annual growth of this indicator over the period 2009-2013, more than 13.7%, GDP growth - 14.6%.

Figure 2 GDP of Russian Federation



Source: World Bank,

<http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries/RU?display=graph>

However, while maintaining positive and very high rates of investment activity of Russian companies, the views and plans of the Russian business is still turning to the West (or, more generally - beyond Russia). “Gazprom” expressed intention to become a transcontinental transporter, trying to build and control the key gas artery of Eurasia. “Lukoil” and “YUKOS” (until 2013) have developed a strong expansion in Europe, Asia and even the USA [56]. Overseas expansion in the CIS leaders launched the consumer sector of the economy. Willingness the Russian non-financial companies to invest in the domestic economy is relatively low (as an object for comparison, could be taken the country ranked among the developing markets, such as India and China). The excess of available funds of the company (the oil sector, non-ferrous metallurgy, etc.) Attempted to redirect abroad.

Overseas expansion in the CIS launched leaders of the consumer sector of the economy. Willingness the Russian non-financial companies to invest in the domestic economy is relatively low (as an object for comparison, could be taken the country ranked among the developing markets, such as India). The excess of available funds of the

company (the oil sector, non-ferrous metallurgy, etc.) attempted to redirect abroad.

As a result, in the years 2010-2013 years Russia began to enter the number of countries - the leaders of the size of the legal export of capital of national companies. According to UNCTAD reports, it ranked 15th place by the size of foreign direct investment per year (FDI) and at the beginning of 2012 year reached the 17th place to the volume of accumulated direct investment abroad [57].

Analyze the factors that contributed to the transnationalization of the Russian business, and/or withdrawal of the productive capital from Russia. Among the main factors, are mentioned [58]:

1. Narrowness and the low capacity of the Russian market - both consumer and investment markets;
2. The lack of profitable investment options for funds within the country (rate of return on alternative investments abroad was higher in profitability than investments at Russia after adjusting for risk)
3. The tax climate.
4. Administrative barriers.
5. Corruption.

The question of recommendations to increase cross-border activities of Russian companies can be perceived rather ambiguously. The reason is that in the conditions of the economic environment (without taking into account the factor of the cycle), which are supported in Russia for at least the past 10 years, the Russian business is often forced (under pressure of negative factors) to search ways of capital investment abroad. It is quite clear that it cannot be considered as recommendations to “strengthen corruption”, or tightening of the tax burden. Also beyond our control are factors such as the improvement of the business environment in the host country (as a factor of increasing the investment attractiveness of the country and motivation to the withdrawal the capital to this country (production) [59].

Also worth noting is that the Russian economy is still raw materials oriented. Russia has the world's largest known reserves of natural gas and is the largest manufacturer (see Table 4). In addition, Russia shared the first place in the volume of crude oil, and for

the volume of its exports ranked second. Major coal deposits are in the Komi Republic, in Eastern Siberia and the Far East. Russia is also rich in iron ore, bauxite, nickel, tin, gold, diamonds, platinum, lead, zinc.

Table 4 Extraction of fuel and energy minerals (in millions ton)

	2009	2010	2011	2012	2013
Coal	282	299	310	314	329
Peat	2,0	1.9	1.7	1.7	1.2
Shale	1.2	0.2	-	0.6	0.7
Oil including gas condensate	459	470	481	491	488
Flammable natural gas (natural), bln m ³	633	641	656	653	666

Source: Federal State Statistics Service RF: <http://www.gks.ru/>

Many of these resources are located in Siberia, where long distances, poor populated, harsh climate and permafrost create significant difficulties for the economically efficient production and transportation of raw materials to places of processing and consumption. These factors lead to the fact that most large companies, which are capable for transnationalization, are companies that deal with the raw materials. In particular, from the largest companies can be identified companies, which involved to the mining of oil, gas, aluminum and other natural resources.

Thus, it can be concluded that at the moment the most promising for the transnationalization are raw materials companies.

Now consider the opposite set of influencing factors. Other words, we are interested in, what prevents withdrawal of production and domestic capital outside from Russia.

In this part of the work, we will be mainly interested in what lies within the competence of the companies themselves. Institutional factors will be considered later.

Therefore, to factors and circumstances, which constraint FDI of Russian companies are included [59]:

1. Low competitiveness of domestic business.
2. Russian business does not have a sufficiently representative product line, which could be expanded into foreign markets, so as examples of Russian direct investment abroad, is seen

the traditional horizontal or vertical expansion of the company, such as the metallurgical industry.

3. Wrong choice of sectoral focus of the company. For example, the company can produce products, for which the cost of shipping raw materials and transportation of finished products to the consumer can be too big and others.

The global financial crisis in 2008 has weakened or completely deprived of financial opportunities for all players (not only Russian). Credit market remained (and to some extent remains present) in a state of paralysis. As a result, the volume of world and Russian investments decreased. One-third of the positions lost market of the international mergers and acquisitions. Many have already announced deals had not been completed. Some projects of large companies were under a high pressure on the part of lenders. And the present situation, which has started in 2013, remains the same.

The year 2009 was the most difficult and showed the downfall of many economic indicators. However, by the end of the year were marked some positive shifts in number of regions and number of parameters (for example, the resumption of growth in the US, increasing the rate of growth in China, India, Brazil and other emerging economies. Financial markets began quickly recovering in these conditions. It has supported the market of FDI. The fall of the volume of transactions in this market has stopped. The mood of the players improved. All this created the favorable conditions for the start of market growth in 2010. So, it can be predicted that the same situation can be expected in the future according to the crisis 2013 [60].

As shown above, there are already at least twenty companies in Russia that are transnational in features formulated by UNCTAD: transnational corporations are the largest companies mainly with mononational share capital and the nature of the control over the activities of the entire corporation. TNCs conduct their business activities in other countries through the organization there affiliates and subsidiaries that have separate production and marketing services, products, research and development centers [60].

However, there are a number of problems that limit possibility of creating a new Russian TNCs and transformation of existing companies at this category, the source of which are areas outside the competence of the companies themselves. Let us consider more detailed mentioned problems.

1. The Russian companies are relatively young (average age of foreign-based TNCs and large foreign corporations considerably higher than their middle-aged). Most Russian companies have not reached a stage of maturity that will allow carrying out active expansion abroad. This fact is historically quite objectively, and, is not removable either by the company or through government institutions.
2. Russian companies are too small to acquire actively any significant share in foreign business. Even the largest Russian companies significantly lag behind the average size of existing TNCs. Exceptions - very little.
3. Russian companies have lack of the financial resources, so that the cause of a lack of domestic sources of supply of financial resources, and the cyclically caused by problems in the credit markets. The ability to attract large foreign credits or securities placements on foreign markets is constrained skeptical attitude of investors to Russian business (due to the large number of different reasons, in particular the traditional lack of transparency of Russian companies, the risk of corruption, excessive state participation). Another reason - the financial situation of the companies, the poor quality of assets owned by them.
4. Should be also allocated such factors as the features of corporate model. It has already been pointed out that such a feature is often poorly justified the presence (or the presence of excess) of the state in the capital of the largest Russian companies. The influence that can be exerted on the business from the Russian government may be considered authorizing the acquisition of the business in the recipient country, as the basis for refusal to bargain [61].
5. Business conditions quite difficult at Russia, so that (1) a large business - quite rare; (2) business often prefers to optimize the corporate structure and register the parent holding company in a foreign jurisdiction. This behavior minimizes the political and economic risks arising from the companies belonging to the Russian jurisdiction. Political and economic risks associated with excessive government interference at conditions for doing business, the instability of the political system at Russia, etc. jurisdiction risks due to weak protection of the rights of Russian investors and shareholders, which, among other things, is connected with the imperfection of the Russian law enforcement system.
6. Cannot be excluded that the government rationing foreign investment sizes, informing

the owners about their attitude to their intention to withdraw capital in one or another foreign project.

Thus, it is possible to hold the resulting PEST-analysis (see Table 5) Based on information provided by other sources and above.

Table 5 The resulting table of PEST-analysis

Political factors	Economic factors
<p>Russian companies face political pressure on foreign markets due to sanctions from the USA and EU;</p> <p>Features of the corporate model (the presence of a high proportion of the state capital in the largest companies);</p> <p>Excessive government intervention.</p>	<p>Russian companies have the economic pressures in external markets due to sanctions from the USA and EU;</p> <p>Russian companies have lack of financial resources;</p> <p>The narrowness and the low capacity of the Russian market;</p> <p>The complicated tax climate.</p>
Social factors	Technological factors
<p>Russian companies are relatively young and small;</p> <p>High degree of dissatisfaction of the political governance among the population;</p> <p>Worsening of the demographic situation;</p>	<p>Continuous development of technologies due to the favorable market conditions;</p> <p>Active support for R & D from the government (in particular, the work on the project “Skolkovo”).</p>

Source: Construct by the author based on the data obtained.

Therefore, were examined four main groups of factors. Based on the table above, it can be concluded that transnationalization in Russia is very time-consuming process. There are many barriers to the country's economy to enter the large companies, which are already very small, on the markets of other countries. Of course, there are positive trends that enable companies in Russia still hope for TNCs status. In particular, at this time the state pays a large amount of attention to the technological development of the country. Design and development of the “Skolkovo” project confirms this. It is also necessary to note that many Russian companies are not ready yet for transnationalization. They are too young

and relatively small. The exceptions are companies involved to oil and gas sector of the country [51].

Thus, it can be concluded that the majority of Russian large companies still are not ready for transnationalization. It should be also highlighted the companies operating in the field of extraction and transportation of natural resources, capable of quickly and efficiently transnationalization due to specifics of the market and raw material orientation of the Russian economy. In particular, further will be the evaluation of the potential of transnationalization on the example of JSC “Transneft”, dealing with the construction of Russian trunk oil pipelines.

4.2.2 Assessment of potential of transnationalization of JSC “Transneft”

Stage 3: Analysis the business environment of the company.
This section is devoted to assessing the potential of the transnationalization of “Transneft” on the methodology developed by us in the second chapter of this work. Business environment of the company, financial results of its activities will be reviewed and conclusions will be drawn about the possibility of its transnationalization. In the beginning, is given brief description of the company.

“Transneft “- is Russian transport monopoly, operator of trunk oil pipelines in Russia. “Transneft” owns about 50 thousand km of pipelines with diameters from 420 to 1,220 mm, 386 pumping stations. In general, the company carries 93% of oil produced in Russia and has a monopoly at the Russian market.

Main directions of activities [64]:

1. pumping, coordination and management of the transportation of oil and oil products through pipelines across Russia and beyond;
2. preventive, diagnostic and emergency repair work on oil and oil product pipelines;
3. The coordination activities about comprehensive development of a network of pipelines and other oil transportation facilities;
4. cooperation with the oil pipeline transport enterprises of other countries on oil and oil products transportation in accordance with intergovernmental agreements;

5. the coordination of the activities of organizations in solving the problems of scientific and technical progress in pipeline transport of oil, the introduction of new technologies and materials;
6. attraction of investments for the development of the production base, expansion and reconstruction of the subsidiaries included in the structure of “Transneft”;
7. organization of work to provide protection of the environment in the areas of trunk pipelines facilities.

To further evaluation of the transnationalization of the company will give a brief description of the business environment of the company.

Step 1: Analysis of macro environment of the companies.

The situation in the market of transportation of oil and oil products in Russia has changed significantly with the introduction of new projects in the pipeline transport. Among the participants of the oil business, there is a perception that in this transportation segment railroad soon will be out of work. In the early 2000s, there was a serious and irresistible imbalance in the oil industry in the short term. Capacity of the existing pipeline was not enough for the needs of export of Russian mining companies, in connection with which they were actively looking for other modes of transportation - to bypass “Transneft” system. In particular, a number of industry representatives actively advocated the lifting of the ban on the construction of private pipelines and lobbied that step at the highest level. Another option, and quite quickly realized and in some areas already worked, is the transport of oil and oil products by rail.

In 2014 in Russia, 526,753,000 tons (10.578 million barrels. per day) were extracted [64]. The volume of oil production in Russia in 2014 increased by 0.7% compared to the same period of 2013. This growth was the result of the fact that in the autumn was an active development of new fields.

With regard to the export of oil, then in 2014 in comparison with 2013 year, it decreased by 4.2% to 223.4 mln. Tons. (Table 6)

Table 6 The export of oil by Russia in 2008-2014

Year	Cost, mln \$ USA	Quantity, mln tons	Cost in % to previous year	Quantity in % to previous year
2008	18,471.2	243.1	132.6	94.0
2009	100,593.2	247.5	62.4	101.8
2010	135,799.3	250.7	135.0	101.3
2011	181,812.4	244.5	133.9	97.5
2012	180,929.7	240.0	99.5	95.2
2013	173,669.6	236.6	96.0	98.6
2014	153,887.9	223.4	88.6	94.4

Source: Central bank of Russia,

http://www.cbr.ru/statistics/print.aspx?file=credit_statistics/crude_oil.htm, own calculations

At the same time supply of petroleum raw materials for processing in Russia increased by 5.4% to 248.6 million tons. As a result, during the period, from 2010, the growth in production of petrol (+ 6.4%) significantly lagged behind similar indicators of diesel fuel (+ 10.3%), fuel oil (+ 12.3%) [65]. (Table 7)

Table 7 Production of fuel oil, petrol and diesel fuel in 2010-2014

Product, mln tons	2010	2011	2012	2013	2014	Increase, %
Petrol	36.0	36.7	38.2	39.3	38.3	6.4
Diesel oil	70.0	70.3	69.4	72.6	77.2	10.3
Fuel oil	69.7	70.4	73.7	77.4	78.3	12.3

Source: Federal State Statistics Service RF: <http://www.gks.ru/>, own calculations

Therefore, the economic component of the business environment “Transneft” extremely positive effect on the company's activity and its possible transnationalization. However, there is the legal aspect of the activity in the sphere of oil transportation. Many

countries have imposed a ban on the construction of private pipelines, which, of course, greatly limits the transnational activities of the Russian oil sector. However, there is the possibility of establishing joint projects with similar companies in other countries.

With regard to the social and political components, the first plays practically no role in the transnationalization of company engaged in the construction of oil pipelines, while the political component plays a crucial role in building relations with customers. It is enough to recall the conflict between Russia and Ukraine, which resulted in gas supply failures to Europe.

Step 2: Analysis of the immediate environment of the company.

As the absolute leader in the market of oil transportation in Russia, JSC “Transneft” has no shortage of orders. Competition in the market is practically absent and mostly very poorly represented only by rail.

At the same time, as already noted, in 2014, it began a more active oil production, which will lead to an increase in revenues. In this regard, it may be necessary to increase the volume of oil transportation in Russia and to other states. Legislation completely blocking any development of competition, creates the most favorable area for the company. Government orders, which will undoubtedly do just JSC “Transneft”, creating a constant demand for the company's products.

Step 3: Analysis of the internal environment of the company.

Due to the limited data, represent the analysis of the company internal environment was not possible.

Further follows the analysis of the financial conditions of the company for evaluating the potential of its transnationalization.

Stage 4: Analysis of the financial indicators of the company to determine the possibility of transnationalization.

Step 1: Analysis of paying capacity and financial stability of the company.

For a start to determine the level of solvency of the company. To determine this indicator necessary to examine Table 8

Table 8 Financial results of JSC “Transneft” in 2013 and 2014 (in mln rub.)

Indicator	Value, thousands Rub.	
	2013	2014
1. Total equity	151,553	155,553
2. Non-current assets	692,661	912,838
3. Net working capital	-15,357	-128,85
4. Non-current liabilities	526,082	628,434
5. Permanent working capital	510,725	499,584
6. Current liabilities	252,953	344,419
7. The main sources of formation of inventories	763,678	844,003
8. Inventories and VAT	27,186	7,485
9. Debt ratio	0.86	0.83
10. Excess/ shortage of Net working capital	-42,543	-136,335
11. Excess/ shortage permanent working capital	483,539	492,099
12. Excess/ shortage main sources of formation of inventories	736,492	836,518
13. Type of financial stability	Normal	Normal

Source: <http://www.transneft.ru/> and own calculations

Thus, the solvency analysis shows worsening in many evaluation indicators. During the period under review improved indicators: equity (around 5%), current liabilities (growth by 2.5-3 times), the main sources of formation of inventories (around 10%).

At the end of 2013 and end of 2014, JSC “Transneft” had negative value of equity, and its absolute value by the end of the period had increased significantly. However, the result of this situation was because of the pressure of sanctions. At the beginning of the

period, the company could finance the non-current and current assets due to permanent working capital, which indicated about the normal solvency.

Debt ratio shows the good result. Debt ratio shows the proportion of the organization's assets, which are covered by equity. The remaining share of assets covered by borrowings.

To end of the period, the company could also fund non-current and current assets, even if it took in the negative, then the funding could be due to permanent working capital.

For better understanding the situation lets consider financial ratios (Table 9)

Table 9 Results of JSC “Transneft” activities in 2013 and 2014

Ratios	2014	2013
Profitability		
Return on equity	5.31	15.16
Return on assets	3.15	8.66
Financial strength		
Quick ratio	2.5	2.44
Current ratio	2.64	2.58
Efficiency		
Asset turnover	0.34	0.37
Inventory turnover	5.26	5.87

Source: own calculations

The amount of return on equity (5.31%) above the return on assets (3.15%), due to the presence of a positive leverage effect.

Current ratio and the quick ratio during the analyzed period correspond to the norm (> 2) for which indicates the stable solvency of the organization.

Inventory turnover reflects the speed of inventory implementation. The higher the score, the more efficient use of resources.

Step 2: Analysis of the creditworthiness of the company.

Next, is considered indicator of creditworthiness. The creditworthiness enterprise -

is the company's ability in time to fulfill the obligations assumed by it. To assess the creditworthiness of JSC “Transneft” were compared the assets and liabilities according to the degree of urgency and liquidity (Table 10).

Table 10 Indicators for evaluating the creditworthiness of JSC “Transneft” for 2013 and 2014 (in thousands rubbles)

Assets indicators group	Value		Liabilities indicators group	Value	
	2013	2014		2013	2014
The calculation of current liquidity					
1. The most liquid assets	140,832	111,473	1.The most immediate liabilities	151,221	155,553
2.Quickly realizable assets	96,444	68,812	2. Current liabilities	252,953	344,419
3.Slowly realizable assets	27,943	7,649	3.Non-current liabilities	181,096	146,249
4. Sticky assets	692,661	912,838	4. Undated liabilities	71,856	197,896
Total	957,88	1,100,772	Total	657,126	844,117
Current ratio				1,457681	1,304051

Source: own calculations

Thus, during the analyzed period, the enterprise had not enough highly liquid assets to cover the most immediate liabilities. The gap between these two indicators by the end of the period has increased. This is a negative trend. Nevertheless, the general situation of company shows that it is able to cover all of its liabilities, as evidenced the liquidity ratio.

If all creditors impose their demands, the company will not be able to pay for them. However, promising improved solvency of the company, which is a positive indicator for the company.

Step 3: Analyze the structure of the company's assets.

Next, was examined the structure of assets of JSC “Transneft” (Table 11).

Table 11 Structure of assets of JSC “Transneft” for 2013 and 2014 (in mln rub.)

ASSETS	2014	2013
Non-current assets		
Intangible assets	2.31	0.896
Results of research and development	0.058	0.018
Property, plant and equipment	27.042	6.379
Income-bearing investments in tangible assets	3.571	0.47
Financial investments	876.139	682.758
Deferred income tax assets	1,194	0.159
Other noncurrent assets	2.521	1.978
Total	912.835	692.658
Current assets		
Inventories	0.211	0.346
VAT	7.273	26.84
Receivables	96.61	69.575
Financial investments	40.516	72.417
Cash and cash equivalents	70.957	68.415
Total	215.567	237.593
Total assets	1,128.407	930.257

Source: <http://www.transneft.ru/>

The size of the company's assets for the period under review increased by 198,151 thousand rubles (by 21.3% in relative terms). The highest growth rate was observed in non-current assets 28.3%. Due to this, their share in the balance sheet structure increased. In the structure of current assets the share of financial assets nearly tripled - due to a significant increase in cash balances. The remaining articles of current assets grew at a slower pace, and some decreased, leading to a reduction (though not so significantly) their share in the structure of assets.

Thus, it can be concluded that the company grows and develops, operates quite effectively, as evidenced by the increase in assets. These performance indicators allow us

to speak about the possibility of transnationalization in terms of financial costs.

Step 4: Analysis of the capital structure

Next it was analyzed the structure of capital of the company “Transneft” (Table 12).

Table 12 Structure of liabilities of JSC “Transneft” for 2013 and 2014 (in mln rub.)

Parameters	2014	2013
EQUITY	155.553	151.221
Non-current liabilities		
Borrowings	577.736	518.024
Deferred income tax liabilities	50.697	6.757
Other liabilities	0.577	1.3
Current liabilities		
Borrowings	196,256	70.045
Accounts payable	146.249	181.096
Revenue of the future periods	0.138	0.198
Estimated liabilities	1.775	1.613
Total	1,128.981	930.254

Source: official website “Transneft”, <http://www.transneft.ru/>

In general, the growth of liabilities was 21.2% (which follows from the same asset growth). At the same time, there was an increase in 1/3 of current liabilities (due to the growth of current borrowings). However, there was the decrease of accounts payable (by 34.847 thousand rubles.). Non-current liabilities increased by 102.929 thousand rubles. But in general their share in the company's capital increased only by 1% [51].

During the analyzed period, own capital of the company increased by 4.332 thousand rubles, which corresponds to the growth rate of 3%. Since non-current liabilities of the enterprise are composed almost of borrowings, accordingly, non-current liabilities changes changed in the same way as non-current borrowings.

5 Results and Discussion

Thus, by analyzing the financial performance of JSC “Transneft”, it is possible to identify a number of problems that need to be solved:

- A) Negative net working capital. Significantly worsens the solvency indicators.
- B) A large proportion of accounts payable. Negatively affect on the creditworthiness, solvency and bankruptcy probability. On this indicator the company should work the first.
- C) Share of cash in the asset structure is too large. This part of the asset does not work and does not bring profit.

In connection with the identified problems, which significantly affect at the assessment of the potential of transnationalization, the following the ways of their solution were made:

- repayments from available cash in the assets the portion of accounts payable;
- attracting long-term loan or bond issue for the repayment of accounts payable with its help (substitution of the most immediate liabilities). Formal financial performance of the enterprise allow counting on a loan, or at least on the bond issue. The only problem is that the bond issue of the required amount is too large for the Russian market for now;
- increase the share capital by issuing additional shares and use of additional funds for the payment of accounts payable. The problem in this case is to obtain shareholder approval for an additional issue and their placement.

It should be noted that the situation at the company after the implementation of these recommendations should be improved, which will increase the potential of the transnationalization.

Thus, the following conclusions can be made after analysis:

1. Revealed several opposing trends. Growth of equity is a positive trend. However, this is not enough to compensate the impact on solvency of the growth of non-current assets and the reduction of long-term borrowings. The growth of short-term borrowings and equity also could not completely eliminate the problem of solvency. As a result, the solvency of the period under review became worse.
2. If all creditors impose their demands, the company will not be able to pay for them. The long-term solvency of the company improved. In general, the creditworthiness of the company for the period under review improved. This was due to the increase in the

share of the most liquid assets in the balance sheet structure.

3. In the structure of assets due to money growth, the share of financial assets increased. Assets structure allows maintaining the normal operation of the enterprise.
4. There has been an increase in current liabilities at 1/3 (due to the growth of short-term borrowings) and a decrease in accounts payable. Long-term liabilities increased. The reason of the growth of equity is capitalization of the retained profit of the previous year.

Stage 5: The conclusions of results obtained in the application of methodology for assessing the potential of transnationalization and development of recommendations to improve the prospects of transnationalization.

Thus, having considered the features of transnationalization in Russia, the business environment of the Russian companies and the financial results of its operations, it can be concluded that at this stage of development, the company has a quite good prospects for the transnationalization due to the favorable business environment. As the monopolist on the Russian market, the company can be confident in the effectiveness and sustainability of its activities.

The increase in oil production allows us to speak about the possible need to expand the supply chain of oil to other countries. In any case, in terms of the macro environment and the immediate environment of the company, one of the most ideal conditions for the effective operation of the company were set up. However, the analysis of the financial performance of the company shows that the creditworthiness of JSC “Transneft” is quite low, eliminating the possibility of obtaining loans for carrying out the process of transnationalization.

Therefore it can be said that company has the potential of transnationalization, however, the first should be solved the problem of the financial and operational activities in the Russian market, which will allow to operate at the markets of foreign countries.

6 Recommendations and conclusion

The purpose of this section is to develop a group of recommendations to improve potential of the transnationalization of Russian companies. To achieve this goal it is necessary, taking into account the specifics of the transnationalization of Russian companies and the Russian economy, to develop measures to reduce the negative features of the Russian economy.

Summing up the results of our analysis, as well as the theoretical study of international production sector, the following recommendations addressed to Russian companies for their entry to the level of international production were developed.

The 1st group of recommendations: features of transnationalization in different markets. Due to industry specifics of Russian companies and taking into account the different levels of concentration of countries accumulated fixed assets in different groups, were considered the follows:

- among host countries to pay more attention to countries with transition economies (the former Soviet bloc); in this case the preferred method of entry should be determined in each particular case: in one may be buying (absorption) of a local company (the necessary but not sufficient condition for successful implementation of the project with FDI), and then its essential modernization; in another case - the project from zero;
- in considering options for entry into developed countries should take into account the frequently observed excess capacity, and as a result, relatively more profitable buying opportunity of the existing assets;
- to diversify the geography of business and invest obtained TNCs (including foreign branches) profits in other host countries;

The 2nd group of recommendations: industry-specific at transnationalization. In the process of transnationalization of companies should be taken into account the industry specifics of their activities. Accordingly, with respect to the most developed sectors of the Russian economy were considered the follows:

- For TNCs of gas and oil sector, it is recommended:
 - to increase expansion in the network of gas and petroleum products distribution structure (up to the retailers) as in the traditional markets of the CIS and Europe, and the new for them markets in Asia, the Middle East and North America;

- increase the number of gas-processing enterprises directly in the CIS countries and Europe;
 - form their own tanker fleets of oil and gas companies;
 - acquisition of rights to exploration and exploitation of gas fields and oil in countries with economically favorable situation - the traditional economic and political partner of Russia (Vietnam, Guinea, Guinea-Bissau, Iran, Iraq, Libya, Algeria and others), and on the environment - and countries with conditionally increased investment risk (Laos, Cambodia and others).
- For TNCs mining sector, it is recommended:
- formation of its own dry cargo fleet of mining companies;
 - acquisition of rights to exploration and exploitation of fields of strategic minerals, imported in Russia (bauxite, manganese and chromite ore, titanium and zirconium concentrates, lumpy fluorite, alkaline bentonite, high kaolinite and so on), with the orientation of traffic flows on the Russian enterprises ;
 - acquisition of rights to exploration and exploitation of fields platinum group metals, gold, bauxite, copper, nickel, molybdenum, phosphate, etc., in countries with economically favorable situation -the traditional economic and political partner of Russia (Angola, Cuba, India, Libya, Algeria and etc.), and on the environment - and in countries with a condition-but-high-risk investments (Africa);
 - implementation of projects of short transport schemes minerals flows in Russia (for example, the construction of the Ural metallurgical plants new mines on iron ore deposits in the Kurgan region of Kazakhstan to self-provide high-quality concentrates; development of coal deposits of Chinese Manchuria to the needs of the Russian Far East, etc.).
- For TNCs oil pipeline sector, it is recommended:
- development of joint oil pipeline project with companies of different countries, due to the fact that many countries have market specifics and legislation that pipelines are built by certain companies, which practically eliminates possibility of an independent conclusion of contracts for the construction of their own oil;
 - if you choose the market for transnationalization necessary to be guided by two factors: the presence of a developed and a large oil sector, or the presence of high demand for petroleum products;
 - should evaluate the level of political relations between states into force of sufficiently

strong interconnectedness of oil production and policies in the countries;

- should search for partner companies for doing business in a foreign country under the conditions of a lack of financial resources and lower creditworthiness of the company, which will reduce costs at least at the first stage of transnationalization.

The 3rd group of recommendations: regional specificity of transnationalization. Taking into account the patterns of international production, the regional distribution of production and resources, consisting, in particular, in the growth of value for the modern development of agglomerations, the cluster type cooperation and so on, should be recommended to the Russian TNCs rely on similar structures of economic cooperation, to take into account in their strategies for information about favorable for foreign capital sectors and territories (for example, California, New York, Texas, Illinois and New Jersey - the main areas placement of foreign companies in the United States: these five states absorb half of their products.) [66].

It is important to take into account information about the regions - recognized leaders of particular sectoral specialization. For instance, the company intends to use the competitive advantages of foreign markets in the field of programming, it is advisable to consider the possibility of opening a branch, if not in Silicon Valley, then in Bangalore (India); the firm intends to expand in the media sector - Central London; financial sector company must have branches in London, New York, Hong Kong.

In particular, companies operating in the sector of construction of oil pipelines the most effective region for the deployment activities is the region where there are the main counterparties of the company (suppliers, customers, partners, contractors); regions geographically maximally close to the work area).

The 4th group of recommendations: maintaining the transparency of transactions and activities in general. Based on the experience of failed transactions (for example the recalled agreement on the sale of Pakistan 75% of the shares of the state steel company Pakistan Steel Mills Russian MMK) Russian business can be recommended to avoid the construction of complex asset management schemes, as they create the image of “transparency” of doing business and create a risk of “pitfalls” that arises from the possibility of revising the host party solutions based on “newly discovered facts” (in the case of the MMK - the discretion of the Pakistani side of the threat of transfer of rights to

the assets of the Indian “Mittal Steel “).

The most important advice is for group of companies operating in the commodity and directly related industries, as this activity implies very large contracts. The lack of transparency in such an activity could “scare off” potential customers and partners.

The 5th group of recommendations: the diversification of sectoral specialization of Russian multinationals. Focusing on the strategic objectives of structural reforms in Russia and the change in the long term, the industry profile of the country, it is recommended:

- to diversify the industrial structure of foreign investment, to attempt entry into the service sector, as well as an innovative, knowledge-based industries. Here it is possible rely on the experience of the USA. Thus, in years 1950-1960. US direct investment in Latin America were mainly investments in the primary sector (especially oil), in 1970-1980. - In the processing industry, the end of the century - in the service sector. At the end of 2002, the share of primary industries in the accumulation-represented US direct investment was 5.8% in the region, processing industry - 17.1% and the service sector - about 72.7% [68].

The objects of the direct investment of US TNCs in the region become first of all growing economic systems, characterized by an increase in the standard of living and an increase in the demand for various services (commercial, financial, insurance, management, etc.). Therefore, this area is the top priority and beneficial in terms of attracting FDI of US, in which 610,446 million dollars was invested in 2009, of which 451,722 million dollars has been invested in the financial sector and insurance, in wholesale trade - 67,120 million dollars, professional, scientific and technical services - 9,555 million dollars, in the fields of energy (including gas and electricity-distributing networks) and public utilities -49,081 million dollars.

The 6th group of recommendations: improving the financial performance of companies. The financial condition of the largest Russian companies is such that the performance of their activities and the state (in particular, solvency, liquidity) are quite low, which creates an additional barrier with the transnationalization, as frequently required to carry it out loans. Therefore, were considered it is appropriate the following:

- reduction of the share of borrowed capital in total;
- actively investing in the activities of companies engaged in the most perspective sectors of the economy (in particular, services, information technology);
- improving the assets management efficiency of company.

Thus, in this section six groups of recommendations to improve the potential of the transnationalization of Russian companies have been developed. In the case of the application of these actions, the potential of transnationalization should increase, and the process itself - to pass quite effectively. Sectoral orientation of the economy was also taken into account, its regional component, and others. Overall, our analysis has allowed developing sufficiently effective set of measures to enhance the potential of the transnationalization of Russian companies.

The current stage of development of the world economy is characterized by several fundamental trends. The first trend is the formation of a global world economy.

The second trend is the accumulation of significant capital by large national corporations, whose production is also, has the international significance.

The third trend is the development of technology-intensive global industries that require the participation of labor, financial, industrial and natural resources of many countries at the same time.

Fourth trend seems increasing transnationalization of national economies of individual countries.

The aim of this study was to develop a methodology for the subsequent evaluation the potential of the entrance of Russian companies on foreign markets. All tasks were solved during the study.

It was concluded that the TNCs form the global financial center of economy, which generally affects the functioning and development of the world's production, services, knowledge, information, intellectual capital, the global labor market.

Transnational corporations of the XXI century - a complex socio-economic systems that integrate financial, manufacturing, science and technology, trade, service and control structures, whose activity is the leading actors of the global economy in areas characterized

by a global scale.

Efficient sources of TNC activities have been identified. In particular, the main factor is the effective activities of TNCs international production of goods and services, which represents the output of the parent companies of TNCs and their foreign affiliates based on the internationalization of production.

Also the effective sources of transnational structures are: the use of the advantages of owning natural resources, capital and knowledge; the possibility of optimal location of their businesses in different countries, taking into account a variety of factors; the possibility of accumulation of capital throughout the system; constant awareness about the conjuncture of the commodity, currency and financial markets in different countries; rational organizational structure; international management experience.

It was found that in a market economy the general environmental analysis allows the company to operate more efficiently, advance preparation for the possible negative changes and conversely, seeking to make maximum use of the positive trends of the national economic development.

During the study the following methodology of estimating the potential of transnationalization companies was developed. The methodology consists of five basic steps:

Stage 1: Data collection and processing of information.

Stage 2: The study of transnationalization at the "home" region for the company.

Stage 3: Analysis the business environment of the company.

Step 1: Analysis of macro environment of the companies.

Step 2: Analysis of the immediate environment of the company.

Step 3: Analysis of the internal environment of the company.

Stage 4: Analysis of the financial indicators of the company to determine the possibility of transnationalization.

Step 1: Analysis of paying capacity and financial stability of the company.

Step 2: Analysis of the creditworthiness of the company.

Step 3: Analyze the structure of the company's assets.

Step 4: Analysis of the capital structure

Stage 5: The conclusions of results obtained in the application of methodology for assessing the potential of transnationalization and development of recommendations to improve the prospects of transnationalization.

In general, it should be noted that according to the analysis, the majority of Russian even large companies still are not ready to transnationalization. It should be also highlighted that the companies operating in the field of extraction and transportation of natural resources, capable of quickly and efficiently transnationalization due to specifics of the market and raw material orientation of the Russian economy. In particular, was made the evaluation of the potential of the transnationalization of “Transneft” company that builds Russian main oil pipelines.

According to the analysis, it was concluded that at the current stage of development of the company JSC “Transneft” has quite good prospects transnationalization due to the favorable business environment. Being a monopolist on the Russian market, the company can be confident in the effectiveness and sustainability of its operations.

However, the analysis of the financial performance of the company shows that the creditworthiness of JSC “Transneft” is at a low level, eliminating the possibility of obtaining loans for carrying out the process of transnationalization. Therefore, it can be said that company has the potential of the transnationalization, however the first, must solve the problem of the financial and operational activities in the Russian market, which will allow operating on foreign countries markets.

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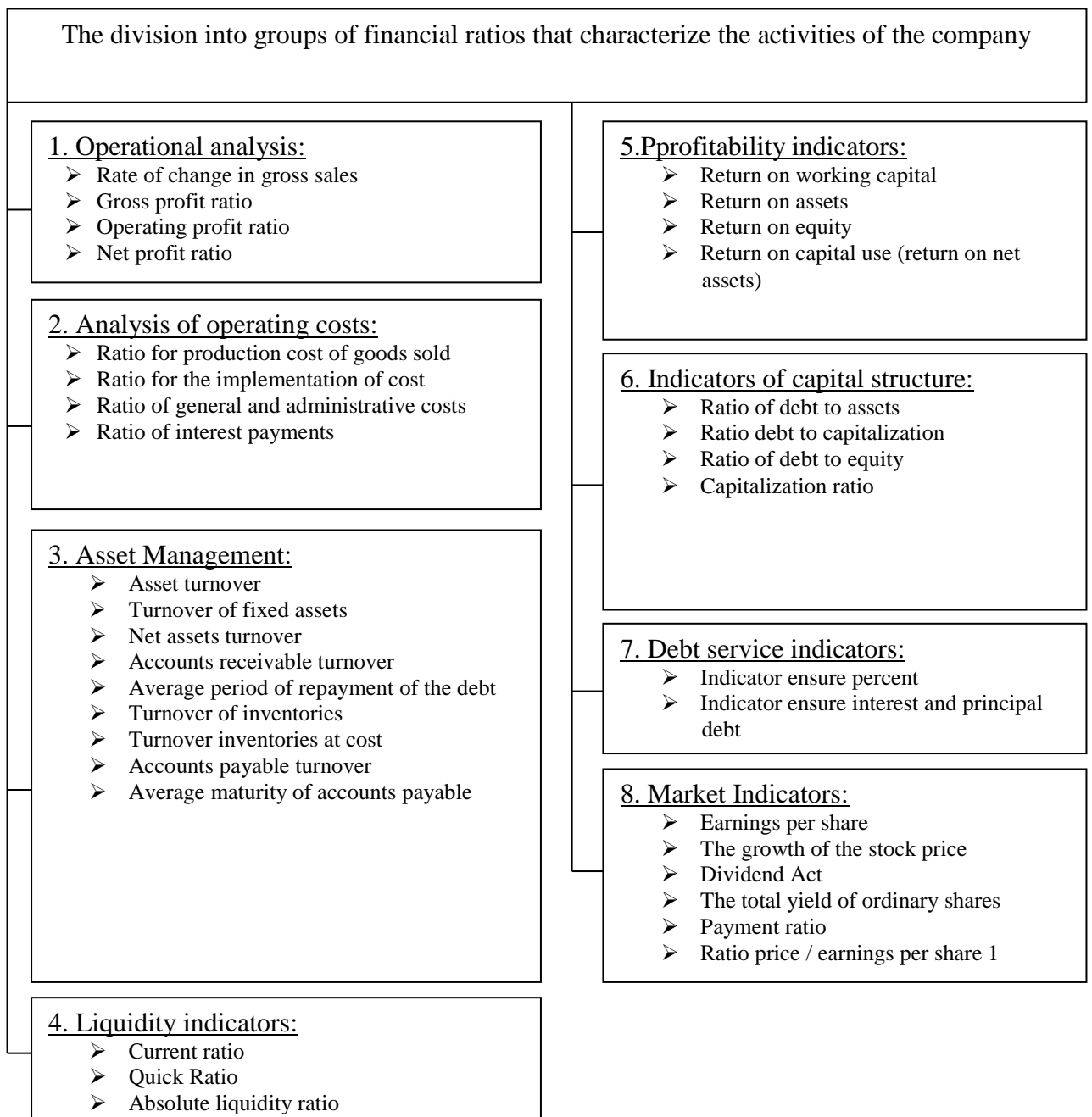
8 Appendices

Appendix 1: The assets of the 10 largest non-financial transnational corporations in the world (in mln dollars)

No	TNC	2008		2009		2010		2011		2012		2013		2014	
		Assets													
		Investments	Total	Investments	Total	Investments	Total	Investments	Total	Investments	Total	Investments	Total	Investments	Total
1	General Electric	180,031	495,210	229,001	575,244	258,900	647,483	448,901	750,507	412,692	673,342	442,278	697,239	430,300	795,337
2	Vodafone Group Plc	187,792	207,458	207,622	232,870	243,839	262,581	247,815	258,626	196,396	220,499	126,190	144,366	230,600	254,948
3	Royal Dutch/Shell Group	73,492	111,543	94,402	145,392	112,587	168,091	129,939	192,811	151,324	219,516	181,122	235,276	196,828	269,470
4	British Petroleum Company	111,207	141,158	126,109	159,125	141,551	177,572	154,513	193,213	161,174	206,914	170,326	217,601	185,323	236,076
5	Exxon Mobil	89,426	143,174	60,802	94,940	116,853	174,278	134,923	195,256	143,816	208,335	154,993	219,015	174,726	242,082
6	Toyota Motor Corp	68,400	144,793	79,433	167,270	94,164	189,503	122,967	233,721	131,676	244,391	164,627	273,853	153,406	284,722
7	Total	70,030	78,500	79,032	89,450	87,840	100,989	98,719	114,636	108,098	125,717	126,450	138,579	143,814	167,144
8	Electricite de France	28,141	120,124	47,385	151,835	67,069	185,527	65,365	200,093	91,478	202,431	111,916	235,857	128,971	274,031
9	Ford Motor Company	81,169	276,543	165,024	295,222	173,882	304,594	179,856	305,341	119,131	269,476	131,062	278,554	127,854	276,459
10	E.ON AG	33,990	87,755	52,294	118,526	64,033	141,260	72,726	155,364	80,941	149,900	94,304	167,565	123,443	202,111

Source: made by author with data UNCTAD: official website – <http://unctadstat.unctad.org>

Appendix 2: Division of financial ratios



Source: Tshenin, R. (2006). International economy and international business. Moscow: KRONUS