The essence and prospects of business development in Russia in modern conditions

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Abstract. At the present stage, more and more new managerial and legal models appear in Russia in the context of a developing real estate market with the construction business organization. Some of them are the adapted models for managing the investment and construction projects, which are just beginning to be formed and used by entrepreneurs and managers in the Russian conditions. The article considers the business development as an important factor for the Russian economy as a factor in improving the investment and construction activities’ efficiency. The essence definition of business development as a system of organizational, legal and economic relations between the subjects of the real estate market related to the socio-economic territorial business development is formulated. The main business development stages are highlighted, including for the projects’ implementation in Russia.

1. Introduction

In the context of the market relations formation and the Russian economy modernization, the scientific and practical business development concept is gaining quite a lot of interest [1]. Business development is an activity related to the socio-economic business development of territories, which includes land preparation and construction, engineering and other operations with residential and non-residential real estate.

The term “business development” is widely used in world practice to designate the activities aimed at increasing the value of an object through its qualitative changes [2]. Business development is a complex process, the purpose of which is to create a new product, namely: a specific property. This process consists of many stages and includes a combination of various types of activities, from the creation of a project team and the organization of marketing activities to the process of erecting an object and subsequent property management.

2. Research materials and methods

Business development activity is a type of entrepreneurial activity for the organization of which significant investments are required, and the product created at the same time is capable of forming a regular financial flow for a rather long time. Business development is closely related to modern technologies, economics, architecture, and also dependent on changes in the social sphere and the legal field. In view of the fact that the creation of a real estate object is a separate investment and construction project, the approach to studying the business development process should be carried out...
in accordance with the fundamentals of economic theory and the theory of managing investment and construction projects.

The economic essence and the role of business development in the system of economic relations lies in the fact that business development is a system of organizational, legal and economic relations between the subjects of the real estate market associated with the socio-economic business development of territories. It includes land preparation, engineering, construction, management and other real estate operations using factors of production such as land, labor, capital, information and entrepreneurship.

3. Results and Discussion

Business development activities are a set of processes carried out with the aim of obtaining commercial benefits and aimed at the implementation of projects for the business development of real estate subject to certain framework conditions. This process is constantly evolving. A professional developer must possess knowledge in many areas: from construction technology to personnel management, showing, including a creative approach. Business development can be described as an art based on the unique personal qualities of the developer, as well as on his experience. As a result of the implementation of business development processes, a real estate object is created, which characterizes business development as one of the most important areas for real investment [3].

The high profitability of business development operations is directly related to the high risks that exist during the investment and construction projects’ implementation [4]. Moreover, business development is one of the most complex of all the existing processes in the real estate market, due to the fact that many projects are combined in one project.

Making a profit by creating the real estate objects that can satisfy the needs of end consumers, which are the buyers or users of these objects, is the main goal of real estate business development.

The business development process is associated with the physical changes of the object [5]. Such changes can be both very significant externally and not very noticeable, however, their presence is an integral sign of business development. As a result of these actions, the new consumer qualities of the object are created, which should correspond to the changing needs of the market.

The potential of real estate objects in the physical plan is characterized by their ability to switch from one type of use to another, which causes certain changes in the requirements for the objects’ technical characteristics, which consist in creating a functional variation of the real estate objects.

The legal aspect of business development is associated with the need for legal registration of the ongoing changes in connection with a qualitatively new version advent of the property, which has more value than the previous one. Registration of such an object and rights to it is in this case one of the most important points, because business development process can be completed only after the rights’ registration [6].

Business development is a legal relations system related to the regulation of design and construction activities, reconstruction, transformation and re-profiling of buildings and structures, as well as other measures to increase the efficiency of use of real estate [7]. The business development of relations in the investment and construction sector determines the need for their proper legal regulation.

The legal framework for the business development regulation is a combination of private and public law that can be divided into land and civil law, regulatory legal acts regulating the construction and architectural design activities, regulatory legal acts on the investment activity regulation.

The real estate sector in Russia is largely affected by a complex, opaque and changing regulatory system that operates at all stages of the investment construction project’s implementation [8]. Thus, business development as a type of entrepreneurial activity requires a comprehensive systematic approach to its legal regulation.

The economic aspect of business development is associated with the fact that the property value increases and the costs are minimized as a result of physical transformations made as a part of the business development. The change in value is facilitated by the emergence of such an object that has
the consumer qualities and that are in demand on the market at a particular time. However, an increase in the value of an object can be ensured not by any physical transformations, but only by meeting the current market requirements and the consumer’s expectations [9].

The business development effectiveness is directly dependent on the value of the created object and its compliance with the market needs. Object and market analysis allow to determine the existing supply-demand ratio in different market segments and identify free and promising niches of the real estate market, in which there is a shortage of certain construction projects [10]. A study of the construction products’ selling prices, as well as the construction costs, makes it possible to identify in which market segment the implementation of a business development project will be most effective.

Before a decision is made on the implementation of a business development project, a comprehensive preliminary analysis is carried out taking into account all the existing restrictions [11]. In the business development process, the problems closely related to each other are considered, so the business development process can be divided into the interconnected successive stages. In general, in accordance with world practice, a business development project can be considered in the following stages:

- preliminary stage, which starts when choosing a land plot and lasts until the construction start,
- business development phase, covering the period from the ownership registration to the land plot and ending after the commissioning of the facility,
- operation phase, starting from the moment the property is put into operation and lasting until its full implementation.

Russian authors distinguish the following main stages of a business development project [12, 13]:

- pre-investment (pre-design) stage;
- investment stage (design and construction);
- operational phase (implementation).

The pre-design stage consists of the following operations:

- marketing analysis of the real estate market;
- analysis of the target audience, determining the property characteristics planned for construction;
- business development and the project strategy justification;
- investment analysis;
- business development and coordination of the initial permits’ entire volume;
- choosing a financing method and attracting investments.

The design phase consists of the following activities:

- organization and business development of financing schemes;
- drawing up a working group and attracting consultants;
- coordination and control over all design stages;
- organization of a tender for construction work.

The construction phase includes the following activities:

- coordination of construction and installation works;
- control over the construction quality and the cash disbursement.

A this stage the following activities are implemented:

- marketing, company advertising;
- real estate sale;
- monitoring the operation of the building and the operation of engineering systems and equipment after putting the facility into operation.

Due to the fact that real estate is inextricably linked with land, the business development of land is a fundamental element of any investment construction project, which largely determines its result in the profit form.
In Russia, due to an increase in investment in the construction sector, there was an increase in demand and an increase in prices for the land plots [14], including land suitable for commercial construction, which led to the active business development of land business development, the main function of which is to prepare land for starting the construction.

The business development of land plots is understood as a set of measures aimed at increasing the investment attractiveness and liquidity of land plots, as well as the formation of the living environment.

The result of land business development is an investment product - a land plot prepared for the start of construction work. The function of a land developer is to manage the project, which includes not only the selection of the land, business development of the project concept, justification of the business development format, preliminary calculation of the project’s economic efficiency, but also the business development of marketing programs, advertising strategies and establishing sales schemes, i.e. all activities until the completion of the facility implementation [15]. Thus, the concept of “land business development” is quite broad and implies a list of works on the projects’ implementation for the territorial business development.

To achieve the result in the land business development process, it is necessary to solve three main groups of problems:

- business development of a concept for the territorial business development (selection of the best and most efficient land use);
- legal support for the business development process, including the possible change in the category of land;
- engineering and technical support (obtaining technical conditions for connecting to networks of engineering and technical support, organization of connections to utilities, construction of roads and landscaping facilities).

In the classical concept, the term “land business development” is used to denote the type of business, which consists in acquiring rights to a land plot, its special preparation in order to increase market value, develop a project for the possible use of the territory and sell the project to an investor, who will subsequently build an object or complex of real estate [16]. However, in Russia there are some features of land management in the construction process. So, the purchase, business development and business development of land often cannot be the main activity of the investment business, but represents the initial stage for the construction business. In addition, in many cases, the land resale in order to generate income is not carried out, as the developer continues to implement the project in the selected territory. Thus, in Russian practice, land business development is considered as one of the types of investment and construction activities [17]. In this case, the business development of the land should be understood as the measures to prepare the land for construction, including the organization of bringing to the boundaries of the land engineering networks, the construction of roads and access.

In modern conditions, many business development companies are engaged in the implementation of both land business development projects and the business development of buildings for various functional purposes. If both types the activities are carried out on the same land plot, then they can be considered as a single project. At the same time, in terms of economic substance and the legal mechanism, these are two different types of business development, and land business development will be paramount in this case. Thus, the following individual land business development forms can be distinguished:

- land business development as a separate stage in the framework of a comprehensive business development project;
- land business development as an independent project and a special business type.

Land business development is not just a process of profit from the purchase and sale of land, but a full range of work on developing a concept, acquiring the most optimal and attractive land, establishing the necessary infrastructure, summing up communications and other work on the business development and business development of the land. At the same time, the business development
concept should take into account an effective demand. Ill-conceived decisions made in the process of land business development negatively affect all subsequent stages of the project: the work of designers, builders, real estate agents and minimize the effectiveness of investments aimed at the implementation of the construction project. In addition, in this case, for a long period of time, the land allocated for construction goes out of the economic turnover.

With the business development activities in the face of changing the urban planning concepts, the new tasks and requirements appear, while in modern realities the developers need to pay special attention to the social factor and evaluate the impact of investment and construction projects on the life of the population [18].

Urban business development involves the rational use of land resources. Lack of land resources and population growth in cities exacerbate the problem of the quality of life of people, as the question of the lack of space for new construction and the organization of the necessary infrastructure arises. In Russia, the problem of lack of free land in large cities in the business development of territories is very relevant. This issue is resolved in two main directions: integrated business development of micro districts or spot business development of the territory [19]. The implementation of projects for the integrated business development of territories with the aim of improving the urban environment quality is promising in many respects, given the limited possibilities for developing the spot business development, as well as for solving the existing problems in the business development of large cities. The priority task of integrated business development of territories should be the creation of a quality habitat.

To increase the land business development efficiency in the framework of the territorial integrated business development, it is necessary to carry out rational and balanced urban planning, taking into account the prospects for the business development in the territory and the need for engineering, transport and social infrastructure. To solve these problems, Russia needs effective and transparent organizational, financial and economic management mechanisms that take into account the diversity of the country’s territories, its social specifics and regional characteristics.

4. Summary

Business development in Russia is a type of business that has stood out in a market economy from the related areas of entrepreneurship in the field of construction, real estate and investment, and is currently continuing its formation. Moreover, development of business development in the form of a separate type of entrepreneurial activity is necessary for the rapidly developing Russian real estate market.

Achieving high performance results in the business development projects’ implementation in Russia can be achieved by applying a systematic approach to the process of managing investment construction projects. The systematic approach in this case determines the implementation of organizational, economic, technical and program conditions, the totality of which is a management system, and also implies the existence of a clear organizational structure that allows the most efficient way to organize the interaction of various project participants at all stages of its implementation.

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