

# What mitigates the consequences of recession for companies?

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Experts of the Higher School of Economics (HSE) have demonstrated that companies with foreign ownership have an easier time overcoming the consequences of economic recessions. The results of the study were presented in the paper "Lean against the wind: The moderation effect of foreign investments during the economic recession in Russia," published by the *Journal of Economics and Business*.

Over the last decade, the global economy has faced the deepest recession since the Great Depression. For Russian companies, the recession has been aggravated by the complicated geopolitical situation. Previous research has focused primarily on the macroeconomic consequences of the recession today, while the micro-level has largely been ignored. But it is vital for companies to understand the key drivers that could help them survive during recessions. A strategy to attract foreign capital could be one of the most effective solutions.

The impact that the share of foreign capital has on increasing the competitiveness of Russian companies has been analyzed using a panel database of more than 1,000 Russian public companies covering the period from 2004 to 2014. The researchers used quantile regression techniques that account for the heterogeneity of the analyzed objects. The sample included medium-sized and large companies that varied considerably in terms of their financial indicators.

"The advantage of foreign ownership in non-crisis years was confirmed in previous studies. Comparatively speaking, the results suggest that

during periods of economic growth, access to foreign equity is not the only condition for superior performance. That said, our results demonstrate a completely different picture during recessions, where linkages with foreign partners alleviated the impact of the recession in host countries," said Anna Bykova, Research Fellow at the International Laboratory of Intangible-driven Economy at HSE Perm.

The research has demonstrated that the negative effect of the recession decreases and in some cases completely levels off for companies with foreign direct investments. The empirical findings can be used to develop policies aimed at attracting foreign capital. In addition, looking at Russian companies as an example of emerging markets, the authors concluded that foreign direct investments are especially important for all emerging economies experiencing a [recession](#).

**More information:** Anna Bykova et al, Lean against the wind: The moderation effect of foreign investments during the economic recession in Russia, *Journal of Economics and Business* (2017). [DOI: 10.1016/j.jeconbus.2017.07.001](#)

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