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INTERNATIONAL EXPERIENCE IN BUSINESS PLANNING AND RISK ASSESSMENT

A business plan is one of the most important documents of a company that determines the organization's development for a period in accordance with the strategic goal, mission, resources, opportunities, and threats. There are rules for development a working document: in Belarus – national rules; in international arena – different standards (UNIDO, European Bank for Reconstruction and Development, BFM Group, methods of the “big four” – KPMG, EY, Deloitte, PWC). The analysis of these rules shows that all of them are very close by the structure, meaning but different by the key paragraphs. The assessment of efficiency is the most important in Belarusian rules; the trends, marketing, risk analysis is studying more deeply in international standards. As risk management is so important part of business plan it is popular risk management standard (FERMA, COSO, ISO 31000:2009) which includes risk definition, risk management, risk evaluation, risk management measures. In Lebanese practice risk assessment is carried out only through the risk description but it is not enough.

Key words: business plan, standard international, structure, risk, risk assessment, method.

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МЕЖДУНАРОДНЫЙ ОПЫТ В ОБЛАСТИ БИЗНЕС-ПЛАНИРОВАНИЯ И ОЦЕНКИ РИСКОВ

Бизнес-план – один из важнейших документов компании, определяющий развитие организации на определенный период в соответствии со стратегической целью, миссией, ресурсами, возможностями и угрозами. Существуют правила разработки рабочего документа: в Беларуси – национальные правила; на международной арене – различные стандарты (ЮНИДО, стандарт Европейского банка реконструкции и развития, BFM Group, методы «большой четверки» – KPMG, EY, Deloitte, PWC). Анализ этих правил показывает, что все они очень близки по структуре, смыслу, но различны по ключевым параграфам. Оценка эффективности является наиболее важной в белорусских правилах; тенденции, маркетинг, анализ рисков изучаются более глубоко в международных стандартах. Поскольку управление рисками является столь важной частью бизнес-плана, то особо популярным стал стандарт управления рисками (FERMA, COSO, ISO 31000:2009), который включает в себя определение риска, управление рисками, оценку рисков, меры управления рисками. В ливанской практике оценка риска осуществляется только через описание риска, но этого недостаточно.

Ключевые слова: бизнес-план, международный стандарт, структура, риск, оценка риска, метод.

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Introduction. The presence of a detailed business plan, which defines the strategy's stage for concrete year, goals, outlines, is a key factor in the success of the organization.

International experience in business plan building is very interesting in part of risk assessment

because very often this part of planning borders only with the risk description. Now it is important to do more detailed evaluation.

Main part. At the moment, the business plan in Belarus is developed on the basis of the “Rules for the business plan development for investment

projects” [1] and “Regulations on the development, approval, coordination and implementation of forecasts for the development of commercial organizations for five years, business plans for their development for a year” [2]. It should be noted that the above list of recommendations for writing and justifying a business plan covers almost all aspects of the organization’s production and economic activities, provides an extensive list of tables, indicators for assessing the state, movement, and efficiency of using resources (assets, working capital, personnel, and financial resources).

The structure of the business plan in Belarus as following [1]:

- Summary;
- Characteristics of the enterprise and its development strategy;
- Description of products (services);
- Analysis of sales markets. Marketing Strategy;
- Production plan;
- Organizational plan;
- Investment plan. Sources of financing;
- Forecasting of financial and economic activity;
- Project performance indicators;
- Legal plan.

The risk evaluation questions the developers can consider in the “Investment plan” that provides an assessment:

- project implementation risks;
- project sensitivity analysis.

The risk profile should include common risks of projects [1]:

- organizational risks (lack of qualified managers and other management personnel, as well as monitoring the implementation of the project);
- marketing risks (underestimation of sales markets, the likelihood of a decline in demand and prices for products, lack of coordination or lack of organization’s own sales network);
- technical and technological risks (miscalculations in determining the capacity of the created production and infrastructure, choosing the location of the object, technology and equipment, equipment manufacturers, unsatisfactory quality of the purchased equipment, the inability to quickly troubleshoot problems during the operation, the lack of experience in working with high-tech equipment, import dependence when purchasing, additional equipment, tools);
- investment risks (the probability of adjustments to project documentation, increase in the cost of construction and installation works and equipment, failure to meet the deadlines for their implementation and delivery, shortage of construction and ect.);
- financial risks (lack of own funds to start the project, high cost of loan funds, problems in attracting financial resources due to the insolvency

of the organization or other factors, the likelihood of non-fulfillment by project participants, including investors and creditors, of their financial obligations);

- environmental risks (the likelihood of harm to the environment, the application of liability measures);
- legal risks (violation of the legislation requirements on the procedure for the development and implementation of the project, errors in concluding contracts with creditors, investors, designers, suppliers, contractors and other performers);
- production risks (high import dependence on raw materials, the likelihood of higher prices and tariffs for material resources, increased transport costs for the delivery, lack of own working capital, poor product quality, equipment downtime, the likelihood of a decrease in production and sales of products);
- economic risks (deterioration of the tax climate, the economic situation in the country and the world as a whole) etc.

The risks and their causes are assessed taking into account the specifics and conditions of the project implementation. Based on the identified risks, an analysis of their impact on the implementation and effectiveness of the project is carried out. The ways to minimize the impact of risks on the project and manage them are indicated, appropriate measures are developed, and the costs of their implementation are estimated.

If you want to identify the impact of risks on the efficiency of the project it is carried out multivariate sensitivity analysis of the project using key input data (production, prices, fundamental elements of production costs, capital investment, financing conditions and other influencing factors of the project) within the horizon of calculation.

This recommendation are common rules of risk management in Belarusian legislation.

However, in the process of business planning by rules mentioned above, there are some poorly formalized points: an insufficiently clear justification of the company’s development strategy, the lack of connection of the annual business plan (its activities) with the mechanism for implementing the chosen strategy, the skeptical attitude of the management to modern management technologies and strategic planning.

In this regard, it is interesting a study of foreign experience in business planning and the application of best practices, technologies, and methods.

In foreign practice, there are different rules and standards for business planning, depending on the organization where the business plan is ultimately submitted (for government subsidies, to a bank, etc.) In a number of countries, there are generally accepted standards for business planning, for example, in Germany – DIN 69901, V-Modell, in China –

C-PMBOK, in the USA – NASA Project Management, in the UK – BSI BS 6079, APM Body of Knowledge, OSCEng, etc.

The most well-known standards are the following business plan development standards [3]:

- United Nations Industrial Development Organization (UNIDO);
- European Bank for Reconstruction and Development (EBRD);
- Financial Modeling Bureau (BFM Group);
- KPMG Group.

If we briefly focus on the main points of the foreign business planning methodology, it should be noted that the UNIDO standard offers the most universal structure of the business plan, as close as possible to the Belarusian rules for the development of a similar document, which describes in detail marketing, production, organizational plan, financial plan, risk assessment.

The UNIDO standard is adopted in companies operating in the US and European markets.

According to UNIDO standard, the structure of the business plan should consist of the following items:

- Summary;
- Description of the business idea;
- Description of goods or services;
- Review of the analysis of competitors;
- Analysis of the target market;
- Marketing plan;
- Production plan;
- Organizational plan;
- Financial plan;
- Project Effectiveness Evaluation;
- Risk analysis;
- Annexes.

In “Risk analysis” section, the major risks that may affect the organization’s activities should be identified.

Additionally, any critical assumptions should be indicated that are used throughout the business plan and that may influence the enterprise’s performance if they are not correct.

The methodology of the European Bank for Reconstruction and Development has an important feature: it is considered that the assessment of commercial efficiency is not able to fully reflect the results of the project for society and the economy as a whole, even if budget efficiency (taxes at all levels of the country’s budget) is taken into account, so the economic value, which is understood as the fair market value of foreign analogues, is used to assess the efficiency of resource use. In the case where there is no free market, the economic value of the resource is calculated on the basis of an alternative option for its use in the economy. The EBRD’s planning methodology takes into account the environmental component and compensation

for environmental damage. In the 6 paragraph “Financing” we can find a description of risks and mitigation measures.

Since the EBRD is a credit institution, much attention is paid to the financial section, the assessment of credit prospects and risks.

BFM Group offers to develop a business plan based on detailed calculations using a large number of financial indicators, project sensitivity analysis for several variables, monthly project forecasting, and value chain analysis. This method has a more financial bias and is oversaturated with calculations of various coefficients.

The methods of the “big four” – KPMG, EY, Deloitte, PWC – the largest consulting and audit companies – focus on certain sections of the business plan.

KPMG develops a business plan not only as a management tool, but also as a sales tool, that is the marketing section is central to the business plan.

Sections of the KPMG business plan are very similar to UNIDO standard and includes Chapter 7 “Risks”.

The Ernst & Young approach does not have a single common template for industry business plans, but these working papers provide an assessment of the strengths and performance of the enterprise, take into account the mobility of the external environment as much as possible, and pay special attention to the costs of issuing shares. The peculiarity of the business plan is that it takes into account the risks assessment which demonstrates an understanding of the key risks, as follows:

- competitors – analysis, etc.;
- markets – timings, exposure, etc.;
- team – management, second tier, etc.;
- technology trends – platforms, networks, systems, etc.

In the Deloitte methodology, the project should show the current state, needs and future prospects for the organization: a detailed SWOT analysis and production plan.

According to PwC, business planning requires the specification of a specific industry and company, based on real market information: forecasts, market trends, evaluation of competitors.

International experience presents 11 standards of risk management (the most common risk management standards are FERMA, COSO and the Australian and New Zealand Risk Management Standard ISO 31000:2009). It is important to emphasize that none of these standards are currently used for certification purposes. They all provide advice and guidance for organizations to adapt risk management processes, to explain internal and external risk factors, risk assessment procedures, risk analysis methods and technologies, risk management activities, and responsibilities of

the risk manager. It is a guide for any actions (both in the short and long term).

In Lebanon the most dangerous risk is a country risk which includes a very high level of a corruption. Thus, high country risk profile describes through low macro-economic and political stability, a key input to outsourcing location criteria. Lebanese authority should build confidence in the market by supporting economic and political stability in the country, as well as legal transparency and data protection laws. Doing business in Lebanon has been increasingly difficult in recent years. Lebanon has regressed in global ranks from 104 in 2012 to 133 in 2018 and now has a very dangerous crisis in political, economical and social spheres. Even before the crisis of 2019–2020 years Lebanon's business environment shows that businesses face difficulties across their entire lifetime, i.e. starting a business, finding allocation, financing, and settling disputes. No serious reforms have been made since 2012 to improve the business environment (other countries (trade partners of Lebanon) make on average 7–8 changes per year to improve across the doing business dimensions).

Lebanon's business environment has not been conducive for doing business mainly due to an ineffective government in drafting and passing laws, the perceived corruption, and the high cost and complicated procedures associated with doing business in Lebanon.

For example, up to 50% of companies rank government instability, corruption, and inadequate supply of infrastructure as the 3 most problematic factors for doing business in Lebanon.

Procedures associated with doing business in Lebanon are complicated and involve multiple stakeholders (e.g. 8 procedures to start a business, 19 to handle construction permits, 20 payments per year for tax purposes, all of which are considerably higher than regional averages).

Processes associated with doing business in Lebanon are costly compared to global and regional average.

In the last 8 years, *the government* has been inefficient in drafting and passing laws identified as critical for a conducive business environment. Moving forward, government should focus on 5 main initiatives around legislative reforms and government effectiveness to improve the business environment in Lebanon:

- improve the legislative environment by speeding up the drafting and passing of the laws identified as critical for doing business in Lebanon;
- increase government effectiveness through:
 - a) increasing transparency by introducing an online platform to serve as a single source of information for all processes related to doing business;

b) digitizing processes and activating the e-government strategy with prioritization of most critical procedures;

c) institutionalizing reorganization of processes by reviewing and clarifying mandates of the institutions in order to avoid overlaps;

d) increasing accountability across government entities through activating and empowering the audit body to ensure standards for government entity effectiveness.

The non-conducive business environment could be attributed to 4 main root causes:

– outdated laws, lack of proper legislations, and ineffective government;

– lack of necessary laws makes it harder for businesses to operate (e.g. Competition Cost, Bankruptcy Law, IP Law);

– outdated laws need to be revisited and reviewed to enable businesses (e.g. Commercial Code):

– government has been inefficient in drafting and passing laws identified as critical for a conducive business environment.

Perceived corruption of the government. Government is perceived as corrupt. Lebanon lost 20 places since 2012 on the corruption index. Corruption is considered the second most problematic factor for doing business in Lebanon. 42% of firms report expecting to give a bribe when applying for a construction permit, 30% to secure a government contract, and 12% for an operating license.

Complicated procedures with multiples stakeholders. Procedures are numerous, lengthy and involve many stakeholders.

This is best exemplified by the 8 procedures to start a business, 19 to handle construction permits and the 20 payments per year for tax purposes, all of which are considerably higher than regional averages.

High costs associated with procedures. Procedures are costly. For example, starting a Business is 42% of income per capita compared to a MENA average of 19% and OECD average of 3%.

Import border compliance costs 700 dollars USD compared to an OECD average of approximately 110 dollars USD.

Building permit tax disbursed to the municipality stands at 300 dollars USD.

Conclusion. In general, we can say that foreign methods build a business plan in accordance with the market situation; in Belarusian practice much attention is paid to the effectiveness evaluation of the project. Belarusian business planning can use forecasting and development of a detailed marketing plan, analysis of the external environment, strengths and weaknesses of the enterprise.

All international standards are similar in structure: all the methods are based on two main blocks. The analytical block is represented by a description

of the project and the business, elements of marketing analysis. The calculation block includes marketing plans, production plans, and financial plans. The methods differ in the sequence of sections and the depth of information disclosure, depending on what is considered the most important in each of them. The only thing that significantly distinguishes these methods is the approach to risk analysis and assessment. In the structure of these standards, only in the EBRD

standard, the issue of risks is brought forward, before assessing the economic impact of the project. The logic of constructing the structure of the EBRD standard seems to be more correct, since project risk management requires certain costs, which inevitably affects its economic effect. In Lebanese projects the risk evaluation includes only risk description but it is not enough that it is important to use Belarusian and international experience in risk paragraph.

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