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ANAGING RISKS AND STAKEHOLDERS IN THE DESIGN OF A NEW FINANCIAL PRODUCT

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ABSTRACT

This article analyses risk' and stakeholders' management in the project to establish a product created by BNDES to provide partial credit guarantees for micro, small and medium enterprises (MSMEs), the Investment Guarantee Fund (FGI). The project went through several adjustments during its development to adapt it to changes in the credit market, the demands of financial agents and credit access' public policy. For this analysis were used risk management models, stakeholder management in projects and guarantee systems. The methodology used was the single case study with the fund manager, with document analysis and semi-structured interviews. The results of the analysis indicate that the corrections in the direction and the adequacy of the fund project development pace, together with stakeholder management techniques use and project risk management, led to increased security in the Fund implementation, minimizing the need for rework and schedule delays. This context prevented several risks associated with the operation and the adequacy of the final product, contributing to a gradual but steady adoption of the Fund's guarantee by financial agents.

Keywords: Project Management; Public Policy; Risk Management; Stakeholders Management; Project Risk Management.

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GERENCIAMENTO DE RISCOS E STAKEHOLDERS NA CONCEPÇÃO DE UM NOVO PRODUTO FINANCEIRO

RESUMO

Este artigo analisa a gestão de riscos e *stakeholders* na gestão de projeto de criação para um produto criado pelo BNDES para oferecer garantias parciais de crédito para micro, pequenas e médias empresas (MPMEs), o Fundo de Garantia de Investimentos (FGI). O projeto passou por várias adaptações durante o seu desenvolvimento para o adaptar às mudanças no mercado de crédito, as demandas dos agentes financeiros e políticas públicas o acesso ao crédito ". Para esta análise foram utilizados modelos de gestão de riscos, gestão de stakeholders em projetos e sistemas de garantia. A metodologia utilizada foi o estudo de caso único com o gestor do fundo, com análise documental e entrevistas semi-estruturadas. Os resultados da análise indicam que as correções na direção e a adequação do ritmo de desenvolvimento do projeto do fundo, juntamente com técnicas de gerenciamento das partes interessadas utilização e gestão de risco do projeto, levou ao aumento da segurança na aplicação do Fundo, minimizando a necessidade de retrabalho e dos atrasos de programação. Neste contexto impediu vários riscos associados com a operação e a adequação do produto final, contribuindo para uma adoção gradual, mas constante de garantia do Fundo pelos agentes financeiros.

Palavras-chave: Gestão de Projeto; Política Pública; Gestão de Risco; Gestão de *Stakeholders*.

INTRODUCTION

The 2008 financial crisis, according to Freitas (2009), led to a "virtual paralysis in the Brazilian domestic credit market." The credit crunch especially affected smaller businesses survival chances. According to Sebrae (2013), micro and small enterprises (MSEs) with up to two years of existence had a mortality rate of 24.4%. Among the causes cited by entrepreneurs for the closure of activities, one of the main ones is the lack of access to credit, especially due to insufficient guarantees (Sebrae; Fubra, 2004).

According to Lopes, Lagoa, Cardoso and Piccinini (2007), partial credit guarantee systems for micro, small and medium enterprises (MSMEs) implemented as public policies, can address deficiencies in the credit market. The guarantee funds cover part of the banks' credit risk (banks are also called financial agents) in financing operations and play an important role in this system.

This article analyzes, according to the project management practices, the implementation of the Investment Guarantee Fund (*Fundo Garantidor para Investimentos* - FGI), a guarantee fund managed by the Brazilian Development Bank (BNDES). The fund was created by the Brazilian government as one of its reactions to 2008 crisis. Therefore, the emphasis will be on managing risks arising from product changes aiming to meet the needs of banks, FGI's key stakeholders.

This article is structured in five sections: this introduction, theoretical framework (and literature review), methodology, results analysis and discussion, conclusions and recommendations for future research.

THEORETICAL FRAMEWORK

A literature review was conducted to analyze FGI implementation project comprising guarantee systems for SMEs, risk management and stakeholders' management associated with process changes in projects.

Guarantee Systems for SMEs

According to Lanz and Perufo (2013), partial credit guarantee schemes can be classified into three types: guarantee funds (GF), guarantee programs (GP) and mutual guarantee associations (MGA). Based on Lanz and Tomei (2014), it is possible to identify some benefits of guarantee funds over the other models:

- The GF can have state and private resources. MGA usually have only private funds (with the exception of possible contribution of non-reimbursable public funds) and GP only use public budget resources in its capital.
- The GF have greater liquidity resources, because after its constitution the GF does not depend on the public

budget (as GP) or funding from its members (as MGA). GF model seeks to be self-sustaining.

- The GF, being private, have greater freedom to delegate operational activities than GP, which has public character, and greater interconnectivity than MGA, usually made with regional characteristics or linked to local production clusters.

According Chieza and Ambros (2006) a milestone in Brazil guarantee systems is the creation of public guarantee funds in 1996 as an alternative to improve SMEs credit access through providing guarantees to banks. However, the funds had limited scope of actuation because they were linked only to certain institutions operations as SEBRAE, with the Guarantee Fund of Small and Medium Enterprises [*Fundo de Aval para Micro e Pequenas Empresas - FAMPE*], BNDES with the Guarantee Fund for the Promotion of Competitiveness [*Fundo de Garantia para Promoção da Competitividade - FGPC*] and Banco do Brasil, with the Guaranty Fund for Employment and Income Generation [*Fundo de Aval para a Geração de Emprego e Renda - FUNPROGER*]. Besides that, their structure, by its public nature, was closer to the guarantee program model, than a guarantee fund, as public budget dependent funds, with low liquidity.

Stakeholders and Project Change Management

According to the practices of *A guide to the Project Management Body of Knowledge [PMBOK]* from Project Management Institute [PMI] (2013), project management can be divided into ten areas of knowledge: integration, scope, time, cost, quality, human resources, communications, risk, procurement and stakeholders. A new product development can be analyzed from three perspectives: project scope, product scope and the relationship of these scopes with the stakeholders' needs and demands, especially customers. Considering these perspectives FGI implementation process was analyzed in terms of project and product scope change management, in order to evaluate its adherence to stakeholders' needs and demands, especially the financial agents and their impact on project and product risks.

Mitchell, Agle and Wood (1997) proposed a dynamic model for stakeholders' classification according to their relevance in a project based on three factors: power, urgency and legitimacy. The stakeholder power is its ability to take the organization to do something that it would not have to do if it was not requested. This power can be normative (based on law and regulation), enforced (through force or threat) or from utility (to retain resources or information). The stakeholder legitimacy is the perception that the actions are desirable or appropriate, in

a specific social context. It can be classified into individual, organizational or social.

The urgency indicates the need for immediate action to comply with stakeholder requests. The organization's response time should take into account the time sensitivity and criticality (Bourne, 2009; Mainardes, Alves, Raposo and Domingues, 2010; Teixeira, 2010).

The Stakeholders analysis, according to the PMI (2013), usually has three steps: identify all potential stakeholders and their relevant information, analysis of impact or potential support from each stakeholder to the project and assessment of how likely he will respond in various situations.

According to Noro (2012) organizations should develop an efficient and effective communication plan with their key stakeholders, which make it possible to turn them into project supporters.

Noro (2012) proposes a five step methodology to manage stakeholders: (1) Identify the relevant stakeholders for the organization, external, internal, or that interface; (2) Identify the subset of key stakeholders, that can threat the organization; (3) Diagnose the key stakeholders who support the company, who do not support, those with positive and negative aspects and those that are positioned marginally; (4) Formulate general strategies involving supporter stakeholders who defend the company against non-supporters, collaboration strategies with those with strengths and weaknesses in the relationship with the company and monitoring of those that are positioned on the margin (5) Implement generic strategies and develop specific tactics, taking responsibility for key stakeholders management.

The change request process in a project may include: corrective action, which realigns project real performance with its management plan; preventive actions, to ensure that future performance will be aligned with the plan, defect correction and improvements or updates that reflect new ideas or content. Change requests should be reviewed, approved, reflected in the deliverables and project documentation and communicated to stakeholders (PMI, 2013). According to Noro (2006), change is no longer seen as something bad, because nowadays it usually refers to continuous improvement.

The change management can be classified in various ways, for example, by the effort required for their implementation and by their impact, which can be incremental or innovative. Incremental change and continuous improvement comprises small changes, usually with short-term scope, but together they can impact the organization's performance. Innovative change or radical improvement has large, long-term scope and high risks associated and may radically affect the organization. Another way to classify the change is between reactive or proactive, respectively in response to a problem or crisis, or as an opportunity for improvement (Wood, 2009; Iqbal,

2011; Banutu-Gomez, 2007; Kirsch, Chelliah and Parry 2011; Oswick, Grant, Marshak and Wolfram Cox, 2010).

Risk Management

PMI (2013) identifies six risk management processes: planning risk management, identify risks, conduct a qualitative risk analysis, perform quantitative analysis, plan responses and control the risks.

Jerônimo, Silva, Batista and Galvão (2011) identify some risk factors linked to the development of new products and processes with high uncertainty, which are difficult to define and to establish realistic goals. Among these factors are political, social, market and economic factors. Flexibility is required to deal with these changes.

According to Mulisani and Garcez (2014), high-tech and innovation projects bring great uncertainty, requiring a greater number of interactions and technical skills as well as flexibility and interactivity during planning. Shenhar and Dvir (2007) proposed an approach to project management that considers four conceptual dimensions – Novelty, Technology Complexity and Pace.

According to the authors, the higher your product novelty, less clear are the initial information, which impact estimates, and since this will be less accurate, riskier the product. This situation requires greater flexibility and creativity to bring projects to a successful conclusion.

To Vencato (2014), the project risks management can only be set from the activity measurement. Risk management arises from the expected activity, the need to control the future, to ensure the inputs delivery on time, for example, and with the expected results.

There are two types of risks: internal project risk, that is linked to the development process, connected to the areas of knowledge defined in the PMBOK Guide (2013), and external or business risk, that is linked to the final product of the project (PMI, 2013).

According to Napolitano and Rabechini Junior (2012), organizations are part of a socio-technical environment, subject to a complex structure of norms, standards and actions which are subject to several actors' decisions with distinct interests and judging criteria. In this approach, the number of decisions and judgments are modeled, in a

process that begins in the high spheres of government, pass by regulators and run throughout the organizational structure in a network of successive decisions, until it comes to the responsible for the task execution.

Rabenschlag, Roratto and Dias (2012) analyzed the risk factors in public companies IT projects, and found that the bureaucratic administrative structures prevailing in governmental institutions are rigid, centralized, and directed to administrative procedures implementation and regulation compliance, in a way that does not stimulate the adoption of modern management techniques, among them project management. In this type of structure, performance management, most often, is assessed only to verify compliance with legal and ethical standards.

When the product depends on the relationship between organizations the need for specific controls arises. Das and Teng (2001) identify three types of risk control in interorganizational relationships: output, behavior and social. Output control is evaluating partner performance. The behavior control is used to ensure that the processes are appropriate; and social control seeks to develop shared values, beliefs and common goals between the parties.

METHODOLOGY

The research method used was the single case study (Yin, 2013), conducted with the fund manager, the BNDES in Rio de Janeiro. The research analyzes the FGI implantation process adopting a sequential data collection strategy (Creswell, 2013), that consists of two steps: (i) analysis of the main changes of FGI's contractual and regulatory instruments (by-laws, regulations, manuals and circulars), assessing their impact on the project scope, the risks and stakeholders relationships; (ii) semi-structured interviews with managers and operational staff of the Fund's administrator, comprising the research's constructs.

The semi-structured interviews comprise a total of 10 people using as a basis **the Table 1**. The interview script base was adjusted to obtain information about the research constructs.

Table 1 - Interview Script

Question	Aim of the question
1. How was defined the FGI Project Scope?	Understand how the project scope was defined.
2. How is the structure of FGI? How it differs from other funds or guarantee schemes? Explain.	Identify the type of guarantee system implemented. Identify lessons learned.
3. What are the main stakeholders in the project? What is the role of each stakeholder?	Identify key stakeholders and their role in the project.
4. How was the relationship and communication with the stakeholders?	Identify how the relationship and communication with stakeholders was.

5. How the requests and interests of stakeholders are handled and prioritized?	Identify how the fund manages the stakeholders.
6. How was the change management process? How the scope was managed?	Identify change management drivers in the project.
7. What are the main changes that occurred in the Fund? Why the changes were implemented?	Identify the key changes and their causes.
8. What are the main risks associated with the project? And the product?	Identify the project and product risks and how they are classified.
9. How does the FGI's risk monitoring and control system work? What are the main control mechanisms used?	Identify what kind of risk' monitoring and control the Fund uses.
10. Describe the FGI's performance in financial terms, number of customers (market share) and in terms of banks' satisfaction?	Identify performance perception.

Source(s): Prepared by the Authors.

The subject's selection criteria were convenience and accessibility. Interviews were recorded and transcribed. Content analysis was used to extract the respondents' perceptions about the topics covered. The managers interviewed have between 5 and 10 years of BNDES. Their

academic formations are economists, business, accountants and lawyers. The interviews followed the guidelines of the BNDES ethics code. Confidential data and information protected by law about the FGI were omitted from the final report.

Table 2: Interview Participants

Divisions	Respondents	Attributions
Department Chief	1 interviews	Responsible for FGI
Product and Project	3 interviews	Development of new products and adjustments to existing products and standards.
Institutional Relationship	2 interviews	Institutional relations and training of financial agents
Operations	2 interviews	Operating activities as analyzing honor claims and payments, credit recovery and auditing.
Legal	2 interviews	Responsible for legal support to all divisions, contracts elaborations, fund regulation and standardization.

Source(s): Prepared by the Authors.

Considering that it is a single case study, with qualitative analysis, it is not possible to perform statistical generalizations from its results to other guarantee funds or other industry entities, such as insurance companies. This constrain was not considered a problem, because the research aim was to generate theoretical propositions, analytical generalizations (Yin, 2013), and contribute to improve the guarantee schemes for access to credit for MSMEs, innovation diffusion in financial products and services and project management theory.

ANALYSIS AND DISCUSSION OF RESULTS

The analysis of the fund's implementation was made by comparing the actions taken by the Fund managers, identified through FGI documentation analysis and interviews, and theoretical recommendations for guarantee schemes for MSMEs best practices, concerning risk management, stakeholders relationships, and change management to adapt the scope of the product to market requests.

Project's initial scope was defined by the boundaries of Brazilian Law 12,087 (2009) that authorized government

participation in guarantee funds for MSMEs and establishes that these funds must be managed by a federal public institution, and the lessons learned from the previous fund, FGPC, which, according to Chieza and Ambros (2006), had the nature of a guarantee program. FGPC was managed in a bureaucratic way, excessively restricted by regulation and legal norms, in a view consistent with Rabenschlag et al. (2012). Fund management is embedded in a public policy of government, a view consistent with Lopes et al. (2007) and subject to a framework of rules, as predicted by Napolitano and Rabechini Junior (2012). According to one respondent:

... FGI's initial scope was based on the lessons learned from FGPC experience, "trial and error". FGPC is a fund that no longer grants new guarantees. It was a public fund, with public resources, that is... or because of that, it had budget constraints from the government...

In interviews, some people mentioned the main features that differentiate the guarantee funds from other guarantee schemes, as proposed by Lanz and Perufo (2013) and Lanz and Tomei (2014), features as being a

private fund with public and private resources, high liquidity and operation delegated to banks (financial agents).

Especially compared to FGPC as I had told you, that was a public fund, which was affected by governmental budget constraints, FGI brought, in my opinion, a great evolution, the fact that it is a private fund.

... and because the fund is private, it allows a much more agile claim payment process to operations that defaulted. This is a differential that the fund presented, based on lessons learned from FGPC mistakes, which had a long claim payment process, because of governmental budget constraints.

FGI has the capital from Federal Government and BNDES, which are the resources that allow the fund to offer guarantees, but besides that the Fund also has the contribution of the financial agents. Although these latter do not provide sufficient resources for the fund to grants guarantees... they establish a commitment towards operations, there is a shared risk.

Then the financial agents, having to contribute to operate with the Fund ... there is a risk sharing with financial agents...

The interviews show clearly that FGI is a significantly improved product that took advantage of previous experiences and lessons learned from the FGPC. FGI contracting process and operation is basically the same as FGPC, but improvements are introduced, such as its private nature, with resources from financial agents and assets segregation from its administrator. This innovation however generated understanding difficulties by financial agents and brought regulatory questions that were addressed to the Central Bank and the Government, because despite being a private fund, it is managed by a public institution.

... BNDES, as fund manager referred consulting the Central Bank with the main questions presented by the financial agents in relation to accounting and provisioning operations guaranteed by the FGI...

FGI guarantee provides financial agents with a more favorable capital provision for their operations in accordance with Central Bank rules, through Circular CMN 3,644 / 2013 (which canceled and replaced the Circular 3,360/2007. This was modified in 2009 by Circular 3,471 that includes guarantee funds with stop loss, as FGI).

The main stakeholders in view of the respondents were the Federal Government, BNDES, the MSMEs that benefit from the guarantee to access credit and financial agents,

the latter being the most relevant for defining changes in project scope (PMI, 2013; Noro, 2012). The Fund operates three types of financial agents: commercial banks, regional development agencies and automakers banks (associated with trucks and bus financing – *Procaminhoneiro* Program).

... Stakeholders are DEPOG, that's the department that manages the funds both FGI, and FGPC; Financial agents, operating the fund, the final beneficiaries of these operations and also there are other shareholders, which are the Federal Government and the BNDES, participating in the Council of Shareholders. In my view these are the stakeholders. Maybe other instances of BNDES own hierarchy can also be included, as the credit area supervisor, which the DEPOG is subordinate, the director responsible for the credit area, the board of directors as a whole and the president of the bank (BNDES).

We have three types of financial institutions: commercial banks, development agencies and the automaker banks, which joined the fund specifically for compulsory guarantee to the *Procaminhoneiro* program.

There is a team that deals exclusively with the financial agents' relationship. They are responsible for attracting new agents, training and disseminating the Fund.

BNDES has sought to simplify its processes to make them more compatible with the financial agents' business routines.

Stakeholders' relevance analysis followed Mitchell et al. (1997) proposed model and the PMBOK practices (PMI, 2013), as can be seen in the prioritization process, that takes into account the urgency, legitimacy and power, highlighting the normative aspects and potential threats to the fund, which can be associated with the coercive power (Bourne, 2009; Mainardes et al, 2010; Teixeira, 2010).

Well, the demands that arise through financial agents, they are requests, so they do not necessarily have to be met and not all of them are viable, because the financial agents seek facilities for their own operations. Then the financial agents' requests are mapped and evaluated, to verify if they can be met. From the moment that the request if from more than one agent, they began to gain momentum and enter into a department priority ranking for change implementation.

Other operational changes, they have a high priority, very often due to legal consequences that we may suffer, especially if related to lack of control issues, or maybe, some legal loophole that may not have been satisfied that our legal department identity and alert. So, I think that the

priority for the change requests fulfillment goes to operational and legal risks.

FGI operates through risk sharing with financial agents. In the fund initial design commercial banks were encouraged to assume more risk through a spread limitation mechanism linked to the guarantee percentage assumed by the commercial bank. There is a delegation of procurement activities and credit analysis to financial agents, which minimizes transaction costs of the fund. FGI also has a limitation of the level of claims payment of 7% of the contracted portfolio, which reduces asymmetry information effect, addressing the most common difficulties identified related to development banks and government action towards MSMEs support.

The fund guarantees from 20% to 80% of the credit amount in the liability side, from financial agent to the BNDES. The fact that the financial agent always assumes a portion of the risk minimizes adverse selection and moral hazard.

With regard to the project management during the FGI implementation, it is clear the concerns to keep the project on time and on budget, as Vencato (2014) proposes and minimize future operational risks by automating and simplifying the product:

I think that the main risks were to deliver the project on time, but the project was structured a certain way at its beginning to be capable to absorb some adjustments, because the product was innovative, had not been done before here at the Bank. Many things had to be revised over time, so it ended up delaying the project. This was one of the main risks involved and also had the risk of acceptance by the financial agents that are the fund's customers, and somehow, cost too, since as time passes and the project does not end, the cost increases. I think these are the main risks: product acceptance, time and cost.

FGI always seeks to automatize process to minimize operational risk, so I would say that today the only thing that's manual are the audit procedures, since it could not be done automatically, using IT, in this case there is no automation. All you can use IT process the FGI automated since the FGI process is a large-scale operation and does not allow manual operations. It would be too costly and would be neither appropriate in the sense of risk, or the sense of cost and benefit.

The fund has developed throughout the project a series of controls related to the product. There are output controls, according to interview respondents, linked to various performance indicators. However most of them

seem to be linked to performance indicators of FGI itself. It appears there isn't an active work to extend the dissemination of these indicators to the financial agents, maybe because most of them are automated.

FGI's indicators are used mainly to verify that the fund is fulfilling its role in facilitating access to credit to MSMEs, than to track financial agents performance. We have regional deconcentration indicators, focusing on North and Northeast (the least developed Brazilian regions), new borrowers, which are companies that never contracted operations with BNDES; comparison between FGI operations risk and BNDES operations risk; FGI participation in each line and program eligible to its guarantee.

The cases where controls and indicators are used to monitor the agents are those related with FGI rules compliance, such as 7% stop loss, exposure value, margin to operate, operation value limit by guarantee and beneficiary.

[...] Quarterly we raised some performance information on financial agents with FGI and set our contacts, our contact priorities and how this contact is going to be conducted. Also because of this, sometimes reactively due the demand of a financial agent, or if a financial agent had a change of someone on their team and the new team does not know anything about FGI, we visit the financial agent and we arrange a training to familiarize these people with our processes. So, we have some clear issues that are reactive and will always be, those demands that arise unexpectedly by a financial agent. However, we are trying rather to have a more proactive and strategic approach, mainly based on these quarterly reports that we are generating.

The output control is used to monitor the results of the alliance from the fund manager's perspective. As Das and Teng (2001) proposed, these controls are used for cases in which the measurement is accurate, which is the case for all financial indicators evaluated in this case.

The fund has a number of automated controls that act as financial agents' behavior regulators. There is a great understanding of the processes by the administrator, which makes this is the main form of control used, because there is a high programmability and low measurement outputs, situation that according to Das and Teng (2001) makes this the most appropriate control.

Adverse selection and moral hazard are mitigated by risk sharing in each operation and the existence of the stop loss mechanism, which limits the losses of the fund to 7% of each agent portfolio.

... The fund has some limits that minimize its risk, such as portfolio coverage limits in each tranche (5 years period), minimum collateral for operations over R\$ 1 million and a R\$ 10 million per beneficiary guarantee limit...

... There is a concentration limit, a maximum guarantee value for financial agent, which was 2 times the Fund equity and is being expanded to 4 times equity...

... The system checks the limits when a financial agent contracts its guarantee.

There are also behavioral controls, where it is clear a quest for procedures simplification, greater delegation and autonomy to the financial agents, seeking to create flexibility, as proposed by Jerônimo et al. (2011):

A major change was in the claim process. In the initial design the fund provided guarantee payment by each financial installment, according to the original schedule of the loan operation. This process, despite committing fewer resources from FGI was very complex, for the Fund, the BNDES and the financial agents. It involved the need of monthly calculations and payments. These were undesirable, due to the fact that some operations can reach up to 120 months. The process has been simplified for settlement of the guaranteed portion of the transaction at once, keeping the original operation schedule for the amount of risk assumed by the financial agent.

... The recovery process has been changed a few times, all aimed to simplification.

In the interviews were highlighted the internal processes maturity level and the gradual improvement of external processes:

About internal and external processes I think we are already quite mature, there was a time that lasted a long time, of implementation of this process, that we were refining what is there, but we're quite mature in this sense, the performance goes well. And I believe that concerning performance there isn't much more to gain, there are the internal processes which have very good quality, that provides an effective and an efficient operation.

Let me see, from the process point of view, I will separate into internal and external processes that help the realization of financial agents' transactions. In relation to internal processes, I understand that the fund is successful, because we suffer internal and external audits and internal controls verifications - that is not even considered an audit, and we have always been well evaluated, never had an

appointment. We already had some improvement suggestions and recommendations, but all were met and have been resolved. So from the point of view of internal processes we are successful. And from the point of view of external processes, which I will translate as operating procedures, which aids the financial agents operations, I understand that we still have much to improve to facilitate the agents operations. We understand there is still much potential for procedures improvement, however, what I had seen is a lot of barriers, especially legal issues, risks that we may end up generating. Certain changes are not implemented, we had to respond negatively to the requests of some financial agents, because it has certain demands... we cannot meet then because of legal requirements, according to the Brazilian legal issues and because of that we still have to improve.

But we have striven to implement the changes that were possible. Then I would say that we still have improvements to perform in external operating procedures that aid the realization of financial agents' transactions.

The decision process about the Fund development and objectives that was concentrated in the manager, the BNDES, gradually starts to involve more the partners, the financial agents. According to the Fund managers, the latest rules changes have been validated with the potentially affect financial agents before its implementation.

At first, it was required that the financial agent presented preliminary injunction to every claim that they request from the Fund. This was a legacy of FGPC. A first step was to dispense with the presentation of legal measures to values of up to R\$ 30,000, the same value used as a reference for dismissal of lawsuits by income tax laws. Even this figure proved to be low, because as the fund pay claims from defaults that occurred between 90 days and one year ago, not always the financial agent already filled a collection action before presenting their claim to the Fund. The rule was relaxed to dismiss the proof of prior judicial order to pay the claim request of the financial agent for amounts of up to R\$ 300,000. The agent can follow the milestones and deadlines set in its collection policy. The legal department of the BNDES only maintained the requirement that the financial agent cannot let the credit prescribe.

The new types of guarantees being implemented, as operations indirect guarantee and free credit guarantee, or those still being structured as guarantee to BNDES Credit Card operations, seek largely to align interests and objectives between the Fund management and the financial agents, as proposed by Das and Teng (2001) model.

Recently was launched a new indirect guarantee regulation for capital goods loan operations by manufacturers to MSMEs. To elaborate this regulation we had an effective participation of more than one financial agent interested in operating this new program. Besides that, it is being implemented by our IT department the possibility to guarantee to free credit operations, with financial agents own resources. In addition, we are evaluating the possibility to guarantee the BNDES Credit Card operations, which today is the product with the highest volume of BNDES operations. With these new products interest to operate with the fund should increase.

BNDES assumed both roles as administrator and first financial institution to offer loans with the fund guarantee, preparing the framework for the subsequent use of the Fund as private credit guarantor.

... FGI currently only guarantees BNDES credit facilities, transferred to MSMEs by financial agents...

The national / state Sebrae system and regional development agencies were used as a support for the FGI implementation, facilitating its dissemination and MSMEs access to its guarantee. The fund also has the lowest cost for long term operations to the beneficiary between the guarantee funds currently operating in Brazil, the FGO and Fampe.

... We participate in a working group with the Sebrae, which manages the Fampe and the Banco do Brasil who runs the FGO, which aims to improve credit access conditions for MSMEs...

... The FGI guarantee now has the lowest cost of the market...

We maintain a discussion group with the Banco do Brasil, FGO manager, and Sebrae, Fampe manager, to discuss the evolution of guarantee funds for MSMEs in Brazil. The experience exchange about accounting provisioning processes, credit recovery and regulatory issues have been very rich.

The Brazilian Association of Developing [Associação Brasileira de Desenvolvimento - ABDE], that congregates developing banks and regional developing agencies, has been strengthened, and was one of the first entities to receive information about the FGI. The requests of the ABDE participating agents, because of their legitimacy, were prioritized between changes in the Fund, such as changing the tranche period, which was a critical factor to increasing the participation of these agents in FGI operations.

Another interesting change was the increase from three to five years in the Fund tranche which favored smaller financial agents operations, such as development agencies and regional development banks...

... The increased from 3 to 5 years in the tranche allows the smaller agents to compose a more diversified portfolio and have more time to contract this portfolio and share the risk, so they do not cease to receive claims' payments due to the stop loss so early.

To have greater chances of success, FGI seek to be a service that meets customer needs that were not yet adequately met, and meets the needs beyond what the consolidated entities provide. So FGI focused on long-term operations, investments in modernization and increased productive capacity, while most guarantee systems just meet the short-term working capital needs.

... The FGI offers guarantees for long-term operations...

... The average maturity of guaranteed operations is 70 months, we have operations with a maturity of up to 120 months...

... The FGO, from Banco do Brasil provides guarantee to short-term operations and the FGI provides guarantees to long-term investment operations with BNDES resources...

Despite these adjustments to the customer needs the FGI diffusion rate has been relatively slow, which is compatible with the vision of Shenbar and Dyr (2007). In the adoption process analysis, it was identified that it is first necessary that financial agents take knowledge of fund, became interested in joining, after evaluating if the cost-benefit ratio is interesting (because there is the capital opportunity cost from their shares of the fund, in addition to necessary adjustments in their computer systems). Even after these steps, some agents only experience the Fund; however they are slow to adopt it as part of their regular line of products.

Among the smaller financial agents FGI adoption has been quite significant, mainly due to the fact they do not need to develop IT platforms in order to operate FGI.

... However, the big commercial banks, due to the need of automated systems to operate FGI guarantee, have had that adoption postponed.

... In my assessment the performance of smaller financial agents has been a significant interest and the largest has had a slightly lower performance, greatly depending on the IT issue and the issue of the long term

involved in the Brazilian judicial collection process, demanded by the Fund for some operations.

The management of FGI has sought to demonstrate flexibility, adapting the fund rules and characteristics, through changes to make it more attractive for financial agents.

... I can perhaps highlight 2 or 3 adaptations and changes that the fund has implemented throughout its life. One is that once a year we have to review “k factor” used to calculate the Fund fee for guarantee concession, which is a formula. And we have to do this review at least on an annual basis. Since the fund was established, we have made some k factor reductions to lower the burden to the financial agent and the final beneficiary. This is an interesting change.

The results indicate that the search for a balance between meeting the demands of key stakeholders, financial agents and the maintenance of adequate project and product controls appears to be the best way to achieve project success, minimizing the changes impact over risks and predicted milestones.

CONCLUSION

The article analyzed the FGI project implementation using document analysis and interviews. The analysis shows that the project scope definition sought to address the known problems identified by guarantee funds previous experiences. The FGI is a significantly improved product compared to the FGPC, having been created with private nature, participation of the financial agents, improved governance structures, claim payment and credit recovery simplified processes.

Besides that, key stakeholders concerns were identified throughout the project and their solution were addressed, with financial agents’ diversification to include regional development agencies and automaker banks, besides commercial banks. Involvement of the Sebrae and ABDE in this process, Central Bank definition for accounting specific rules and regulatory capital requirements for the fund’s guarantee. The risks that prevented direct transactions with MSMEs, as transaction costs and information asymmetry, were treated with the creation of simplified contracting mechanisms, maximum coverage limits per agent (7% of the portfolio) and maximum risk sharing (up to 80%)

Despite this careful initial structuring, the management and relationship process with stakeholders identified a

number of design changes needs that were evaluated and implemented through a change management process, as proposed by Mitchell et al. (1997) and PMI (2013) to make the fund more attractive to the financial agents, the main interested party and responsible for the spread of this new product. A relationship structure was established with specialized personnel, which has sought to use the experience and stakeholders opinions to make changes that highlight the product strengths.

Among these changes we can highlight the tranche term expansion from three to five years, actions to decreased guarantee fees and administrative costs, simplified outstanding balance control and claim processes for values up to BRL 300 thousand, and new credit recovery rules, which has become more adherent to the procedures usually adopted by financial agents for their operations without FGI’s guarantee.

Despite initial actions related to regulation by the Central Bank; market by the financial agents; and technology with the creation and further simplification of the web relationship platform, challenges remain to increase the adoption of the fund. These challenges relate in particular to improvements in the regulation, with a lower provisioning for potential losses by financial agents, nowadays 50% of the guarantee and exemptions in the tax levied on the fund, which is subject to income tax, plus simplifications in credit recovery and IT platform, affecting agents due to their complexity. With these changes, the relative advantage and the fund’s compatibility with the practices of financial agents will increase, and the diffusion rate should increase.

Future research suggestions could include comparative studies between Brazilian system, other international experiences and other guarantee arrangements available in the country with qualitative approaches, through the evaluation of experts and market participants; and quantitative, relating each guarantee mechanism with its performance in terms of the number operations, beneficiary profiles, volume of guarantees granted, default and recovery rates.

Considering the public policy vision of credit access improvement, other funds, such as FGO, from Banco do Brasil, Fampe from Sebrae, and new guarantees products as BNDES Credit Card, microcredit operations, mutual guarantee associations and local productive clusters.

Under the project management perspective further research could aim to analyze other PMBOK knowledge areas, especially communications management and integration focusing on guarantee schemes implementation.

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