

ST. PETERSBURG STATE UNIVERSITY
GRADUATE SCHOOL OF MANAGEMENT
MASTER IN MANAGEMENT PROGRAMM

**CHALLENGES THAT SME'S FACE DURING THE SCALING IN RUSSIA: THE CASE
OF DISTRIBUTORS OF AUTOMOBILE LUBRICANTS**

Master's Thesis
by the 2nd year student
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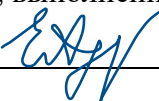
St. Petersburg
2023

**ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ
ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ**

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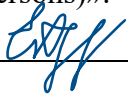

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**STATEMENT ABOUT THE INDEPENDENT CHARACTER OF
THE MASTER THESIS**

I, Emelianova Anastasiia (second) year master student, program «Management», state that my master thesis on the topic “Challenges that SME's Face during Scaling in Russia: The Case of Official Distributors of Automobile Lubricants”, which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

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Abstract

Master Student's Name	Anastasiia Emelianova
Master Thesis Title	Challenges that SME'S face during the scaling in Russia; the case of distributors of automobile lubricants
Faculty	Graduate School of Management
Major Subject	Master in Management
Year	2023
Academic Advisor's Name	PhD, Dr. Ioannis P. Christodoulou
Description of the goal, tasks and main results	<p>The goal of the research is to understand the way the SMEs in Russia face challenges during the scaling at the case of automobile lubricants distributors.</p> <p>This work is based on a qualitative method of the research. The type of data which is used is secondary data (government data, academic articles, market research reports, company's reports) and primary data (interviews with top-managers (CEO) of Russian SMEs).</p> <p>The interview covered aspects of current business development, what scaling measures are being taken, which of them have been successful, and what difficulties the company is experiencing.</p> <p>Some internal challenges concerning scaling of SME's have been revealed:</p> <ul style="list-style-type: none"> - the absence of business strategy, - poor recruitment, - some CEOs have a desire for total control, - most companies have a lack of long-term goals, - ineffective marketing strategy results in waste of time and financial costs and leads to business decrease, - infrastructure issues increase in size due to scaling the business. <p>There are also external challenges that Russian small and medium enterprises face:</p> <ul style="list-style-type: none"> - logistic difficulties, - lack of import details, chemicals and other things necessary to produce the goods, - companies that used to sell imported products in Russia are now forced to change their product line and rebuild some business processes. <p>Recommendations are the following:</p> <ol style="list-style-type: none"> 1) SME's should pay more attention to the business strategy development, define their mission, vision and values of the company, 2) setting long-term goals, 3) using the Business Model Canvas, 4) conducting sales and business training for managers and team buildings within the company, especially in the period of active growth.
Keywords	SME (small and medium-sized enterprise), small and medium business, distributors, automobile lubricants, Canvas business model, marketing strategy, business strategy, scaling the business,

	scaling problems
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Аннотация

Автор	Емельянова Анастасия
Название магистерской диссертации	Проблемы малого и среднего бизнеса в процессе масштабирования в России: на примере официальных дистрибьюторов автомобильных смазочных материалов
Факультет	Высшая Школа менеджмента
Специальность	Менеджмент
Год	2023
Научный руководитель	Доктор наук, Христодоулоу Иоаннис
Описание цели, задач и основных результатов	<p>Цель исследования - понять, как малые и средние предприятия (МСП) в России сталкиваются с проблемами при масштабировании на примере дистрибьюторов автомобильных смазочных материалов.</p> <p>Данная работа основана на качественном методе исследования. Используются вторичные данные (государственные данные, научные статьи, отчеты об исследованиях рынка, отчеты компаний) и первичные данные (интервью с топ-менеджерами российских МСП).</p> <p>В ходе интервью были рассмотрены аспекты текущего развития бизнеса, какие меры по масштабированию предпринимаются, какие из них были успешными, какие трудности испытывает компания.</p> <p>Были выявлены некоторые внутренние проблемы, связанные с масштабированием МСП:</p> <ul style="list-style-type: none"> - отсутствие бизнес-стратегии, - плохой подбор персонала, - стремление некоторых руководителей к тотальному контролю, - у большинства компаний отсутствуют долгосрочные цели, - неэффективная маркетинговая стратегия приводит к потере времени и финансовых затрат и ведет к сокращению бизнеса, - проблемы с инфраструктурой увеличиваются в связи с масштабированием бизнеса. <p>Существуют и внешние проблемы, с которыми сталкиваются российские малые и средние предприятия:</p> <ul style="list-style-type: none"> - трудности с логистикой, - отсутствие импортных деталей, химикатов и прочего, необходимого для производства товаров, - компании, которые раньше продавали в России импортную продукцию, теперь вынуждены менять линейку продукции и перестраивать некоторые бизнес-процессы. <p>Рекомендации следующие:</p> <ol style="list-style-type: none"> 1) МСП следует уделять больше внимания разработке бизнес-стратегии, определить свою миссию, видение и ценности компании, 2) установить долгосрочные цели, 3) использовать бизнес-модель Канвас,

	4) проводить тренинги по продажам и бизнесу для менеджеров и командообразование внутри компании, особенно в период активного роста.
Ключевые слова	Малые и средние предприятия, малый и средний бизнес, дистрибьюторы, автомобильные смазочные материалы, бизнес-модель Канвас, стратегия маркетинга, бизнес-стратегия, масштабирование бизнеса, проблемы масштабирования

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1. Introduction

1.1 Relevance of the study

Small and medium-sized enterprises are a significant and important component of the country's economy. Small and medium-sized businesses provide a huge number of jobs, therefore, with the development of small businesses, such problems as unemployment and low incomes of the population are solved. Thus, it is necessary to understand what factors have a positive impact on the existence and development of small and medium-sized enterprises, as well as what factors have a negative impact.

There are no doubts that small businesses face with the huge amount of different challenges while growing and developing their company. But all these challenges can be divided into two major groups: internal factors and external ones. Some entrepreneurs concentrate only on internal factors, as they suppose that they are not able to change the external factors. Nevertheless, the effectiveness of business depends not only on internal factors, but on external factors as well. In this regard companies should analyze all risks based on internal and external resources and adapt their strategies of business development to the situations in the world and global economy. Unfortunately, there are some risks with a serious negative influence that are difficult or impossible to predict in the modern world. For instance, the geopolitical situation in the world in 2022 and the economic sanctions against Russia and Russian companies have become a serious obstacle and have made significant changes to the strategic development of small and medium-sized enterprises in Russia. Therefore, in this case companies should take urgent anti-crisis measures and change the development of strategies in order to survive this crisis with minimal losses and sustain their business.

This work will be concentrated on the such type of small and medium-sized enterprises as official distributors of Russian automobile lubricants in Russia. These companies nowadays have good opportunities for growing and scaling the business, as due to the economic sanctions against Russia in 2022 there are no official representatives of foreign brands in Russia such as Shell, Castrol, Mobil and etc. And the amount of such products sharply reduced in the country and the prices increased a lot. That is why Russian brands as Gazpromneft, G-Energy, Lukoil have opportunities for scaling the number of sales in the country. But at the same time these companies who are official distributors of these brands face with different challenges that may also be caused by these economic sanctions or by other factors. So, from my perspective, it is actually essential to find out what are the main difficulties and challenges faced by Russian distributors of automobile lubricants, how they change their strategies during the crisis situations

and to identify what measures could be implemented in order to have a more stable position on the Russian market and scale their business.

The **motivation** of this research is that the issue of a stable development of small and medium-sized businesses in Russia is very acute, especially at present due to the difficult geopolitical and economic situation in the world. While large enterprises and state-owned corporations have a more stable condition because they have a margin of safety, small and medium-sized enterprises suffer losses. It is necessary to understand which factors have a negative impact on the small companies and to take them into account while elaborating a new strategy development of the company in order to take the company to a higher level.

So, the **aim** of this thesis is to provide insights on how official distributors of automobile lubricants in Russia could scale their business more successfully in the new reality of the world economic conditions.

In order to achieve the aim the following **objectives** were set:

- to identify the current status of business strategies by SMEs,
- to identify the internal and external factors that negatively influence the growth of SMEs in Russia;
- to provide practical recommendations for top-managers of Russian SMEs on how to overcome these difficulties.

Research field of this work is Strategic and Crisis Management.

1.2 Research gap

The problem of scaling in Russia has a lot of peculiarities that should be taken into consideration according to the current economical and political situation of Russia in the world. Concerning analysis of possible ways of scaling up the business, various factors need to be taken into consideration. The first one concerns potential risk situations which can occur if the choice of scaling-up strategy is made in a quick mode. The second one concerns a tendency beneficial for customers (with the condition when the cost of producing goods or services is reduced).

This approach needs more sufficient analysis in business circles. There is the lack of scientific research on this topic has direct implications on academic studies of SMEs in Russia, as well as prevents the practical application of such research by businesses on the automobile lubricants market.

1.3 Research questions and aim of the study

Research goal of the thesis is to understand the way the SMEs in Russia face challenges during the scaling at the case of automobile lubricants distributors.

Research questions of this thesis are the following:

1. What are the main internal factors that hinder the growth of small and medium-sized enterprises which are official distributors of automobile lubricants in Russia?
2. What are the main external factors that hinder the growth of official distributors of automobile lubricants in Russia?
3. What changes should official distributors of Russian automobile lubricants implement in their business strategies in order to scale the company?

Research methods

This work is based on a qualitative method of the research. The type of data which is used is secondary data (government data, academic articles, market research reports, company's reports) and primary data (interviews with top-managers (CEO) of Russian SMEs).

The main steps of the research:

1. Creation a theoretical background through the analysis of articles in the field of management, government data and economic reports.
2. Conducting a qualitative research using interviews of Russian top-managers of official distributors of automobile lubricants.
3. The analysis and systematization of the received information in order to, firstly, understand what are the main challenges that have a negative influence on such enterprises in Russia during the scaling, and then identify the measures and advice that could help the companies to overcome such difficulties and to continue growing the business.
4. The development of practical recommendations for Russian SMEs how to improve their stability during the scaling.

The interview will cover aspects of current business development, what scaling measures are being taken, which of them have been successful, and what difficulties the company is experiencing.

2. The role of scaling for small and medium enterprises

2.1 Basic concepts and definitions

Small and medium-sized enterprises play a significant role in the economy of their country. The SMEs have an ability to quickly change the vector of development and adapt to the new reality due to the flexibility.

There is not an exact definition of small and medium-sized enterprises all over the world, all the countries define approximately size of such firms by themselves. And as we are going to study Russian SMEs, so we need to consider how the Russian government define this term. According to the Federal Act of 24.07.2007 № 209-FZ “On the development of small and medium-sized enterprises in the Russian Federation”, "Small and medium-sized enterprises have to be registered in accordance with the legislation of the RF and in accordance with the conditions of economic societies, economic partnerships, production cooperatives and agricultural consumer cooperatives, farms and individual entrepreneurs” (The Federal Law from 24.07.2007 г. № 209-FL).

The maximum number of employees in Russian SMEs are the following:

- up to 15 employees – for micro-enterprises
- up to 100 employees – for small-enterprises
- from 101 to 250 employees – for medium-enterprises.

It can be concluded that a small enterprise usually includes from 16 to 100 people.

There are 4 main types of business organization of small enterprises:

- sole proprietorship,
- partnership,
- corporation,
- LLC (Limited Liability Company) (Meytland, 2014).

Small enterprises have a single owner. All the management works are controlled by the owner.

It is well known that small business and private entrepreneurship are among the main directions of forming a market economy, as they have a possibility to create competition in the chosen business sphere, ensure socio-economic development and provide customers with the necessary goods and services. From this point of view, small business and private entrepreneurship are important factors for economic development, employment and income growth.

Small and medium-sized enterprises (known as SMEs), can be described as follows:

- they focus on creating new products or services;
- are capable to adapt fast to the changing requirements of the market;
- play a vital role in shaping a country's economy;
- are open for innovative system;
- they stimulate competition for the desining of products, prices and efficiency.

Besides, the Russian government also define the maximum value of earnings for each category of small and medium-sized enterprises, which are the following:

- 120 million rubles per year – for micro-enterprises
- 800 million rubles – for small enterprises
- 2 billion rubles – for medium enterprises.

2.2 The concept of business strategy and crisis management

It is impossible to successfully develop and scale a company without a clear business strategy. The mistake many small businesses make is that they don't consider developing a business strategy as an important step in the business process. However, the lack of understanding of the company's mission and clear goals leads to the fact that leaders or managers can make wrong decisions, experiencing psychological pressure. And these decisions, in turn, lead to a slowdown in business, and not to its growth. Thus, we need to consider the term business strategy and what it includes.

Business strategy refers to the long-term plan of action formulated by a company or organization to achieve its goals and objectives. It involves defining the company's mission, vision, and values, and determining the course of action to be taken to achieve these objectives.

A business strategy is one of the key instruments that companies should plan profoundly, without taking quick decisions or choosing the strategies with the most advantages. Business strategies involve an analysis of the company's strengths and weaknesses, as well as an assessment of the external business environment which is presented with competitors and customers' needs. The results obtained while analysis perform potential opportunities and threats to the businesses.

The ultimate goal of a business strategy is to create a sustainable competitive advantage for the company, enabling it to differentiate itself from competitors and achieve long-term success in the marketplace. A business strategy can take many forms, depending on the company's goals, resources, and market conditions, and may involve a combination of tactics such as product development, marketing and advertising, pricing, distribution, and partnerships or collaborations with other companies.

Effective strategic development can help organizations to adapt to changing market conditions, seize opportunities, and achieve long-term success. It requires careful planning, collaboration, and a willingness to take calculated risks.

Crisis management refers to the process of preparing for, managing, and responding to unexpected or high-risk events that can threaten an organization's reputation, operations, or financial stability. A crisis can take many forms, such as a natural disaster, cyber-attack, product recall, or financial scandal.

Effective crisis management requires strong leadership, clear communication, and a focus on minimizing the impact of the crisis on the organization and its stakeholders. It also requires a willingness to learn from past experiences and continually improve crisis management processes.

In a globalized economy, the company is constantly faced with crises of varying degrees of complexity. The economic crisis is characterized by a decrease in effective demand and an increase in uncertainty. Generally, crisis is unexpected and negative-oriented event which often leads to negative consequences for companies and economy as whole. The economic crisis has a significant impact on the market situation, affecting solvent demand, which forces firms to adapt strategies to suit the external environment. There is no doubt that implementation of effective crisis management is one of the conditions of successful business. Therefore, it is important for companies to have an approximate developed set of anti-crisis measures that can be quickly implemented and adapted to a specific crisis in the process.

But at the same time in the context of the crisis, entrepreneurial strategies have a positive impact on the performance of small and medium-sized businesses, as they allow them to fully use their competitive advantages over large companies, such as flexibility and rapid adaptability to changing conditions. However, in order to successfully overcome a crisis and improve business, the companies should understand which strategies are really useful and appropriate for small and medium-sized enterprises.

There are some researches based on the determination of the relationship between competitive strategies and SME's performance during the economic crises. Skaletskiy and Shirokova demonstrate in their article that one of the most often used strategies for small and medium-sized enterprises is differentiation (Skaletskiy, Shirokova, Gafforova, 2018). Differentiation means meeting customer needs in a unique way, creating added value through product design, quality, size and type of features, customer service and etc. Innovative differentiation is based on the use of the human capital of the entrepreneurial team and intellectual resources, which, in the face of a lack of other types of resources caused by the economic crisis, becomes the main source of survival and growth for small and medium-sized businesses. However, the implementation of an innovative differentiation strategy requires a

significant investment of resources to create unique product characteristics that will distinguish them from competitors.

G. Ivanus and A. Repanovici in their article “SME’s innovation strategy for business continuity and crisis management” define the term “crisis management” as a company to deal with system – wide crises that threaten the business (Ivanus G., Repanovici, 2016). Anti-crisis measures developed in advance will help companies prepare for a possible crisis and survive it with minimal losses.

Business Continuity Institute define the term “business continuity management” as a holistic management process that identifies potential impacts that threaten an organization and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities (Ivanus G., Repanovici, 2016).

Ivanus and Repanovici make a conclusion that innovation is a really good measure for SME’s to implement during crises and recession period in order to overcome them with minimal losses. In the article they describe several types of innovations. One of them is development of new products, the other type considered in the text is disruptive innovation that creates a new market by applying a different set of values, which ultimately overtake an existing market (Ivanus G., Repanovici, 2016).

Paul Hong in his research also notes that small and medium-sized enterprises are less capable in dealing with crises compared to the large companies, but claim that SMEs proactively deal with crisis with limited resources. SMEs detect the sign of crisis earlier or read the implications of smaller crisis on their overall operational results (Hong, Huang, Li, 2012). Many of SMEs despite the fact that they have weaker market positional power demonstrate their unique methods of crisis management. Moreover, Paul Hong highlight that SMEs better find opportunities for business development during the implementation of anti-crisis measures by moving beyond its existing customers and daring to tackle bigger export markets.

To sum up, on the basis of the articles analyzed, it can be concluded that small and medium-sized enterprises always feel the influence of economic crises on their businesses. But this influence can be both negative and positive for small and medium business and depends on the strategy implementation in the conditions of crises. Moreover, several researches demonstrated that one of the most popular and useful strategy for SMEs during the crisis is innovative differentiation strategy. It is much easier to apply this strategy for different conditions and various types of crises as small and medium-sized enterprises can much faster adapt their development strategies and businesses to new economic reality than large companies which have more complicated business structure.

2.3 The Business Model Canvas framework

The appropriate business model plays a strategic role in each business. Due to the various management and economic studies devoted to business models, several effective business models are used nowadays within different companies. They include a balanced scorecard, value creation, universal quality management, strategic business planning, business process hierarchy, controlling etc.

The business-model Canvas is based on "lean production" paradigm which is aimed at elimination of losses and fulfilling production processes aimed at customers' needs (Lyasnikov, 2015, p. 35). The described concept is aimed at business structure development in long-term basis.

The concept (business-model Canvas) was proposed by A. Osterwalder and I. Pinho (Osterwalder, 2010) to increase the efficiency of business management.

The key concept of this model is offering value to customers (Clark T., Osterwalder A., Pigneur Y., 2012). For a more sustainable characteristic the definition of 'value' needs to be studied as well. Value means the ability of an entrepreneurial structure to solve customer problems by offering from a particular product, as well as by differentiating the offer by consumer segments. This way Canvas is most suitable for personalized offers of goods and services development for certain consumer groups (Lyasnikov, 2015, p. 36).

There are various frameworks used for research on business scaling of SMEs in Strategic Management, but we will focus our research on the one of them, which is The Business Model Canvas. The Business Model Canvas has nine building blocks: customer segments, value propositions, channels, customer relationships, revenue streams, key activities, key resources, key partnerships, and cost structure.

The Business Model Canvas



Figure 1 – The Business Model Canvas (Osterwalder, Pigneur, 2010)

In the Canvas structure the Customer Segments Building Block plays a significant role as it defines the key segments of business which bring profit (Osterwalder, Pigneur, 2010). It is obvious that customers' demand is essential for enterprise's current state and future development.

As the creators of this model explain, customers' analysis should be performed in a form of distinct segments with appropriate or common attributes (Osterwalder, Pigneur, 2010). By doing so, the company can develop targeted marketing strategies, tailor their value proposition to meet specific customer needs, and provide better customer service.

By defining and targeting specific customer segments, businesses can create a more efficient and effective business model. They can focus their resources on the most profitable customer segments, develop products and services that meet specific customer needs, and build strong relationships with their customers. This can lead to increased customer loyalty, higher revenues, and a more sustainable business model.

The next crucial component of the Business Model Canvas is the Value Propositions Building Block. Alexander Osterwalder and Yves Pigneur defined it as the bundle of products and services that create value for a specific Customer Segment (Osterwalder, Pigneur, 2010). To create a strong Value Proposition, companies must have a deep understanding of their target customer segments and their needs. They must identify the pain points and challenges that their customers face and develop products and services that address these issues. This requires market research, customer feedback, and a thorough analysis of the competitive landscape. A strong

Value Proposition can differentiate a company from its competitors and provide a competitive advantage. By offering a unique bundle of products and services that meets the specific needs of a customer segment, companies can attract and retain customers, increase customer loyalty, and ultimately drive revenue growth.

Channels are the various ways through which a company interacts with its customers. They serve several functions, including raising awareness among customers about a company's products and services, helping customers evaluate a company's Value Proposition, allowing customers to purchase specific products and services, delivering a Value Proposition to customers, and providing post-purchase customer support. It identifies all possible ways to contact customers, from the very first stage of familiarization with the product to after-sales service. At this stage, it is necessary to answer questions about how the value proposition, which was previously considered, is promoted, sold and delivered; how effective these channels are, convenient for customers and whether they are completely satisfied with them.

Customer relationships are also important for analysis. Based on the segmentation of consumers, forms of building relationships between the company and customers should be built. For example, it can be a self-service, personal or automated service-based interaction, by creating dedicated communities for customers to communicate, share ideas and solve problems on social networks, mobile applications or other platforms, and by engaging customers to participate in the creation or improvement of a product or service.

Thus, the combination of the tools of A. Osterwalder's business model and the model of forming a value proposition makes it possible to form a complete understanding of how the company competes in its selected markets, and also helps to formulate the optimal value proposition that will allow the company to function and develop efficiently (Grigoryeva, p. 73).

The book "Business Model Generation" by Alexander Osterwalder and Yves Pigneur also provides case studies of companies that have used the Business Model Canvas to innovate and transform their businesses (Apple, Amazon, Google). The authors point out that Canvas can be used by businesses of all sizes, from startups to established enterprises.

One of the key benefits of the BMC is that it is a flexible and adaptable tool that can be used by businesses of all sizes, including small and medium-sized enterprises (SMEs). In fact, several studies have shown that the BMC is particularly useful for SMEs, which often have limited resources and face a range of challenges when it comes to designing and implementing effective business models.

For example, a study by Biemans and Vermeulen "Business model canvas adoption: an explanatory study among startups in the Netherlands" (2016) found that the BMC was a useful tool for SMEs in the creative industries. The study also found that the BMC helped SMEs to

communicate their business models to stakeholders, including investors, customers, and employees (Biemans, Vermeulen, Looise, 2016).

The management concept (business-model canvas) also assumes that the entrepreneurial structure should set its own client priorities, in particular, highlight the pool of key, that is, the most important customers (consumers who form the main income of the business) and the total pool of customers (consumers who form residual business income).

Similarly, a study by Manzano, Ayala and Navas-López “Business model innovation and its effect of firm performance in the hospitality industry” (2018) found that the BMC was a useful tool for SMEs in the hospitality industry (Manzano, Ayala, Navas-López, 2018). The study found that the BMC helped SMEs to identify and prioritize customer segments, develop value propositions that met customer needs, and design effective channels and customer relationships. The study also found that the BMC helped SMEs to develop more innovative and sustainable business models.

Overall, the academic literature suggests that the BMC is a valuable tool for SMEs in a range of industries. The BMC can help SMEs to overcome the challenges of designing and implementing effective business models by providing a structured and visual approach to understanding the key elements of a business model. The BMC can also help SMEs to communicate their business models to stakeholders, including investors, customers, and employees. As such, the BMC is a powerful tool that can help SMEs to achieve sustainable growth and success.

2.4 SMEs Scaling Models

Small and medium-sized enterprises are aimed at improving their efficiency and increasing sales as these factors form the basis for gradual and constant development. For this reason, companies can increase sales in 2 ways – to expand the market or to increase market share. In some situations reducing costs and optimizing business activities become the ways to improve efficiency as well (Ekaterinoslavsky, Medvedeva, Shchenkova, 2010).

Scaling up a small business should be maintained in accordance with economic and political situation in the region, country or the world. There are some key criteria for small companies to be scaled which have to be taken into consideration:

- the potential for expansion,
- profitability of the industry,

- pricing and investment opportunities,
- product life cycle stage (Abchuk, 2006, p. 249-250).

The next step to scale up small enterprises is an effective business strategy aimed at maintaining conditions for efficient development. Among the important challenge managers should consider different business models advantages, disadvantages and risks while scaling up.

When implementing a phased small business scaling strategy, it is necessary to develop and implement a number of measures and management decisions aimed at ensuring planned economic-organisational indicators. The main recommendations to fulfil this process effectively are as follows:

- to define the goals of scaling up the small business structure,
- to identify the constraining barriers and opportunities in the internal environment,
- to identify threats and opportunities in the external environment,
- to assess the risks of the possible scaling-up options and to determine which is the most appropriate for the organization,
- to establish objectives and sub-objectives and identify key steps for scaling up the business,
- to make a plan for the implementation of the selected a small business development strategy,
- to implement the activities of the selected strategy and adjust it depending on external and internal environment (Krupanin, 2013, p. 102).

There are the following models for scaling up a small business:

- development of a federal network,
- setting up remote sales,
- franchising,
- the purchase of existing businesses (Vatutin, Trishin, 2013, pp. 19-20).

In the following, the advantages, disadvantages and risks of these models will be discussed in detail.

The first model – 'The development of a federal network' comprises that the owner develops the network independently or by attracting borrowed financial resources.

The positive sides of implementing the first model are:

- full control over cash flows,
- centralization and high level of commercial activity management,
- possible diversification of its activities,
- possibility to combine the functions of a wholesale and retail trade,

- control over the quality of service provision at the network points (Vatutin, Trishin, 2013, p. 20).

However, the following negative sides are also common to appear, for example:

- both high entry and recurrent investments for network development;
- slow growth due to financial, labour and time costs;
- the human resource issue, which is the first and foremost, the factor to be highlighted is a shortage of qualified workers (Vatutin, Trishin, 2013, p. 20).

The next model for small business scaling is the remote sales setting. It is more suitable for companies producing goods (not offering service). According to the type of sales, the companies must have a website which has to be optimized for regional operations.

In this case, geo-targeted online advertising is set up for each specific location. This way of scalability enables companies to sell their products in both global and regional markets without incurring expensive external costs for setting up branches, that significantly reduces their financial costs. Advertising and promotion costs take the most part of costs.

Though there are some disadvantages of this model. It can be implemented only for businesses which do not demand personal contact with customers. In addition, in order to operate effectively, it is necessary to properly organise the sales system.

Another specification is the need to build a sales and logistics system properly, which also implies financial and time costs (Vatutin, Trishin, 2013, p. 22).

The next model for scaling a small business is franchising - a way of organizing business relationships between two financially independent organizations (franchisor and franchisee), which implies the transfer by the franchisor of a ready-made business model, business and technical methods of doing business, know-how, trademark and other intellectual property for the use of the franchisee (Shakhova, 2013, p. 47).

This model offers various advantages to small enterprises:

- income from the sale of the franchise;
- the opportunity to maximize presence in regions;
- quick increase of brand recognition;
- minimum initial investment (the franchisee invests money to open a trading point);
- the possibility of obtaining a high discount from suppliers, a wholesale price and a more loyal attitude from the stakeholders.

Consequently, in this paragraph 3 business models have been described – the development of a federal network, remote sales setting and franchising. Companies take the advantages, disadvantages and risks offered by these models in order to choose the most appropriate business model at the current operational and development stages of the company.

2.5 SMEs problems during scaling

2.5.1 Government ways to support small and medium businesses

The experience of developed countries shows that small business plays a significant role in the economy, influencing economic growth growth, accelerates scientific and technological progress, saturates the market with quality goods, solving urgent economic, social and other problems of the state. Small businesses assume a number of state functions, including: innovation, creation of additional jobs, maintaining competitive environment, and the related counteraction to monopoly, increase of professional activity and expansion of consumer demand (Saibel, Saibel, 2015) Thus, small manufacturing enterprises represent the most dynamic and flexible form of business life of a country's population. The development and scaling up of small enterprise is one of the priority socio-economic activities of any successful and developed state (Gritsunova, Lotareva, 2015).

Due to the fact that small business is underdeveloped in Russia, the Russian government of the Russian Federation introduces additional ways of supporting and financing small businesses, which include:

- financial support measures (the existence of legal acts defining the goals of state policy and regulating a set of issues to support small businesses; development of systems and programmes public funding, advisory, external economic, information and technological support of small businesses; the existence of a well-developed system of organisations providing a coordinated set of complex tasks to support entrepreneurship; distribution of functions among central, regional and local government bodies);

- simplified procedure of statistical reporting;
- measures to develop the support infrastructure;
- application of special tax regimes (Cherkasov, 2016).

Regardless of the existing support measures for enterprises, the state is not able to provide sufficient In spite of the existing support measures, the state cannot provide sufficient support and resources for small enterprises in the conditions of the Russian market and fierce competition with Russian and foreign large companies (Nesterov)

2.5.2 Scaling risks

Each scaling strategy brings inherent risks that need to be observed in advance. This explains the importance of development such management solution that will maintain necessary conditions for business scaling. According to Abchud, the following factors in the risks issue are:

- the competitive environment,
- the possibility of budgeting,
- potentially possible profitability,
- investment attractiveness (Abchuk, 2016).

In risk management, the following levers are considered when assessing the choice of a potential business development strategy in a risky environment of profit management:

- entrepreneurial (includes operational risk),
- commercial (includes financial and trade risks),
- investment leverage (investment risk).

Enterprise risk is associated with the following risks:

- property;
- production risk;
- marketing risk;
- competitiveness risk;
- sales risk,
- operational risk.

Commercial risk contains financial risk and trade risks.

Financial risk arises when an enterprise's funds are expended and evaluates such factors as currency fluctuations, failure to pay creditors, unbalanced cash flows of the enterprise, etc. Trade risk implies risks connected with the product positioning and products channel research on the market.

Investment risk includes the risk of lost profits and reduction in the profitability of the enterprise (Abchuk, 2016).

In the risk sensitivity analysis of a project in business scaling, the following risk categories are usually also modelled:

- Foreign exchange risk, in case foreign countries, e.g. purchasing equipment, consumables, or if international business is being conducted;
- market risk: where demand and sales fluctuations are monitored;
- staffing risk: possible delays in business development due to difficulties in finding human resources;

- risks associated with inspection bodies and suspension of operations or penalties;
- risk of significant increase in rental rates;
- the risk of significant increases in procurement prices, if any;
- decline in demand and purchasing power of the population;
- aggressive development and growth of competitors in the market (Dzhoraeva, 2015).

All these types of risks are characteristic in one way or another in business scaling in general, however each development model may cause specific risks.

For example, a key risk in the franchise business model - the risk of unscrupulous partners. The result which it can lead to is quite serious - a decrease in the reputation of the network as a whole. In cases when a partner terminates a franchise agreement, it opens a company under its own brand and uses technology, know-how and the client base provided by the franchisor. A lot of clothing companies, shops, small business distributing well-known products work according to this kind of agreement – it definitely sets exact business strategy points, helps entrepreneurs to become a part of a developed trade chain. Therefore, it is necessary to build a business system in detail, to be extremely accurate, and to assess these risks. This control is particularly difficult to implement if the franchisee's business is located far away from the main office, for example, in the regions.

On the other side, the franchise may also met some risks which are as the following:

- insufficient elaboration of business and technology standards by the franchisor;
- the franchisor's incorrect assessment of the market of this market, resulting in a lack of sales;
- failure to comply with the law on competition;
- excessive restriction of the franchisee's activities by the franchisor, lack of contact;
- premature termination of the franchise agreement without a significant violation by the franchisee;
- complicated conditions for withdrawal from the agreement [Ibid].

Risk situations related to legal aspects buying a franchise can be distinguished as follows:

- the exact wording of the rights to be transferred is not spelled out in the agreement;
- breach of terminology in the contract. One common mistake is the use of the term "trademark" (a set of certain associations, properties, images that allow the goods of a given trademark stand out in the market, but not a registered trademark with a direct right holder;
- lack of information support. This situation often occurs when chain shops are expanding, usually at the beginning of their operation. The franchisee is not able to ensure the sales and delivery of the goods to the trade points in time. There is no liability under Russian law in this case. In many foreign countries there are laws that require the franchisor to fully inform

the franchisee of its financial situation and provide all of the necessary information on production before making a franchise purchase (Gavrilova et al., 2016).

Consequently, different scaling risks are common within various companies. This way, it is essential for businesses at the stage of scaling planning to consider them from all possible threats sides.

2.6 Conclusion

Small and medium-sized enterprises play a significant role in the economy of their country. The SMEs have an ability to quickly change the vector of development and adapt to the new reality due to the flexibility.

It is impossible to successfully develop and scale a company without a clear business strategy. The mistake many small businesses make is that they don't consider developing a business strategy as an important step in the business process.

Based on the articles analyzed, it can be concluded that small and medium-sized enterprises always feel the influence of economic crises on their businesses. But this influence can be both negative and positive for small and medium business and depends on the strategy implementation in the conditions of crises. Moreover, several researches demonstrated that one of the most popular and useful strategy for SMEs during the crisis is innovative differentiation strategy. It is much easier to apply this strategy for different conditions and various types of crises as small and medium-sized enterprises can much faster adapt their development strategies and businesses to new economic reality than large companies which have more complicated business structure.

The academic literature suggests that the BMC is a valuable tool for SMEs in a range of industries. The BMC can help SMEs to overcome the challenges of designing and implementing effective business models by providing a structured and visual approach to understanding the key elements of a business model. The BMC can also help SMEs to communicate their business models to stakeholders, including investors, customers, and employees. As such, the BMC is a powerful tool that can help SMEs to achieve sustainable growth and success.

There are the following models for scaling up a small business:

- development of a federal network,
- setting up remote sales,
- franchising,
- the purchase of existing businesses (Vatutin, Trishin, 2013, pp. 19-20).

All of them have advantages and disadvantages, but they all are relevant to implement in practice, companies should analyze their situation and choose the right model in particular case. There is no doubt that the last model might be the worst for the entrepreneur, but if the business is not profitable anymore and there is no any chance to change it, it is the only one decision of this situation.

There are a lot of risks that companies should consider during the process of business strategy development and find out the ways how to reduce the influence of these risks on the company's growth.

3. Challenges for Russian SMEs: Empirical Evidence from Automobile Lubricant Sales Industry

3.1 Research Design

The investigation of the topic of SMEs' challenges in Russia requires achieving a deeper understanding of the topic. The topic is relevant due to the fact that distributors and dealers of car lubricants in Russia like Gazpromneft and Lukoil are small and medium enterprises which have an official distributor and dealer status as they dispose of their official goods. These companies as well as other distributors face some obstacles to scale their businesses.

The research is defined as exploratory due to the profound understanding of the current challenges that Russian small and medium-sized enterprises face. As it can be seen, this type of research design is well suited to the nature of this thesis: through the data to define and understand the way the small and middle enterprises choose their business strategy and it influences their operations and results.

3.2 Research Strategy

The goal and the main questions of this thesis, as well as its design help to determine the strategy of further research. The approach chosen is **case study**, which can be understood as "a process of solving the set the task, depending on how the situation develops" (Loginov, 2014). Case management methodology is a form of making managerial decision making by an entrepreneur in a concrete situation based on trend monitoring and development of prognostic values. Case management makes it possible to develop and make decisions in a practical situation, developed in the market, based on the analysis of current information. And, as a rule, even old entrepreneurs make decisions and act in line with the business model or line tradition of the company, in which it is practically impossible to deviate stereotype. In this situation case management involves deviating from "pre-existing formats" and making decisions depending on the direction of the company's aims.

Case study suits the needs of the research and helps to get the proper consideration of the understanding the challenges that Russian SME's face. This way case study seems to be the most optimal research strategy for achieving the objectives of the thesis. There is single case analysed in the thesis, the results of which are a basis for practical recommendations.

3.3 Industry of the Research

The problem of scaling up small business in Russia is a pressing one at the moment. At a time of financial crisis, the country needs entrepreneurs who are actively involved in public life (Pronina, 2020, P. 106). By competing with each other, entrepreneurs have to constantly progress and develop that leads to the goods and services quality development. Nowadays the actual number of small businesses in Russia is small and, as a consequence, society is not able to make full use of the market's potential.

There are many factors that hinder the scaling of small businesses: limited resources; high rents for premises; low wages; racketeering; rising prices for raw materials; shortage of working capital (Dakhnenko S., Vengerovsky E. (2020). However, the biggest influence in this sphere is exerted by the state. The latter imposes high taxes and establishes administrative barriers. It is difficult for a small enterprise to get a loan, because credit and financial institutions in Russia are underdeveloped. The role of the difficult economic situation in Russia should also be considered. Due to this problem Russian banks are forced to charge high interest rates for loans. Taxes and administrative barriers force businessmen to pay bribes. Corruption often allows big players to drive small and medium-sized enterprises out of the market.

The formation and development of dealer networks is quite dynamic in the global economy as a whole, and the scaling of entrepreneurial activities of various orientations, mainly projects and programmes of trade business. For example, in the EU economic system as a whole, the intensity of business scaling through dealer networks increased by 135.7% between 2015 and 2019, while real GDP in the EU increased by only 15.6% in the same period (World Annual Report, 2021).

However, in a situation of pandemic crisis, the problems of forming and ensuring the effective functioning of business scaling projects through the creation and development of dealer networks, both in Russia and in the economies of developed market economies, have greatly exacerbated.

The main factors limiting the progressive development of dealer networks in the national economy of the Russian Federation in 2020 - 2021 were:

- increased risks of not quite correct, insufficiently conscientious behaviour on the part of dealer networks within the crisis situation - in general, from the standpoint of the general theory of management of economic processes, this kind of incorrect economic behaviour on the part of various groups of external partners increases in conditions of macroeconomic crises of almost any type, characterised by a relatively significant duration;

- difficulties in scaling business in the Russian economic and legal space through the development of dealer networks owned by non-residents, especially companies from the USA and the European Union (due to the factor of sanctions restrictions, the need for a number of economic entities of the Russian national economy to obtain discriminatory foreign agent status in case of foreign co-financing of activities, etc., since 2017);

- imperfect special legislation on dealer networks, which limits the possibility of intensive and effective development of this financial and economic institution in the Russian Federation as a whole (Alimova, 2018, P. 53).

There are different tools that allow the company to analyse impact of different outer factors on the enterprise. One of them is PESTEL analysis that allows to assess the current and strategic impact of political, economic, social, technological, environmental and legal factors of the external environment on the enterprise and its competitors (Kaplan, Norton, 2012).

The basis for the PESTEL analysis is the results of a preliminary study of the macro environment and the immediate environment of the enterprise. PESTEL analysis requires sequential implementation of the following steps.

1. At the first stage, it is necessary to determine the commodity and geographical boundaries of the environmental analysis.

2. A list of 30-40 political, economic, social, technological, environmental and legal factors of the external environment affecting the enterprise and its competitors within the specified boundaries and selected segments is determined.

3. Each factor from the list is evaluated according to three parameters:

- vector of influence on the enterprise and industry or market, i.e. whether this factor is an opportunity (positive impact) or a threat (negative impact);

- the strength of influence on the enterprise and industry or market on a 10-point scale;

- the level of certainty (predictability) of the factor for the planning period.

The vector and the power of influence are individual, that is, closely related to the specifics of the enterprise itself, and the level of certainty is the same for all enterprises of the industry or market. For example, the chain restaurant business, in terms of financial sustainability, is less influenced by the external environment than independent cafes and restaurants. When conducting an assessment, it should be borne in mind that the same factor can have both a type of opportunity and a threat for the enterprise. For example, the crisis leads not only to a decrease in the purchasing power of the population, which results in a drop in demand for goods and services (threat), but also to the withdrawal from the market of part of enterprises as a result of their bankruptcies or the economic inexpediency of continuing to operate in this market, as a result of which the concentration of competition (opportunity) decreases.

4. From the prepared list of factors, it is necessary to select 8-12 key ones, the impact of which on the enterprise is the strongest in terms of its capabilities and limitations in achieving the set goals during the planning period.

5. The selected factors are divided into two groups - defined and undefined.

6. For uncertain factors, an optimistic, realistic and pessimistic forecast for the planning period is prepared with an indication of the probability of each outcome.

7. By combining certain factors and forecasts for the development of uncertain factors, scenarios for the development of the external environment for the planning period are compiled.

8. The result of the analysis is the choice of the most likely scenario, according to which the enterprise plans its activities to achieve the goals for the planning period. If scenarios have the same probability of occurrence, both scenarios are planned.

The PESTLE analysis allows managers, marketers and financial experts to study factors when making decisions about a company's services or products. Thus, the manager of a company using PESTLE analysis can focus on the social aspects of consumer behavior. This may include examining the demographics of customers, their culture and shopping patterns. The results of the PESTLE analysis allow the company to make specific choices when planning the future of the company, from how the brand should be represented to any changes in the organization of the company and the development of new products.

As well as PESTEL, Porter's five forces are used for those who study competition in the market and link it to profit. According to M. Porter's strategic model, competitive enterprises that operate in the same market, depending on the strategy they use, are divided into three strategic groups:

1. "Price Leadership." The company of this group seeks to minimize the costs of production and distribution of goods in order to conquer the market with the help of a low price.

2. "Leadership in Differentiation." The company of this group strives to achieve high results through the production of goods and services, which offer the greatest degree of satisfaction of consumer requests in such parameters as: operational characteristics, certain properties, unique design and image of the trademark and others.

3. "Concentration of Effort." The company of this group focuses not on the market as a whole, but on its segments in which it seeks to implement a strategy of differentiation or leadership in price aimed at winning the corresponding group of buyers (Porter, 2002, p. 143).

Still these models seem to be not sufficient enough to analyze the impact on small and medium-sized enterprises. It has been chosen to analyze at first the market of Russian automobile lubricants has been analysed. It has been found that there are 9 producers of car lubricants in Russia:

- Aurum (Izhevsk) - production of car chemicals and car care products,
- Alleya Group (Moscow) - production of car chemicals and car care products (brand 'Ruself'),
- Germes plant (Kazan) - manufacturer of coolants and technical fluids
- Kazan plant of low-tonnage chemicals (Kazan) - manufacture and sale of low-tonnage organic chemicals: the company manufactures and sells low-tonnage organic chemicals - synthetic rubbers, silicone sealants and compounds, catalysts and primers for compounds, primarily for automotive and electrical insulation applications,
 - All-Russian Scientific Research Institute of Lubricants (Saint-Petersburg) - Manufacturer of greases. The institute has a pilot base with process units capable of producing up to 50 t/month of refined and petrochemical products. High-tech products developed by the institute's specialists are produced.
 - AIS (Moscow region, Dolgoprudny) - one of Russia's largest manufacturers of professional car care chemicals, detergents for cleaning companies, laundries and dry cleaners,
 - VMP Avto (Saint Petersburg) - Manufacturer and sale of lubricants - VMPAVTO is a research-and-production company specialising in the development and manufacture of unique lubricants, the action of which is based on the principle of wear surface restoration,
 - Matritsa-production Plus (Saratov) - Producer of household autochemicals
 - Motor Life (Saint Petersburg) - Manufacturer of gearbox kits. The main activity of the company is development, production and implementation of highly effective metal-clad lubricants based on advanced technologies.

3.4 Data collection process

The primary data was collected using **interviews**, that can be explained with the need to analyze key moments of the current SMEs state in the market. With the help of the questionnaire 15 key questions have been formulated. They are organized in the clear and exact form to get the key aspects of business situation from CEOs of the companies.

The questions offered to be answered by the managers allowed to gain sufficient depth of the research needed to reach the objective determined. Scholars distinguish three types of interview: structured, semi-structures and unstructured interviews (Saunders, Lewis, Thornhill, 2009).

In order to gather the **qualitative** data required, **semi-structured interviews** were chosen. This type of interview implies having a list of themes and topics to discuss as well as

some questions to be asked but allows for more freedom of conversation. It was decided not to use the structured interviews because they provide with quantitative results that suit more explanatory or descriptive research (Saunders, Lewis, Thornhill, 2009).

The interviews were designed in accordance with the objective of this thesis as well as the results of the literature review. They included the questions about several topics that are linked to the main questions of the research. The following topics for questions and further discussion were included into the initial design of the interviews conducted: current economical state of the company, sanctions impact, the demand for their goods and the business model used. The interviews were conducted via Zoom platform.

3.5 Case companies' description

Russia has the third largest lubricant market after the US and China. For the last few decades Russia has become the largest importer of oils and lubricants. The main players in the automotive lubricants market are oil companies that have their own oil production facilities that allow them to produce not only base oils, but also the entire range of petroleum products. Experts say that the local market of automotive oils is currently characterized by rather fierce competition, with over 500 brands competing for the right to be chosen by consumers. There are both major oil producing and refining companies and lesser known ones with narrow specialization in production of lubricants. In general, the modern range of motor oils from leading companies consists of several products of different quality levels: 1-2 elite synthetic oils, semi-synthetic oils of higher quality and 2-3 mineral oils. Most Western manufacturers focus on the medium price segment of the market. Russian companies position their marketed products in a lower price range. Domestic producers are in the lead in volume terms. But in terms of value, the share of imported oils is almost double due to the higher price.

While talking to these Russian companies' representatives in car lubricants sphere, it has been pointed out that these companies are looking forward to scaling but because of different challenges can not implement scaling actions.

There have been 10 managers questioned and the collected data has been analysed. The list of companies interviewed is presented in the table below.

Number	Federal District	Region	Size
1	Central	Tverskaya oblast	Small
2	Central	Yaroslavskaya oblast	Medium
3	Central	Moscow	Medium

4	North-Western	Saint-Petersburg	Medium
5	Central	Voronezhskaya oblast	Small
6	Central	Moskovskaya oblast	Small
7	North-Western	Saint-Petersburg	Medium
8	Central	Moscow	Small
9	Central	Smolenskaya oblast	Small
10	Central	Yaroslavlskaya oblast	Small

Table – List of companies interviewed.

First of all, most managers mention obstacles that they face trying to scale their business – they are: the staff, production costs, restrictions of some producers because of the sanctions (that means the shortage of foreign products).

4. Empirical Research Results

In this chapter we will analyze the results that we conducted through the interviews with the top managers of official distributors of automobile lubricants in Russia.

1. To the first question, all CEOs said that they were considering scaling their business. The positive result for this question was 100%.

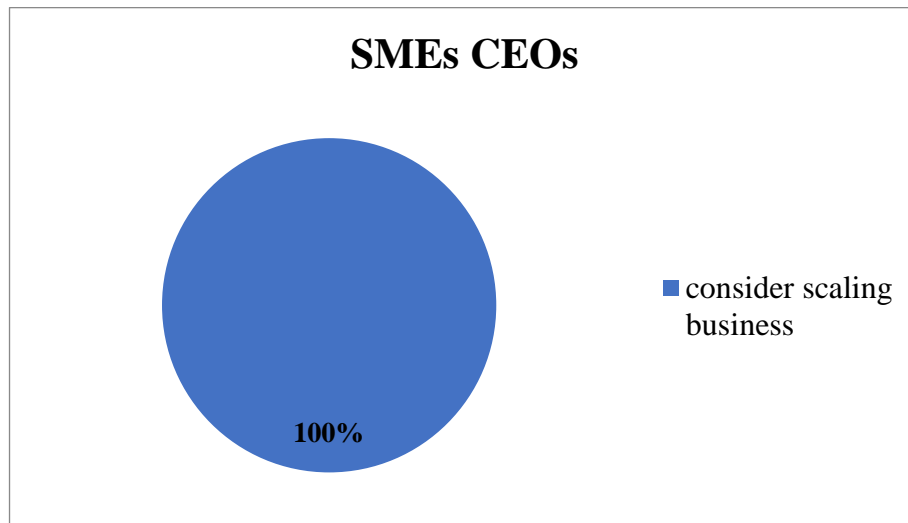


Figure – SMEs CEOs attitude towards scaling business

(2) Answers to the second question implied providing their own wording of the answers. Through analysis of the questionnaires, it became clear that 70% of respondents considered competition as a constraint to business development. 50% of the respondents mentioned hindrance in terms of recruitment as business expansion requires recruitment. Managers believe

that it will take a long time to recruit and train staff to meet the firm's needs. It will also require additional financial investment, which is not always convenient at a certain stage of the company's development. Problems with financial investment were mentioned by 60% of respondents. Many SMEs do not have available investment capital to invest in recruitment and business expansion. As a rule, development is done in stages, and it takes a long time to scale up.

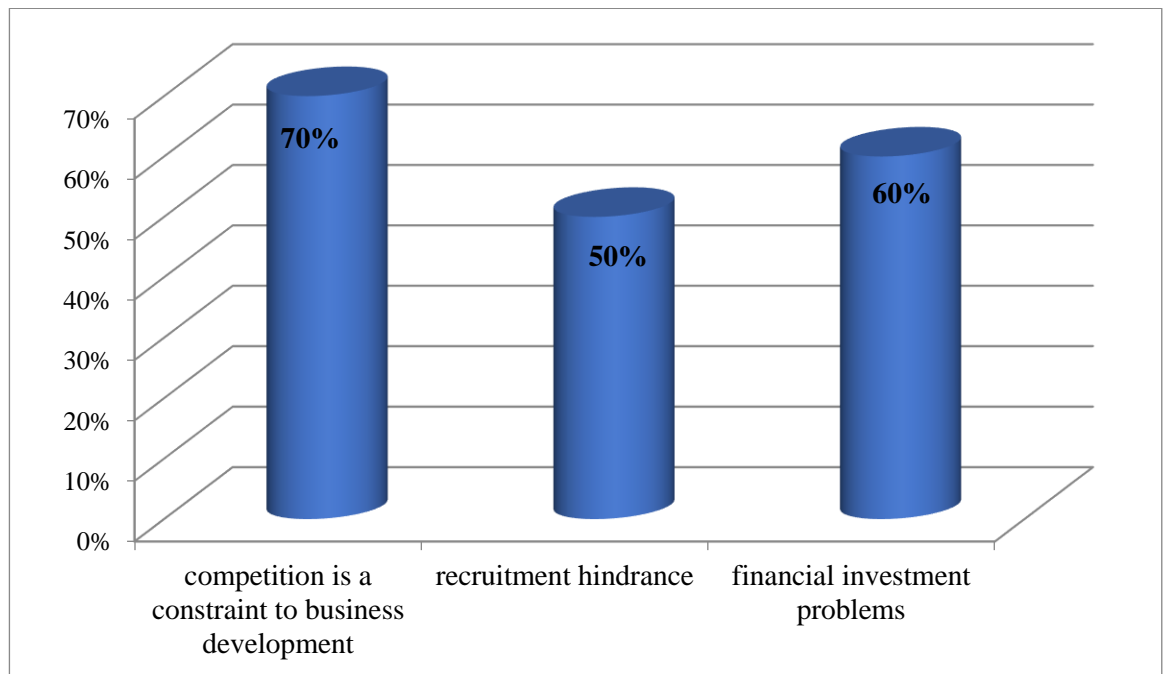


Figure – Obstacles to scaling business

3. When asked about problems encountered when trying to expand into new markets or segments, the following answers were received:

- 60% of respondents mention strong competition,
- 40% of respondents mention sanctions imposed by foreign countries,
- 30% of respondents reported a problem with quality human resources.

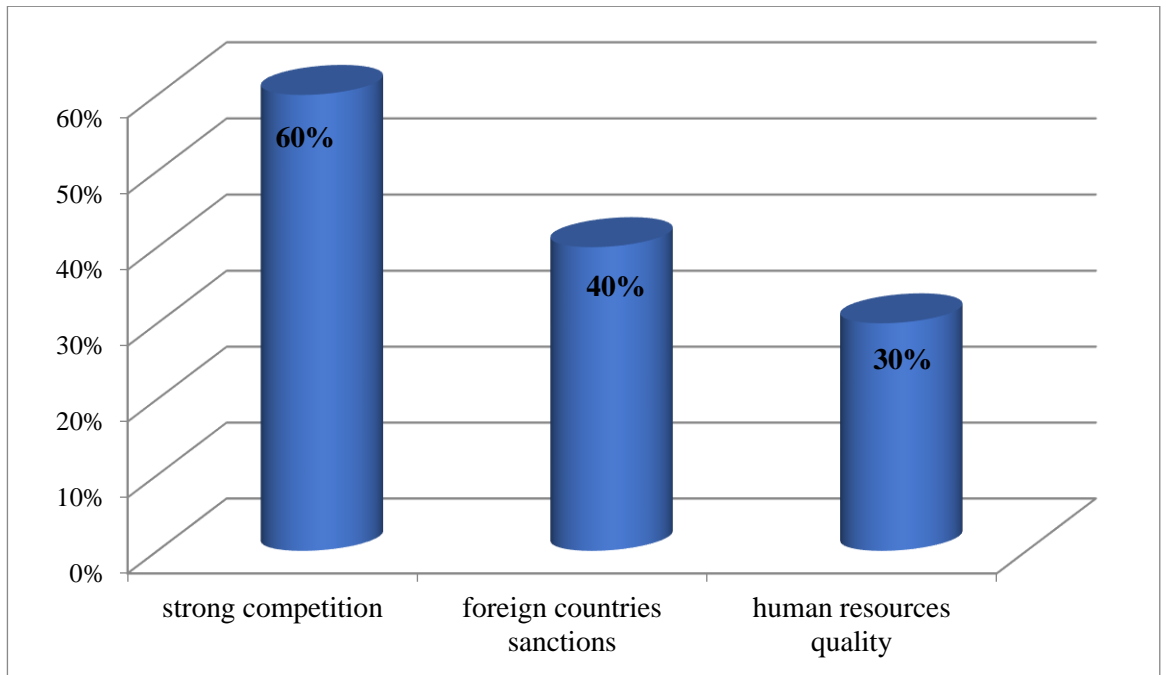


Figure 3 – Problems with expanding into new markets or segments

4. Respondents were asked to point out difficulties in finding new customers and increasing sales volumes.

30% of respondents say that there are no difficulties in finding new clients. However, hiring new personnel or transferring employees to new positions has some difficulties.

30% of respondents indicated a lack of a unique product, which is due to high competition. Due to this, the end consumer is afraid to switch to new products.

40% of respondents indicated a disproportionate increase in profits.

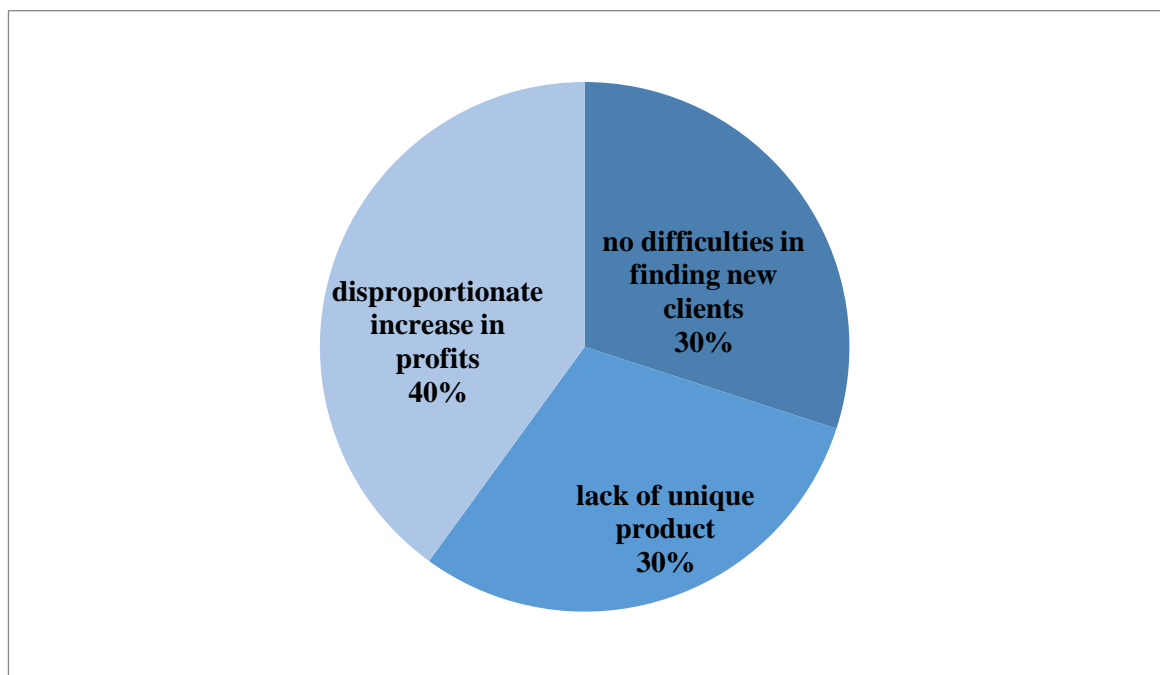


Figure 4 - Difficulties in finding new customers and increasing sales volumes

5. Role of employees in the scaling process. Involvement and support from manager to motivate employees.

80% of executives say that employees play a major role in the process of scaling the business and entering new markets.

60% of CEOs say their goal is to motivate employees to grow the company and gain new career prospects. The joint motivation of employees and management contributes to the achievement of these goals.

10% of CEOs believe that only some employees have the ability to influence the scaling process.

20% of managers say they make plans for development. They also work with employees to develop ways to reach their plans.

10% of managers develop motivation for achieving intermediate and final results.

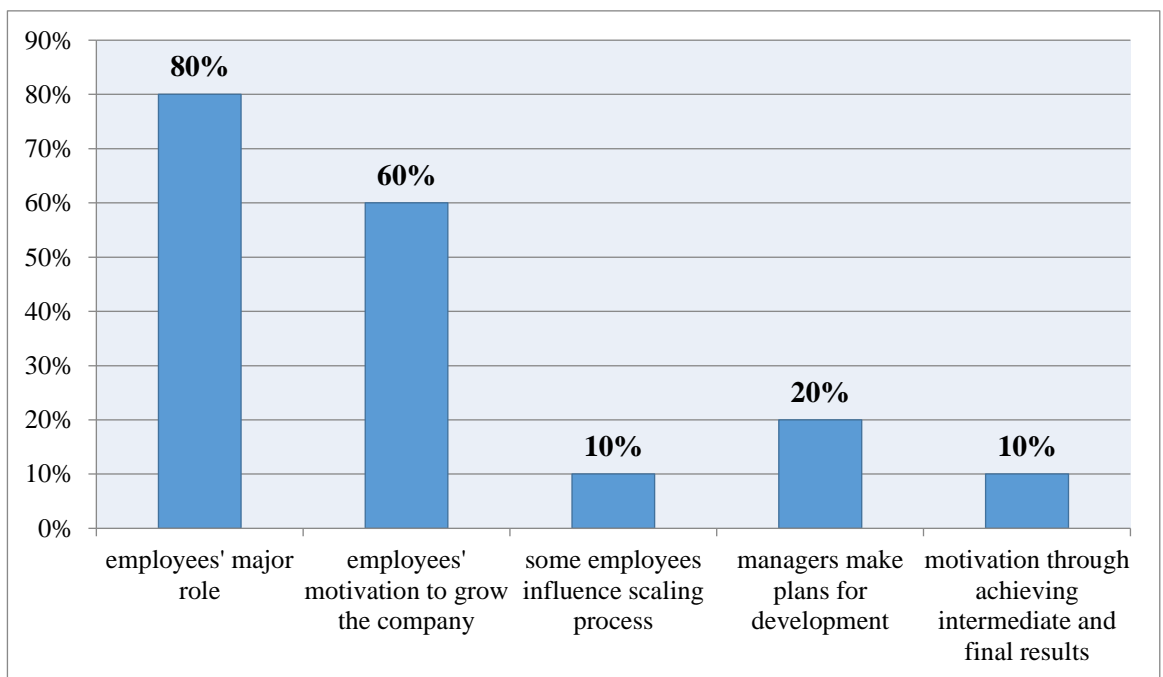


Figure 5 – Role of employees in scaling process

6. Maintaining quality control as the business grows and enters new markets 30% of respondents say clear employee performance standards have been established. 30% of managers say that there are more points of control over the execution of tasks within the prescribed work standards. 30% say there is a process of automation in production. 10% say there is no independent quality control (one department or employee controls a subordinate department).

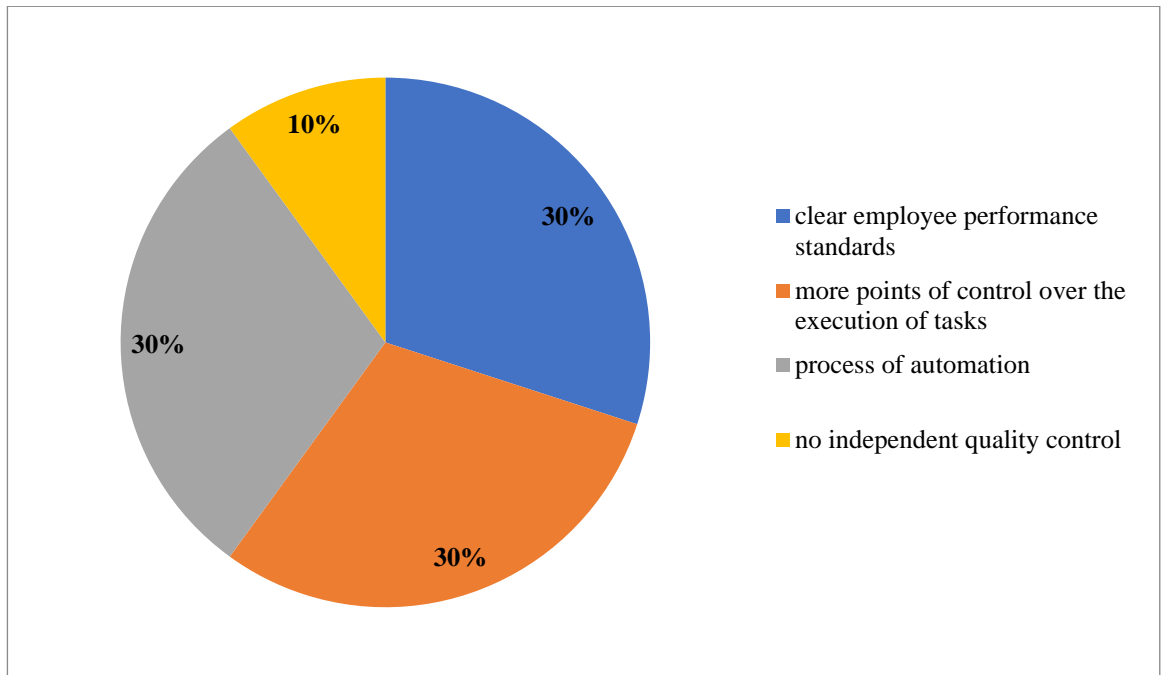


Figure 6 – Maintaining quality control

7. The problem of searching for personnel due to the growth and development of the company 90% of managers say they face the problem of staff recruitment. This problem holds back the development of the company. 10% of managers don't have a problem finding personnel.

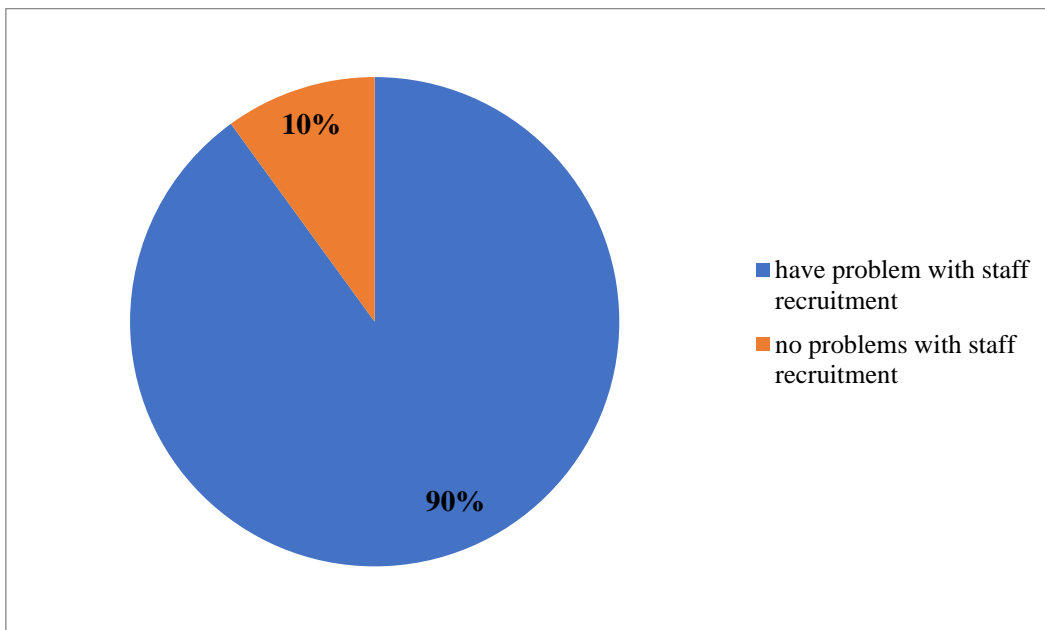


Figure 7 – Problem of searching for personnel

8. The importance of having common company values between the manager and the employees 80% of CEOs say this factor is mandatory. The achievement of a set goal helps lead to the development of the company. 20% of CEOs are convinced that this factor is not necessary and that the most important for them is that the employee has the ability to work and a sense of purpose.

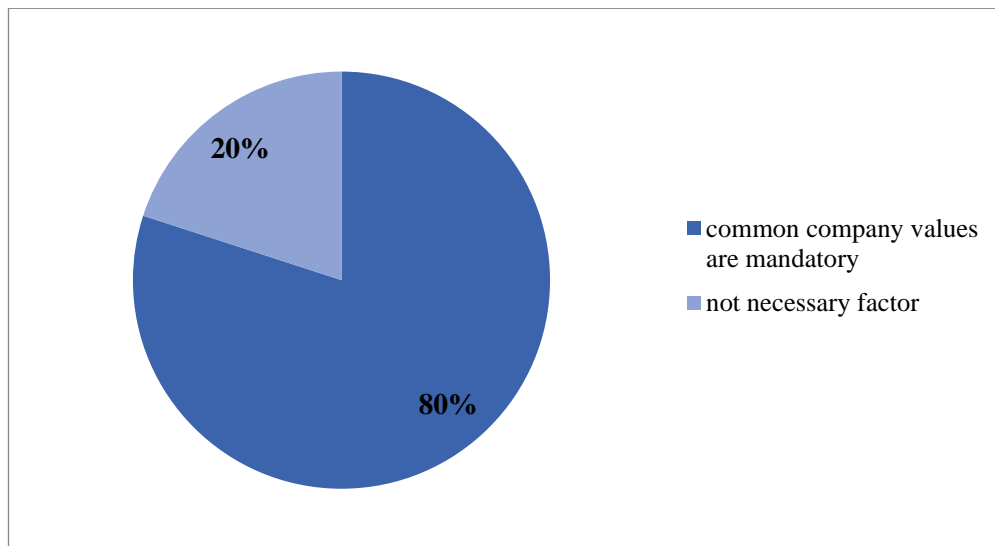


Figure 8 - The importance of having common company values

9. During periods of rapid growth companies' managers tend to delegate their responsibility to other workers. There are 70% of respondents who delegate their duties but still control the effectiveness of team work each week. They say it is important to keep up-to-date with all the processes happening in the inner and outer world in their sphere. And most often the more tasks the manager gets, the harder it becomes to stay properly effective.

On the other hand, 30% of managers prefer to control the business tasks themselves and share their duties with their deputies.

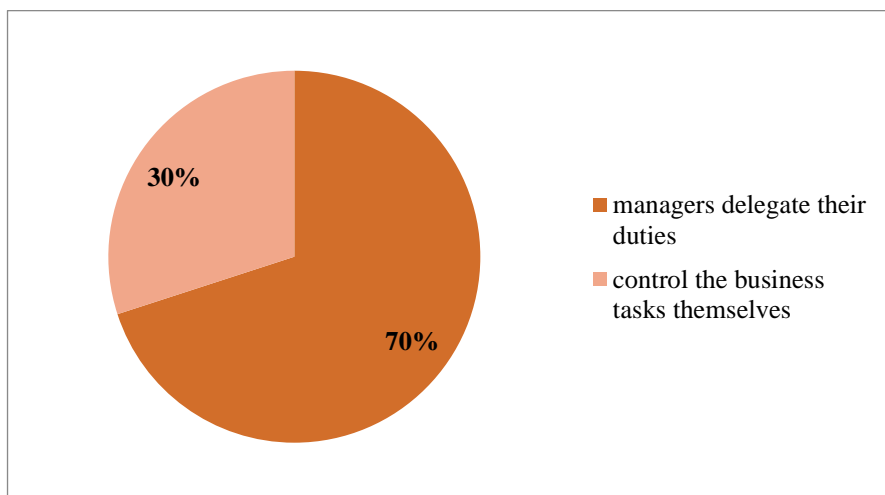


Figure 9 – Delegation of the managers' duties to employees

10. The effect of 2022 economic sanctions against Russia is taken as indirect (60% of respondents) and quite serious (40% of respondents). Most of the representatives agree that sales have decreased, and that there have been problems with logistics. Some of European and American lubricants were not available to order and at first the Russian stock was used to help provide the goods for the clients. There has been also lack of other chemicals as they are connected in production sense with lubricants. Supply difficulties brought some serious

problems and the price of lubricants had to be increased. Most clients understood this moment because it was a measure that appeared in a hard economical situation. Some clients showed their complaint and stopped buying foreign lubricants.

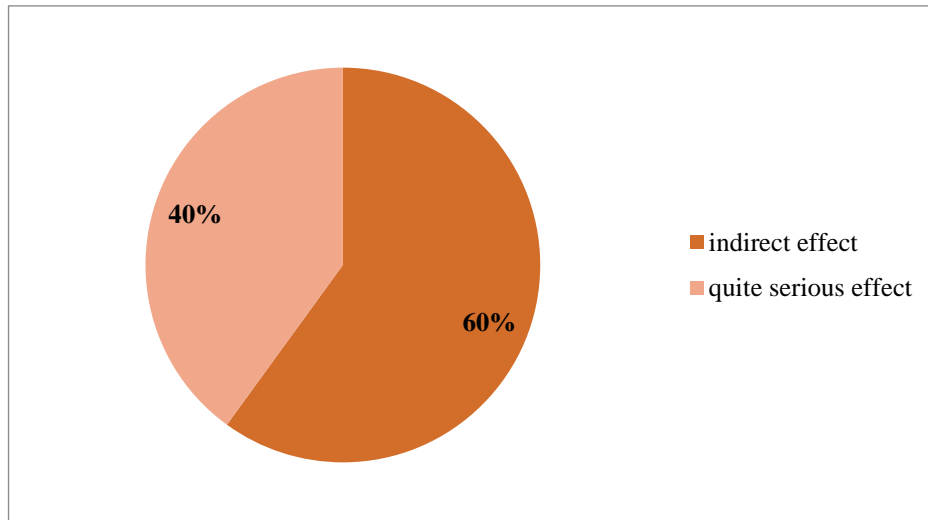


Figure 10 – The effect of 2022 economic sanctions

11. 80% of respondent highlight the fact that competition has decreased. 20% claim that it has stayed the same or even increased a little.

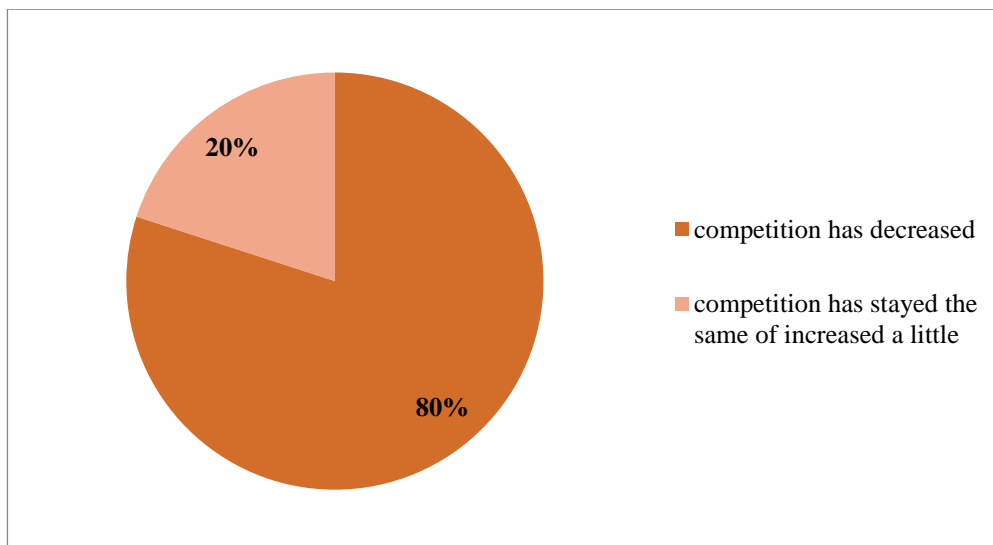
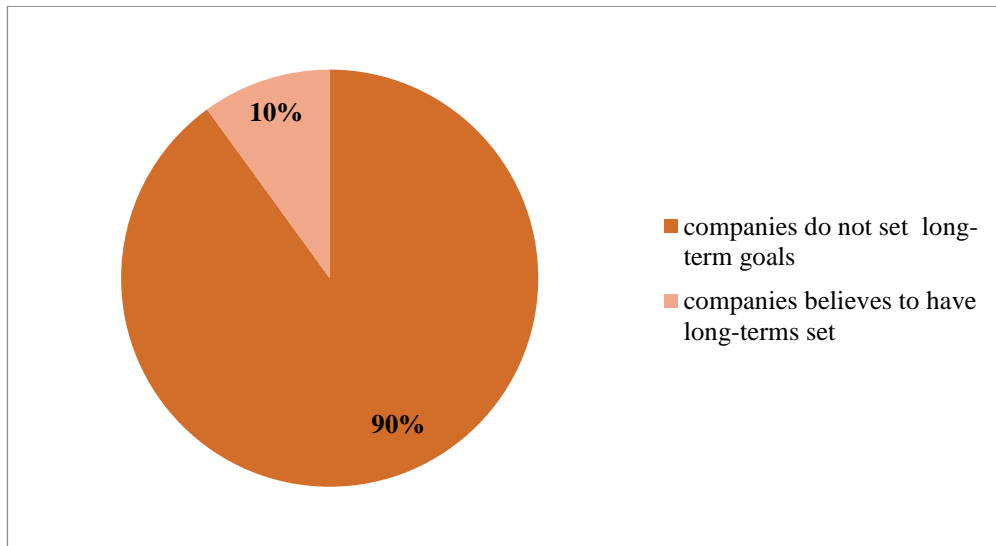


Figure 11 – The competition change due to the sanctions

12. The question about long-term goals has had a common answer – 90% of companies do not set such goals as they think it is not effective – the world political issues and economical influence make it uncertain to set long-term plans. At the same time, Russian distributors and dealers need to have some plans to continue their business in serious changes. They continue to analyze the market, find new providers, test the production and so on. Most importantly it is recommended to study a lot of information about the processes going on in this market nationally and worldwide. 10% of respondents believe it is a good ideal to set long-term goals.



12. Figure 12 – Setting long-term aims

The question about a developed business strategy has revealed that 70% of companies don't have a business strategy, and 30% of respondents have. They haven't revealed the name of the strategy due to their policy.

14. Tools that companies use to develop their company's strategy or long-term development are: SWOT-analysis (60%), PESTEL-analysis (40%). Companies try to compare their business with competitors, thus adjusting the prices and staying aware of the current car lubricants sales business situation.

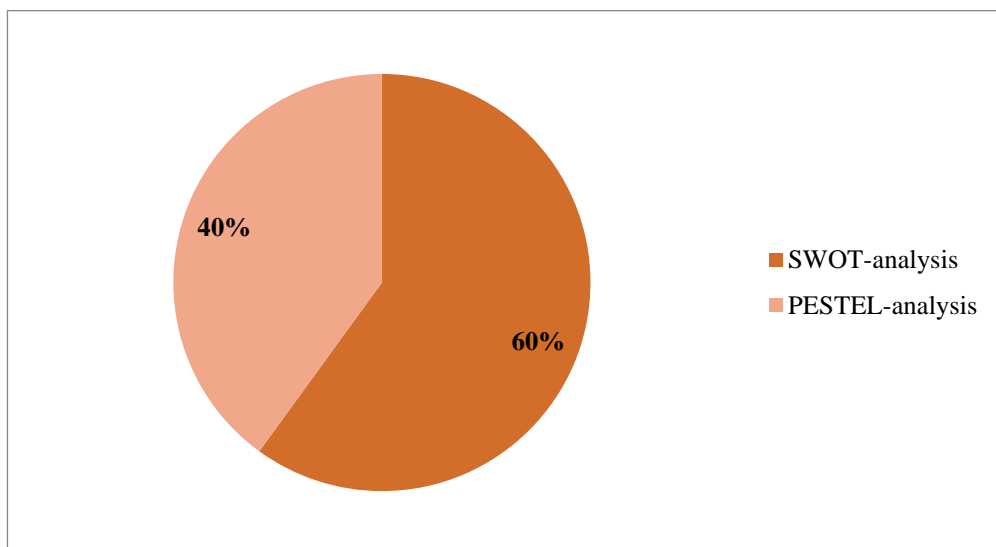


Figure 14 – strategies used by respondents and their companies

15. 80% of respondents haven't heard of Business Model Canvas, but 20% have.

This way Business Model Canvas can be suggested to be a brand new model of business strategy that companies can use.

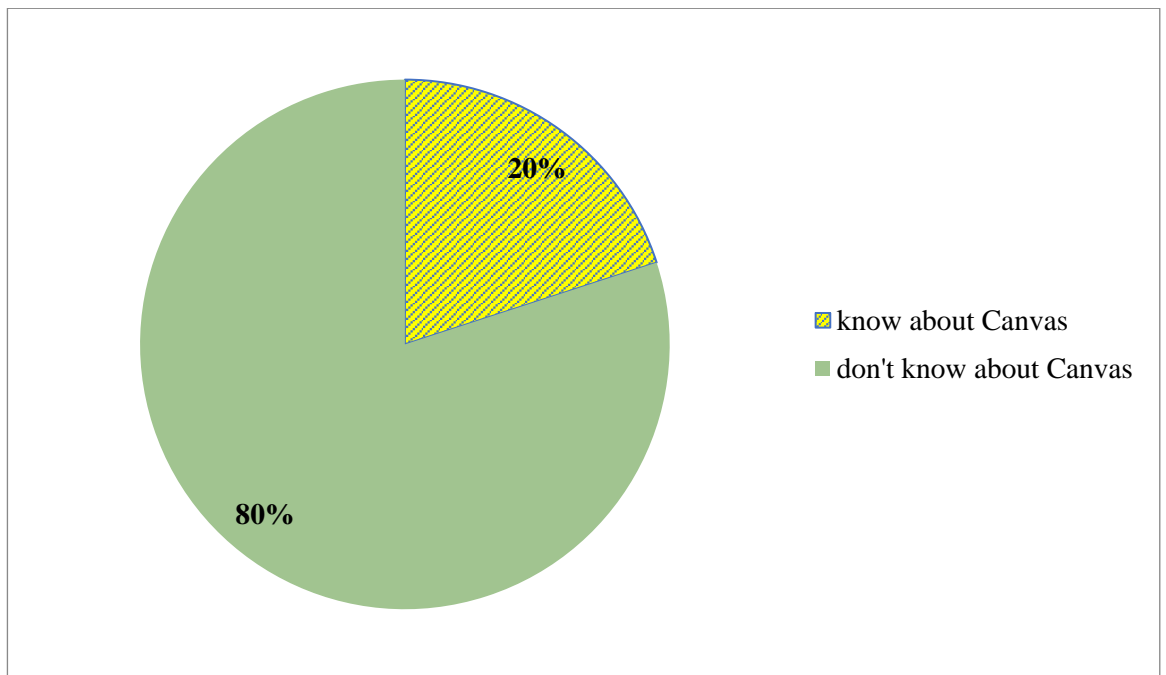


Figure 15 – Awareness about Canvas business model

The answers provided by SMEs managers have revealed the following problems:

- Lack of investment capital for recruitment and scaling,
- Problem with quality human resources,
- Lack of unique product (due to high competition),
- Disproportionate increase in profit,
- Lack of staff motivation,
- Problems with quality control,
- Problems with staff recruitment,
- Not effective delegation of tasks,
- Companies don't set long-term goals,
- Not all companies have developed business strategy,
- Use of not effective enough PESTEL and SWOT analysis,
- Most companies are not aware of Canvas business model.

5. Discussion and Conclusions

There are key points concerning internal challenges of SME's during the scaling.

First of all, the absence of business strategy leads to negative consequences for the company. In other words, if a company does not have a mission, vision and the exact goals it

strives to achieve, this will result in slowing down. This issue should be developed and analysed at the stage of building and opening the company.

According to the companies observed with their CEO's information from the questionnaire it has been revealed that using SWOT (60% of respondents) or PESTEL analysis (40% of respondents) does not provide conditions for effective scaling. Most managers see a mission of their business but face difficulty in fulfilling the vision of the company.

Secondly, poor recruitment weakens the company's performance and image. Most managers point out that recruitment process takes a lot of time and financial opportunities. In that case a special plan of recruitment should be implemented into the small and medium-sized enterprises, to help companies to recruit as many personnel as possible. From the job interview stage the applicants should learn about companies common values and be ready to become a part of the team.

Thirdly, some CEOs have a desire for total control. It becomes clear that in the rapid development of a company it is extremely essential to delegate authority to the colleagues.

Next, most companies have a lack of long-term goals: they set short-term goals - a maximum of one year, and at best 3-5 years ahead. This is most often because businessmen do not want to get attached to big tasks and want to give themselves as much room for maneuver as possible.

Moreover, ineffective marketing strategy results in waste of time and financial costs and leads to business decrease.

Finally, infrastructure issues increase in size due to scaling the business.

There are also external challenges that Russian small and medium enterprises face. Due to closing of European borders, Russian SMEs have gained logistic difficulties. Most of foreign goods have become impossible to be ordered and delivered. Though there can be some ways to do it (with the help of the former USSR countries and complicated logistics), it still requires more time and costs than before.

There is also lack of import details, chemicals and other things necessary to produce the goods. Raw material plays an essential role of producing new goods, but due to sanctional restrictions most raw material providers had to be left behind for uncertain time. With the state of uncertainty, the business processes have become hard to be planned and fulfilled.

Companies that used to sell imported products in Russia are now forced to change their product line and rebuild some business processes. It is a challenging process which has its advantages and disadvantages. It should be taken into consideration that each new product takes time and effort to be put into market and arise demand between customers.

Economic crisis situations make the previous factors even more complicated. Managers of SMEs search for new ways to get loans for their business development, to keep working places, to hold competitive position despite the economic difficulties.

As small and medium-sized enterprises do not refer to government type, they continued their work that created high level of competition. It is important for SMEs now to stay stable and provide their customers the best quality of goods and service.

Difficulties in entering new markets are also evident in the current economical situation.

5.1 Theoretical Contribution

This work contributes to the understanding of the challenges that SME's face during the scaling process in Russia, especially in the automobile lubricant industry, from the perspectives of business strategy development. The results of semi-structured interviews and secondary data research helped to confirm the applicability of R. Safin's study which can be applicable to the realities of the Russian market, especially the Russian automobile lubricant market.

Moreover, the research conducted for this thesis helped to identify the measures that top managers strive to implement in their companies in order to scale the business. The research demonstrated the actual motivation of all the companies' owners to scale and growth their business (according to the interview data analysis). The study also showed the reality of how the owners of companies are familiar with strategic planning methods – 60% use SWOT-analysis and 40% of managers use PESTEL analysis. According to the interview details, only 10% of the managers try to implement long-term planning measures, but 90% of managers neglect them. The information obtained during the interview helped to identify the main 11 problems faced by entrepreneurs – these problems relate to capital investment, human resources, lack of unique product, lack of staff motivation, quality control, delegation of tasks, absence of business strategy is missing and not effective PESTEL and SWOT analysis.

Most companies are not aware of Canvas business model.. The results of the study provide further evidence of some of the previous findings of academic research conducted worldwide.

5.2 Managerial Implications

The results of the study have practical value as they can contribute to the efficiency and effectiveness of small and medium-sized enterprises by implementing the long-term business planning and other tools, such as Business Model Canvas. By understanding the importance of strategic development and its instruments, owners and managers of small and medium-sized

businesses can adjust their activities and achieve higher performance compared to the other market participants.

This study shows that external and internal factors hinder the growth and scale of the company, as many of them are not obvious to executives. External factors have been influenced by economical sanctions that Russia has been facing since 2022. Internal factors are also influenced by unstable economical situation of Russian car lubricants market which limits the extension of range of car lubricants.

Though it can be considered that economical sanctions can lead to inner market's development in Russia, the quality of Russian car lubricants still do not fulfill customers' needs and expectations. European and American car lubricants use more modern technologies and raw materials of an excellent quality which can not be stated about the same goods of Russian production.

The problems identified in the work reveal that economical limitations and the absence of the effective business model in small and medium-sized enterprises hinder the growth and development of them. This way SME's managers should adjust their actions on the basis of the proposed business training of the staff, usage of Kanvas model and following corporate policy.

The study provides particularly valuable information for companies working in the automobile lubricant industry on the Russian market – the use of Kanvas business model helps to analyze the current state of the SME in the market, reveal the negative sides and plan the development according to the key points of the analysis. 10 car lubricants distributor companies have been analysed with the help of the interview, this way the common situation of Russian SMEs operating in car lubricants market has been described.

Besides, the conducted research may be used by companies' owners from other industries in Russia, as it demonstrates the relevance of these scaling measures to the activities of small and medium-sized enterprises in many industries.

According to the results of the analysis of the interviews the following recommendations are provided.

Firstly, SME's should pay more attention to the business strategy development and they should define their mission, vision and values of the company. All employees should understand these aspects and share them. The successful development of the company depends on the way of what employees think about the company where they work, as they translate their visions to clients.

Based on the literature review and the interviews conducted most of employees do not set long-term goals, which is a large mistake in the process of scaling. Top-managers should

understand their long-term goals and where they want to see the company in future in order to identify what measures they should implement to achieve them, what obstacles they can face.

Based on the literature review the Business Model Canvas is the effective tool for SME's but according to the interviews, most of the CEO's do not familiar with this instrument. So, the managers should use these tool as it is easy to understand and effective in usage.

Moreover, the top managers should pay more attention to the developing and teaching the personnel in order to achieve higher results. They can conduct sales and business training for managers, regularly organize team buildings within the company, especially in the period of active growth.

Applying the recommendations described in the study will help companies to overcome the difficulties they face and continue to develop the company and reach new heights in their business.

5.3 Potential Limitations

There are some limitations explained with the methodological choice – single case study, the current state of SMEs working in car lubricants sphere – makes it difficult to perform common results for all SMEs in Russia. The findings of this research provide a deeper understanding of the processes inside the Russian companies only of this sphere.

The research was conducted on a target number of companies – 10 companies – and can be taken as average. All the companies fit SMEs' criteria, they are all from the same car lubricants sale industry with similar products and costs structure. All of them are located in Moscow and Saint Petersburg – large centers of car lubricants dealers and distributors.

Appendix

The list of questions for the interviews with the CEOs of official distributors of automobile lubricants:

1. Are you looking to scale and grow your company?
2. What obstacles do you face when trying to scale your business?
3. What are the challenges of trying to expand your business into new markets or segments?
4. What are the challenges of finding new customers and increasing sales volumes?
5. What role do your employees play in scaling and how do you support their motivation and engagement?
6. How do you maintain quality control as your business grows and enters new markets?
7. Are you faced with the problem of staff search in connection with the growth and development of the company?
8. Do you pay attention to the fact that new employees share the common values of the company?
9. Do you have a desire for total control of all processes in the company or do you delegate a lot to colleagues?
10. How did the events of 2022 (economic sanctions against Russia) affect your company? Has sales increased? Have logistical problems emerged? Product shortages/supply difficulties/lack of imported parts/additives/other chemicals?
11. Has competition increased or vice versa decreased?
12. Do you set long-term goals (for 5 years or more)?
13. Do you have a developed business strategy?
14. What tools do you use to develop your company's strategy or long-term development planning?
15. Have you heard of a tool like Business Model Canvas?

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