

# The Role of Business Planning in the Sustainable Development of Small Business

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**Abstract:** In this article the problems hindered the development of small business at the present time are highlighted. The necessity of expanding the practice of planning the activities of entrepreneurial structures at the stage of their creation and functioning is substantiated. A necessary condition for business communication and a standard form of information transfer is a business plan that helps an entrepreneur to understand the prospects and possible problems of production development with optimal results. Some researchers criticize business planning, citing entrepreneurial intuition, which is more responsive to change than the process of developing a plan. The authors consider a business plan as a system for the effective use of material and financial resources, which are limited in small businesses and believe that business planning is mandatory, especially with new beginnings, identify problems associated with the development of business plans in small businesses.

## 1 INTRODUCTION

The process of globalization, the availability of modern information and telecommunication technologies, a higher level of education, access to more markets, lead to the fact that the business environment is now becoming more dynamic and unpredictable, it encourages entrepreneurs to constantly improve their economic literacy. Illiterate management of business processes, including in the field of small entrepreneurship, the lack of a systematic approach give rise to unproductive actions of participants, reduce the competitiveness of enterprises, which ultimately affects their ability to achieve success, both in the short and long term. We understand that new entrepreneurial structures have great potential and create innovation (Shane, 2009). These structures are created when the entrepreneur and business opportunities meet at a specific time. One of the main management tools is considered a business plan, which allows you to formalize the actions of an entrepreneur in a document that reflects the main directions of the functioning and development of a business with a focus on analyzing

demand, profitability and profit. In theory, it allows you to see future performance and predict entrepreneurial risks in advance, but in practice, it is the most important condition for the survival and development of a business.

Business plans are documents in which founders present their vision for the future of a venture. In particular, business plans allow founders to explain their (Delmar and Shane, 2004).

The need to identify problems in the field of business planning for small entrepreneurship and its assessment in management confirms the relevance of the research topic, and the existing developments of scientists related to these problems require further study, which predetermined the need for additional research aimed at improving economic relations related to business-planning.

## 2 RESEARCH METHODOLOGY

The research methods included analysis and synthesis of approaches to the essence of business planning and small business. Methods of synthesis and analysis are

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used to systematize areas of support for small businesses, inductive and deductive reasoning is used to determine priorities when creating new business structures in Russian regions. The method of expert assessments is used to select indicators for assessing the development of small business in the regions and to justify recommendations aimed at their use in the practice of business planning when creating new business units in Russian regions. The evolution of scientific publications is considered using semantic analysis of approaches to the study of the problem.

### 3 RESULTS

One of the continuously implemented tasks aimed at the development of the domestic economy is to promote the development of small business. The costs of overproduction are minimized in this sector of the economy. The heads of these business units quickly receive the necessary information about the level of demand for the goods they produce and in the process of manufacturing products are guided primarily by the level of demand from buyers. This allows them to significantly save, for example, on the costs of storage and maintenance of goods, the problem of stocking a warehouse is reduced to zero.

It is easier and cheaper to diversify small production than large production. In practice, a number of large enterprises, due to a drop in demand due to COVID-19, faced difficulties in their work, but the process of re-profiling activities and even expanding the assortment group for them is a process that requires significant expenditures of both financial resources and time that is especially valuable in changing working conditions. Small businesses in these complicated operating conditions were able to promptly respond to changes in the market situation, trying to neutralize the consequences of the crisis.

Small business, in contrast to large, from this point of view, is more dynamic, it is easier to adapt to the changes taking place in the economy. Maintaining the size of the small business sector at a certain level helps to solve the problem of monopolization and helps to stabilize the market situation in the country. These small business units are solving one of the pressing problems, creating jobs for the local population and providing additional opportunities for disadvantaged segments of the population in view of the diversity of their inherent forms of employment. This, in turn, helps to reduce social tension in society, stimulates the development of new technologies,

creates additional opportunities for improving market relations.

The dynamics of the creation of new business units in small businesses and their number per share of the population in the regional context in our country is quite comparable with foreign indicators. "However, the average volume of added value produced by one small and medium-sized business entity is noticeably inferior to the level of developed countries", (Report, 2015). At the same time, foreign partners note that the existing conditions in which these entrepreneurs have to work do not meet their expectations, and all this despite the recent transformations. The real increase in the volume of small business and the extensive nature of its development do not correspond to their ideas about an effective, competitive environment conducive to the healthy functioning and development of entrepreneurship. The quality level of its development does not meet global criteria. Regulators of small business activities should not only be developed at the legislative level in order to protect small business owners from the arbitrariness of local self-government, but also must ensure equal conditions for the functioning of all business entities, regardless of their size and form of ownership.

It is very important to ensure equal opportunities for entrepreneurs of various forms of ownership. Klapper et al. Investigated how established rules affect the entry process of new limited liability firms (Klapper et al, 2006). As noted in her work (Chekuldova, 2015), "the availability of resources for entrepreneurial activity is not the same for everyone". In addition to financial entry barriers, entrepreneurs face a lack of, in their opinion, support from the regional authorities and the state as a whole. It hinders the formation and development of their activities and the fact that there are cases when employees of local services contribute to the development of unfair competition. All this not only impedes the effective attraction of capital on a long-term basis, but also leads to an increase in economic risks for small business units, and also undermines the stability of the current legislation.

It is necessary to develop projects and business plans related to entrepreneurship to implement business ideas. A competently drawn up plan shows the strengths and weaknesses, as well as the capabilities of the enterprise, which should definitely interest potential investors who will be able to assess the economic efficiency and risks of non-return on investment. That is why business planning plays an essential role in the development of small business. Specifically, we suggest that it helps founders make decisions faster than learning by trial and error:

manage supply and demand of resources in a way that minimizes labor-intensive bottlenecks and more effectively translates abstract goals into concrete design actions.

Competent business plan makes it possible to determine the required amount of all resources as accurately as possible even before the start of activities, before the start of production. This step allows you to make a reasoned offer to potential investors, to demonstrate them the possible advantages, conditions and expected return on investment. A business plan is not only a document that substantiates the possibility of realizing an idea, but also a tool for analyzing the expected place in the market and ways of promoting, predicting problems and ways to eliminate them, specifying investments and sales, as well as calculating performance indicators. The main purpose of a business plan is to confirm that the project will make a profit, it is real, the investment will pay off, it must take into account the needs of the market and the availability of limited resources. The business value of enterprise resource planning costs has been confirmed in a publication by M. Ghobakhloo (2019).

As a result of the research, it was revealed that a business plan should be considered as a document containing a rationale for the attractiveness of a project or its stages. For small businesses, such a rational element as business planning helps to assess the level of attainability of the stated goals; determine promising areas of activity and your target audience; commensurate the estimated amount of financial costs for the implementation of your idea and the expected results; to investigate possible risks and difficulties, to assess the degree of their influence on the chosen type of entrepreneurial activity.

## 4 DISCUSSION

Analysis of some scientific publications has shown that business planning is not very helpful when the conditions that accompany the process of starting a new enterprise are not very clear. For example, a number of entrepreneurs believe that the acquisition of fixed assets at the initial stage is a more significant process than planning their activities. They believe that the purchase of the premises indicates a seriousness of their intentions and that this is enough to start a business (Carter et al, 1996).

Allinson says in his work that in this situation, the real entrepreneur is distinguished not just by intention, but by an intention that has been realized, which has led to an entrepreneurial result. (Allinson et al, 2000).

According to Bird, the uncertainty and speed of the pace of business situations undermines the value of business planning (Bird, 1988).

We believe that the approach justified by these authors contradicts the foundations of the theory of organization. And, according to (Locke, 1980), the active use of planning before starting decisions can significantly improve the quality of the expected results. Business planning, in our opinion, undoubtedly contributes to the formation of the initially created business units in the economy. Planning is an essential precursor to initiating action because it maintains the structure in which subsequent endeavors are carried out (Mintzberg, 1990).

In our opinion, a business plan is not only a tool for effectively substantiating the use of a given size of material and financial resources, but also one of the ways of their development, taking into account the interests of entrepreneurs, the interests of regions and the country as a whole. After all, it is known that at all times in small business one of the first problems is the lack of resources (Scott, 1987) and increased risks. At the same time, researchers emphasize that financial resources are the most significant for these entities (Lopez et al, 2012). A limiting factor is the fact that a combination of professions is characteristic of small business at the stage of its creation and initial operation. At this point, people with universal knowledge and skills are needed (Gilbert et al, 2006). This shortage of qualified specialists in the early stages of creating a new business unit stems from the limited financial resources allocated, among other things, to wages. In addition, entrepreneurs lack professional training in creating a business plan, and foreign standards for writing it are not focused on Russian business.

Agnes Bogath (Bogath, 2017) thinks: The possibility of exploiting favorable credit programs largely depends on whether the company is able to provide adequate quality business plan attached to the loan applications. We believe that the direction of application of this provision is small business and this approach is very important, but it is necessary to use certain methods.

There are also difficulties in attracting capital, when developing a small business, Investors are not always ready to cooperate with this sector, as the expected return does not always correspond to their expectations. The situation is complicated for entrepreneurs and the inevitable increase in the cost of financial resources. At the state level, programs aimed at the development of small business in the regions are constantly being updated. But in this

situation, it is much more important to pay attention to the timely and targeted organization of subventions and subsidies to regional entrepreneurs. As practice shows, the financial burden on these market entities remains high. As a result, the pace of development of this sector of the economy does not correspond to the expectations of the authorities. The state, for its part, regularly proposes comprehensive measures aimed at reducing the administrative costs of small businesses. Nevertheless, the level of transaction costs for many entrepreneurs remains not only high, but also not a feasible obstacle when entering the market. "The development of measures aimed at removing obstacles to doing business is presented not as one of the stages of a small business development program, but as an end result" (Chekuldova, 2015). The construction of support mechanisms on this principle, unfortunately, is becoming regular and, therefore, inhibits the growth of entrepreneurial initiative, which, in its turn, would contribute to the achievement of the economic and social tasks of the state.

In addition, small businesses inevitably face market fluctuations. Currently, the situation is complicated by a decrease in the purchasing power of the population, which arose against the background of rising unemployment and a fall in the level of real incomes of the population in the context of restrictive measures for the functioning of business entities due to Covid-19.

Conditions dictated by larger entrepreneurs and regional authorities, dishonesty on the part of local government officials, a high degree of corruption - factors that the state seeks to reduce to zero - nevertheless, are encountered in the path of small business owners today. It is necessary not only to create preferential programs, but also to pay attention to the quality of the support provided. "It is necessary to build relationships in such a way that each small business entity is interested not only in receiving income, but also in meeting the social needs of its employees, and can also freely engage in the development of its activities, without fear of legal delays and be confident in efficiency and effectiveness. mechanisms and instruments that regulate the activities of the relevant area" (Chekuldova, 2015).

In these conditions, it is necessary to systematically analyze the situation in the development of small business. At the same time, it is necessary not only to identify problem areas, which is undoubtedly important, but also to look for promising directions, to create favorable conditions for its development. As an element of strategic

management, the analysis of the business environment involves finding a balance between the micro and macro environment of a business unit. The most important thing in this process is to track changes in the economy and focus on factors that can affect not only the formation of the activity of a small business entity, but also the possibilities of its further functioning and development.

If the external environment at the macro level most fully meets the needs of small businesses, then we can talk about the presence of a favorable regime that promotes the development of their activities. However, the formation of such conditions at the regional level of a particular entity is impossible in the absence of these conditions in general throughout the country. In the event of negative changes in the economy and unfavorable conditions, entrepreneurs begin to take a wait-and-see attitude, i.e. in fact, they put their activities on pause in anticipation of a favorable climate.

Thus, the ongoing economic transformations affecting small business do not rid it of the existing obstacles generated by both the general problems of the national economy and those arising in the process of direct reform, which, paradoxically, is designed to improve the situation. Lack of clarity and clarity, vague formulations of the fundamental goals in small business support programs developed at the highest levels of government, only complicate the situation. In this regard, it is necessary to shift the focus and pay attention to the development of strategic thinking, which contributes to the prioritization of business entities, drawing up an action plan for various scenarios of market behavior and developing an appropriate line of behavior.

## 5 CONCLUSIONS

In modern conditions of small business development, it is advisable to systematically, comprehensively improve the quality and efficiency of work. The priority area should be a strategic approach to planning their activities, for which it is necessary to be able to develop a competent business plan. A business plan in its essence is a legal document that represents a program of formation and lays down a vector for the further development of entrepreneurial activity. Moreover, it is a reasoned need to attract a given amount of resources, confirming the benefits of this activity. The authors believe that in addition, this document is a source of strategic information and an effective tool for managing the impact on the future of the enterprise, revealing potential opportunities

and containing ways to achieve profitability of the project.

In the process of work, the authors identified a number of existing problems in the development of a business plan for small businesses in the regions:

- Limited access to external sources of information and lack of skills to work with them;
- Difficulties in setting goals and building tasks, syntactic difficulties in the process of formulating them, as well as in assessing their implementation;
- Unsatisfactory study of the prepared action plans and their justification;
- Inadequate assessment of the importance of business planning on the part of staff;
- Insufficient responsibility and lack of motivation on the part of managers for the preparation and implementation of individual sections of the business plan;
- Lack of due attention to the analysis of the provided results and the preparation of the necessary regulatory documentation;
- Lack of professionally trained specialists in small business with the skills to create a business plan;
- Foreign standards for developing a business plan are not focused on Russian business, and there is no own uniform methodology.

In the course of the research, the following conclusions were made: the methods of business planning used in practical activities by small business entities will make it possible to competently build and systematize the decision-making process, since the technology of business planning itself is based on the principle of finding an optimal management decision based on currently existing time parameters of the business environment and taking into account the internal potential of the enterprise itself. An entrepreneur needs to remember the above-described features of planning in a small business and the presence of restrictions. It is important that the developed strategy provides an opportunity for effective implementation of activities, thereby positively influencing the socio-economic development of the country as a whole. Thus, business planning allows an entrepreneur to rationally assess the possible consequences of various kinds of threats - technical and technological, financial, personnel - that can adversely affect his activities, and at the same time contributes to the activation of entrepreneurial start in general.

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