

Roy Olivier,

Student,

Department of International Economics and Management,

Graduate School of Economics and Management,

Ural Federal University named after the first President of Russia B.N. Yeltsin

Yekaterinburg, Russian Federation

Ruzhanskaya Lyudmila S.,

Doctor of Economics, Professor,

Department of International Economics and Management,

Graduate School of Economics and Management,

Ural Federal University named after the first President of Russia B.N. Yeltsin

Yekaterinburg, Russian Federation

VALUE CHAINS AND RUSSIAN SMES: PROSPECTIVE STUDIES*Abstract:*

The author investigates possible prospective study areas, concerning Russian SMEs value chains. This article takes into consideration the obstacles and the trends that influence the development of their value-adding activities.

Keywords:

Value chains, Global value chains, Digitalization, Sustainable value chains, SMEs, sanctions.

SMEs are an essential part of the world economy as being a major source of employment and GDP. Russia is quite an exception in comparison with most of the economic powerhouses. Russian SMEs in 2020 accounted only for 20,8% of the country's GDP and 27% of the total employment. In comparison, during the same time period, American SMEs produced 56% of the country's GDP and employed 52% of the workforce. China has even higher numbers with 60% of the country's GDP and 83% of the total employment[1]. The research literature in the field of Russian SMEs value chains is characterized by a lack of literature. This article will review the literature related to the different trends in value chains in order to illustrate the relevant prospective research of Russian SMEs' value chains.

If we look at the firm level, value chains can be explained as activities that create value and competitive advantages. In Michael Porter's model, these activities can be categorized into 2 parts: primary activities and support activities. Primary activities consist of the essential processes for the enterprise's operation. The support activities are the ones that add value by making the business processes more effective, for example, the implementation of new technologies and HR management[2]. SMEs' value chains are characterized by being restrained to a limited number of value-adding activities. Forming partnership with other companies is a key aspect of SMEs' optimization of their value chains. Efficient supply chains and the distribution of finished products make a significant difference regarding the value chain. Globalization led to an increase in international partnerships, and, in the same vein, this phenomenon increased the participation of SMEs in global value chains. We can associate these global value chains with an interdependency between SMEs and their international counterparts[3]. These mutual relations impacted a significant part of Russian SMEs after the 2022 sanctions on Russia. The disruption of international trade, linked to reliance on global value chains harshly impacts the functioning of many Russian SMEs. This event has drastically increased the probability of defaulting and bankruptcy for those enterprises that relied heavily on international trade[4].

Prospective research areas related to Russian SMEs value chains, while considering the political and economical situation, can be divided into the following groups.

Global value chains. The main actors in the global value chains are undoubtedly multinational corporations, organizing and profiting from global networks of supply chains. Those networks allow lowering costs due to a myriad factors such as making natural resources more accessible for the enterprise participating in global value chains and increase the availability of low-cost labor[5]. Splitting the production at a global scale, this phenomenon fosters the international division of labor and gives the opportunity for resources to be used at their most productive level. Global value chains have a direct positive impact on economic growth and on employment[6]. This international division of value-adding activities has its own risks such as protectionist changes in domestic economic policies, tension in international affairs, trade restrictions provoked by geopolitical reasons, and disease risks such as pandemics or epidemics[7]. SMEs' participation in global value chains is restricted by many factors such as having weak connections with foreign markets, a limited financing, and a low level of technological innovation[8]. To improve the benefits of participating in global value chains, SMEs are required to significantly invest in their technological innovation and conduct improvement in their managerial processes. Generally, the most problematic aspect for SMEs to achieve the requirement to access the global value chains is the obtention of sufficient financing. To solve this problem, governments should develop policies that aim to create the sufficient conditions for simplifying the conditions of obtention of the

necessary financing. Those policies can be reforms in the financial sectors, permitting easier access to credit or grants to enterprises that wish to effectuate the needed changes to participate in global value chains. Government should also motivate technology transfer between enterprises[9].

The level of integration of Russia in the global value chains pre-2022 is considerably not unanimous in the scientific community. Russia's main participation in those chains is mainly concentrated in the primary sector of the economy like metals, minerals, etc.[10]. Nevertheless, even if the integration of SMEs in the world economy is not extensive as in the primary sector, studying the impact of the sanctions inflicted on Russia on SMEs' participation in global value chains is still relevant. The trends related to the change of direction, regarding SME partnerships due to the impossibility of efficiently trading with most western nations, should also be considered for future research.

Digitalization of SMEs and value chains. The increase in computerization of society and the importance of communication technologies affected massively day-to-day life, but also how businesses are functioning. The digital aspect of value chain is not an exception to the rule. The Fourth Industrial Revolution that characterizes the 21st century has a direct influence on the technological development of value chains. This phase of digital transformation related to technology advances can be illustrated, for example, by the advent of autonomous robots, cybersecurity, the importance of big data, the cloud, and many more. Regarding digital value chains, we can attach great importance to diverse components such as IT systems that are interconnected together with numerous entities through the Internet and that improve multiple business activities. The implementation of transformation in digital value chains requires monetary resources and skills that often SMEs don't have, and this has an impact on the speed of the desired digitalization. Government support showed an increase in the successful implementation of those digital changes. There are many examples of countries that opted for the development of policies supporting the digitalization of their SMEs. Among them, Germany, China, and the USA implemented effective policies[11] [12]. Digital value chains can also be integrated into the enterprise's activities like in Porter's model. Some examples of primary activities can be digital manufacturing, online services, and web marketing. Support activities can be illustrated with ICT procurement, IT technology development, or the use of digital infrastructure, just to name a few[13].

The pace of digitalization of Russian SMEs can be described as slow, due to diverse factors such as the low support of the Russian government to SMEs and the scarcity of financial resources for the integration of digital technology[14]. Prospective studies on the matter could give a better understanding of the ongoing processes of digitalization in SMEs and the digital value chain trends related to it.

Sustainable value chains. Sustainability plays a growing role in international politics and, as far as public interest grows regarding sustainable issues, myriad countries introduce measures to promote advancement in this field. For enterprises, sustainable goals can be described as the coordination of business activities to maintain a balance between growth and resilience, regarding the environment, economic and social spheres. These practices also aim to reduce the impact of production on future generations. This growing interest in sustainability increased the relevance of circular economy in the scientific community. There is a lot of definitions of circular economy, but it can be briefly explained as an economic system that aims for the sustainable generation of resources, replacing the "end-of-life" concept of the linear economy by augmenting the reuse of products. It also aims to increase the use of renewable energy and the sustainable elimination of waste[15]. A circular economy could have drastic repercussions on global value chains and, therefore, on SMEs. Primarily, it could provoke a reduction of actors that are involved in the value chains and the distance between actors in order to maximize the sustainable aspect of those goods. This change in value chains would give more negotiating power to SMEs participating in those sustainable value chains in comparison with the case of global value chains and reduce the international aspect of value chains[16].

The possibility for SMEs to participate in sustainable activities arise from the fast rate of technological innovation and globalization processes[17]. The value-adding potential of sustainability resides in the fact that, with the rise of sustainable awareness, consumers are ready to pay more for products that were produced considering sustainability and the increased bargaining power of small actors in the case of circular economy's value chains. Sustainable value chains consider the actions of enterprises, concerning improvement in sustainability, in their value-adding stages[18]. Many aspects can negatively influence the potential development of sustainable value chains. For instance, the lack of interest from consumers regarding sustainability, the lack of digital integration in value chains, and the inadequate sustainable initiatives from governments are examples of factors constraining sustainability in SMEs[19].

Prospective study opportunities for sustainable value chains in Russian SMEs are wide-ranging. Sustainable value chains prevalence in Russian SMEs is underresearched and the potential of sustainability for such enterprises in the context of the sanctions on Russia deserves to be looked into more thoroughly. It can also be relevant to study Russian consumer eagerness toward sustainable products.

In conclusion, the integration of a part of Russian SMEs into the global value chains has been severely fragilized due to the recent implementation of economic sanctions on Russia. Several aspects of SMEs' value chains have to be explored in this new context such as examining the trajectory change of the search for partnership, investigating the situation related to the digitalization of value chains, and evaluating the potential for sustainable value chains. Prospective study areas are plenty and there is a necessity to understand how SMEs' value chains are being restructured in reaction to current events and growing trends in order to assess their development.

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