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THEORITICAL ASPECTS OF BUSINESS PLANNING

The article gives the theoretical base of business plan development and defines its structure, which includes: mission, purpose, marketing and financial plans, project implementation dates, etc. The development of a business plan depends on the following factors that influence its structure: the specialization of the object, types and volumes of products / services, market conditions, material and technical base, resource potential. The financial plan determines the sources of funding, the level of risk and the expected rate of return. Based on the analysis, the scheme of investment project development, its feasibility study and funding sources are proposed. The formation of sources of financing takes into account the amount of equity and the definition of the required attracted and borrowed capital. The business plan provides an assessment of risks and methods for reducing them.

Key words: business plan, investments, project, development, enterprise, production, risk, planning, attraction, financing, structure.

ТЕОРЕТИЧНІ АСПЕКТИ БІЗНЕС-ПЛАНУВАННЯ

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У статті дано теоретичні основи розробки бізнес-плану та визначено його структуру, яка включає місію, мету, маркетинговий та фінансовий плани, терміни реалізації проекту тощо. Розробка бізнес-плану залежить від таких факторів впливу: спеціалізації об'єкта, видів та обсягів продукції/послуг, кон'юнктури ринку, матеріально-технічної бази, ресурсного потенціалу. У фінансовому плані визначаються джерела фінансування, рівень ризику та очікувана норма прибутку. На основі проведеного аналізу запропонована схема освоєння інвестиційного проекту, його техніко-економічне обґрунтування та джерела фінансування. Формування джерел фінансування відбувається з урахуванням обсягів власного капіталу та визначенням необхідного позикового та залученого капіталу. У бізнес-плані дано оцінку ризиків та методи їх зниження.

Ключові слова: бізнес-план, інвестування, проект, розвиток, підприємство, виробництво, ризик, структура, фінансування.

Problem statement. Business plan is a document developed to attract investments, to ensure the food security, and to increase the enterprises' efficiency. The analysis of the company's activity and optimization of business processes takes into account its resource provision and is reflected in the business plan. The investor is interested in the return on investment and the planned income, so it is important not only economic efficiency but also the financial capacity of the recipient. The company as an object of investment requires real investment and real investment projects, because they will provide the company with rapid development of production and market expansion. The activities of enterprises are aimed at making a profit and are associated with the risk of production, performance of works, provision of services and sales. This requires planning of business activities. Therefore, the issue of development a business plan is relevant.

Analysis of last research and publications. The issue of attracting investment and development of a business plan is considered by different scientists at various times. Such leading scientists Blank I., Peresada S. studied the issues of production and business planning. Currently the business planning are considered by the following scientists: Didenko E., Nianchur B. [1], Kvasha O., Fomina V.

[3], Lavriv L. [4], Mychailenko O. [5], Proboiv O. [6]. Based on their scientific work and own analysis, the issues of development a business plan to attract investment in the real sector of the economy are considered.

Purpose of the article. Aim of the article is to identify the main stages of developing a business plan for business entities taking into account its structure.

Presentation the main material. Investing is a long-term process aimed at the development prospects of the object of investment. For the enterprise as an object of investment real investments and real investment projects are necessary as they will provide the enterprise with fast development of manufacture and expansion of the market. Investment sectoral / target projects specify systemic projects at the regional level on a sectoral basis. They are developed taking into account the general social and economic situation in the region, which allows determining the guidelines and priorities for the investment process, including the agricultural sector. Sectoral projects are more specific investment projects. The structure changes depend on the mission that shapes the goals and objectives, the location of the facility, production volumes, sources of funding, sales and consumers. All these issues are specified in the business plan.

The business plan, which is the basis of the investment project, identifies the main directions of investment development. It provides a comprehensive justification of the strategy / program for the development of all areas of the enterprise on the basis of its current and future planning. Some authors do not consider in detail the economic essence of the business plan, as the concept does not consider the estimated indicators. The business plan is aimed at formation the investment attractiveness and priority of the investment object. It is a plan-program or a system of systematically organized activities and actions aimed at achieving the main goal, which includes the following important components: general goals of the enterprise; ways to achieve these goals.

Business plan is developed to prepare the investment projects related to new construction, reconstruction, expansion and technical re-equipment of existing enterprises or enterprises and is the basis of negotiations between entrepreneurs and investors. The business plan is used by both the entity and the investor. For the company it is important to identify the main problems that will arise during the implementation of the planned measures; to assess the financial condition of the enterprise / firm; to study of the competitiveness of the enterprise in the market of goods and services.

Potential investors need to assess the effectiveness of planned activities and real profits, as the investor is primarily interested not in increasing the nominal amount of money, but the increase in real wealth, expressed in the amount of goods and services that can be purchased from investment income, and return to creditors invested in the project funds. The development of a business plan is preceded by the definition of the purpose, purpose, objectives of a particular business. Justification of the main goal is related to the results of activities achieved within a specified period of time. The objectives of the business plan may be the following provisions:

- increase in the capital of the enterprise;
- increase in the rate of profit;
- production of new types of goods and services;
- development of new markets.

Based on the business plan, the investor decides to provide funds to the company, so when evaluating such a plan, the investor will analyze the company taking into account its profitability. Long-term investment requires detailed justification of projects, as their implementation requires large amounts of investment with a high level of risk. For short-term investments, ie the implementation of investment projects, are limited to the development of a business plan of 10-15 pages, which can be supplemented with the help of an investor. In the introductory part, the specialization of enterprises (the concept of the investment project) is briefly described in the information form, because the presented data should allow a potential investor to make financing decisions. The summary section summarizes:

- production volumes in accordance with supply and demand;
- the size of the company's profit;
- payback period of invested capital.

Based on the analysis, conclusions are made about the prospects and forms of development of the business plan, the required amount of investment in the national currency is determined. The second section provides an opportunity to consider the economic, environmental, demographic characteristics of the region, to assess the level of development of market relations and investment infrastructure. This section of the plan considers the location of the

enterprise and assesses the investment attractiveness of the region, which characterizes the potential benefits of the object for which the investment project is being developed. At the characteristic of the enterprises in the business plan statistical data on raw materials, energy resources, demographic and ecological situations, quality of the land plot occupied by the enterprise are resulted.

Characteristics of products or their individual types are given in the third section of the business plan; it defines:

- specialization of the production structure of a particular enterprise;
- demand for products in the region;
- attractiveness for consumers;
- advantages and level of competition in the industry and region. A brief comprehensive analysis of product quality is given. Product characteristics are related to the assessment of its competitiveness by quality, prices, cost, etc. The goals and strategy of the investment project are formed in the fourth section. The main purpose of business is to make a profit. It is related to other goals, which specify the ways to achieve it through strategy. Based on the definition of the priority direction, a strategy for achieving the goal is developed. The means for this are: market, production, pricing policy, sales and marketing channels, labor resources, management structure, advertising, environmental protection.

When developing a business plan, it is necessary to take into account the time factor, as the amount of profit should be distributed over time, taking into account the level of inflation and the entrepreneur's need for funds. Assessing market conditions is an important and most difficult part of developing a business plan. Market research, analysis and evaluation are based, firstly, on assumptions, ie they are predictive in nature, and secondly, take into account the demand and products offered to customers. First of all, it is important to identify buyers / consumers of products, which is the task of the fifth section of the plan. The fifth section of the plan examines the characteristics of consumers, their number, purchasing power, supply and demand, prices within and outside the region.

In order to determine the consumer preferences of the population, it is necessary to monitor the needs of consumers, which depends on the effectiveness of marketing research. In the agrarian sector it is necessary to analyze the seasonality of consumption of different types of products, the dynamics of consumption of organic products in order to determine forecasts of its consumption in the future as a promising type of product. According to the forecasts of the international organization FAO, further growth in global demand for agricultural and food products is expected, but in compliance with the requirements for proper product quality. When developing long-term projects aimed at market implementation without pre-orders, indicators of production volume, number of expected consumers, demand, sales, consumption are set when developing a business plan based on forecasting, estimates and calculations. This stage involves assessing the current demand and supply of products on the market, produced over three years. The section "Plan and structure of production" is developed on the basis of the technological map. This section complements the previous one. When planning production in the agricultural sector must take into account:

- selection of suppliers of machinery, equipment, seeds, fertilizers, agrochemicals, herbicides;
- professional qualities and reputation of suppliers;
- reliability of the settlement system;
- availability of other suppliers in case of breach of contract.

The business plan calculates the total output over time periods on average per year. Similar calculations were made on the structure of production by type of product. The seventh section of the business plan determines the resource provision of the investment project. The section contains information on the types and amounts of resources required for the project, as well as the sources of resources, as the resource factor is a priority in the placement of the investment project and is evaluated by investors from the standpoint of its effectiveness. The business plan considers material, labor, financial, information resources, industry characteristics, for example in the agricultural sector and its main means of production are land funds, which make up the land resources of the country and regions.

The marketing plan is developed as a separate section of the plan based on marketing research. The purpose of research is to study the market: quantitative parameters, its availability to the entrepreneur, profitability in a particular market segment. A marketing plan is necessary for the internal organization of activities and for contacts with potential partners and investors. The marketing plan is necessary in the conditions of market relations, competition, growth of demand for production (services). The basis of development is the planning of production and marketing. In terms of marketing, the market segment of the product is determined; range of goods; sales channels; sales volumes; planned level of product prices; profit level; advertising information.

Section "Financial Plan" is compiled monthly on the basis of previous sections. It consists of several stages, starting with forecasting and ending with the justification of the terms and forms of return on investment. Based on the available financial information, calculations of profitability (break-even) of production are carried out, determining such volume of production at which profitability or self-payment of activity of object of investment is provided. "Investment program" is the next section of the business plan. Drawing up an investment program is determined by the type of business activity (production, financial, commercial), so the methods and forms of such activities are different and depend on the product received and the expected effect. For example, a banker studies the possible risks and ability to repay loans. According to the financial plan, an appropriate section is drawn up, which determines the need for investment, as well as outlines the sources of funding for the investment program. The main sources of funding can be: own funds, borrowed and borrowed funds.

Assessment of risks and forms of their insurance is the final stage of the business plan. Risks are associated with declining demand, loss of property as a result of theft, accidents, natural disasters; the influence of weather and climatic conditions; interest rate risk or the risk of reducing the planned level of efficiency and increasing the payback period due to state regulation of price levels and changes in tax policy. Investment activity is associated with types of risk, such as: market risk is a decrease in demand, imperfect technology, competition, and so on; risk of loss of property as a result of theft, accidents, natural disasters; natural risk this effect of weather and climatic conditions; interest rate risk or the risk of reducing the planned level of efficiency and increasing the payback period due to state regulation of price levels and changes in tax policy; commercial risk or risk of loss of time to start the project – untimely financing of the project, its provision with means of production. A specific type of risk is the emergence of new, innovative technologies that lead to the obsolescence of labor.

Credit risk is associated with urgency and return. It poses a risk of non-payment by the borrower of the principal debt and interest to the lender for the use of the loan within the period specified in the loan agreement. Credit risk management is a system of bank decision-making arising from approved policies and procedures that aim to minimize bank costs.

Interest rate risk is related to the changes of interest rates. Interest rate risk depends on fluctuations in market rates of debt, for which interest is set in a contractual manner from the date of issue. Percentage is an important tool of banking policy, competition, it depends largely on the efficiency of the banking system.

When determining an investment risk, it is necessary to take into account a number of features. For example, investments may have different directions, which differ significantly in both the degree of profitability and the degree of risk; the results of investment activities are influenced by various factors that differ in the degree of impact on the level of risk and uncertainty; the life cycle of an investment project can be long, computing several years, so it is difficult to take into account possible factors and their impact on the profitability and magnitude of investment risk; the necessary statistical information for the previous period may be missing to forecast investment risk.

Any risk can be managed using risk forecasting and risk mitigation measures, choosing solutions based on available information about the expected results of investment efficiency or profitability. Return on investment (*ROI*) can be defined as the percentage of return (*P*) to total investment (*I*):

$$ROI = \frac{P}{I} * 100\%.$$

It is necessary to substantiate the risks of entrepreneurial activity. In accordance with the assessment of regional or medium-industry risk, a program to reduce its negative impact is being developed. The program contains forms of effective insurance of risks, both significant and small. Risks can be predicted and eliminated using a variety of methods. One of the methods of investment insurance. In the investment sphere, insurance companies provide insurance protection to investors. Insurance contracts concluded with them are the basis for financial support of investment projects: capitalization of capital, obtaining borrowed and attracted funds for investment.

This section of the plan provides for the possibility of exit from the investment project at any stage of its implementation, if the actual level of risk exceeds the estimated – planned. Usually a business plan is made for priority areas that will have a high degree of investment. Figure 1 shows the sequence of the development process of the investment project.

Feasibility study is carried out using the methods of analysis of investment projects. This method of rapid analysis determines the possibility of investment, the conditions of the project and its effectiveness. The essence of rapid analysis is to compare and compare analytical indicators with indicators of similar projects or with averaged industry values (criteria). In foreign practice, use the express method of determining the financial and economic condition of the enterprise, which is a comparison in the dynamics of the indicators of the object of investment with similar projects or with averaged industry data. Subject to consideration indicators that characterize the capacity of the enterprise, supply and demand for products, material costs, efficiency and others.

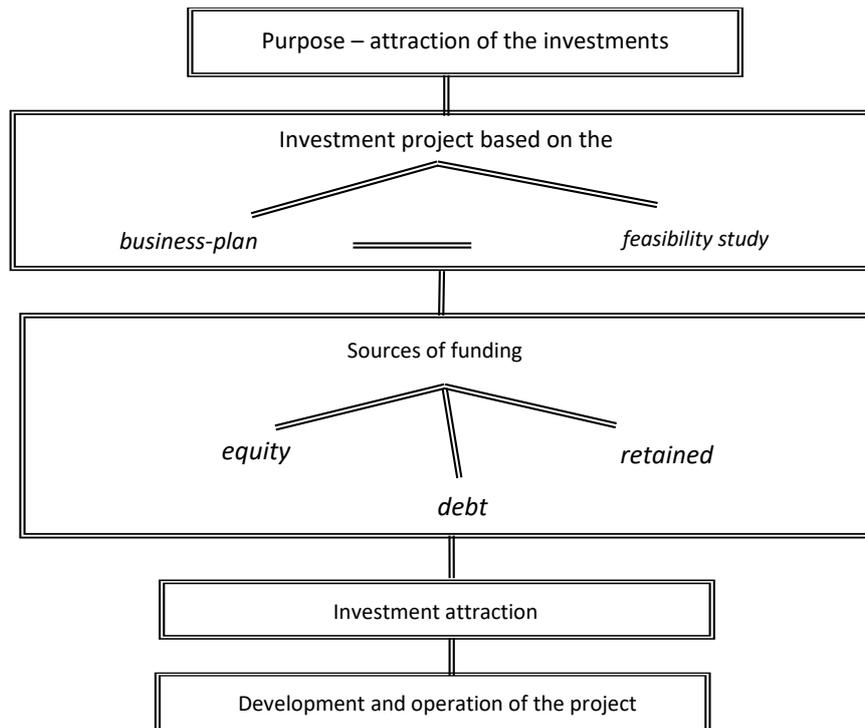


Figure 1. Scheme of the investment project development process

To determine the trend of indicators changes during the rapid analysis, graphs of deviation of indicators from the average values or the median. This method requires systematic collection and processing of economic indicators of enterprise and industry development. Feasibility study data, which can be repeated in the event of a change in project parameters, characterize the efficiency of investment.

Process investment is preceded by financing, ie determining the source of financing and the conclusion of financing or lending agreements. Funding sources are important for investing. These are own, attracted, borrowed sources. The main source of investment is own means, but for large volumes of production it is important to attract both internal and external investments. External sources include foreign and public investment such as bank loans, securi-

ties issues, investment leasing, and government subsidies. Internal is the own funds of enterprises of various forms of ownership and cash of individuals. The operation of the investment project is associated with state regulations that establish the responsibility of participants in investment activities for the implementation of commitments.

Conclusions. Development of a business plan is a complex multifaceted process. Based on the analysis of investment activity of any investment object, the theoretical bases of business plan development are offered as the base of the investment project. The structure of the business plan may change depending on the volumes of production, sources of financing, and the level of risk. Financial plan as a basis of the business plan and it determines the sources of funding, profitability and payback period.

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