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POSSIBILITIES OF BUSINESS CONSOLIDATION AT MACHINE-BUILDING ENTERPRISES

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The article provides a systematic study of the concept of business consolidation in relation to the activities of machine-building enterprises in Ukraine. This combination of efforts is aimed at the subjects of economic relations both to strengthen existing competitive advantages and to gain new ones to increase the competitiveness of integrated business. This mutually beneficial interaction is beneficial to the enterprises of the machine-building industry in the conditions of aggravation of the crisis phenomena, new challenges of economy. The existing methods of solving problems of the industrial branch are generalized and the efficiency of the new methods and approaches of integration of machine-building enterprises in Ukraine by consolidation of business is substantiated. In particular, it is proposed to strengthen the consolidation of investment as a tool for developing the competitive strategy of domestic machine-building enterprises. The most acceptable opportunities for business consolidation by Ukrainian machine-building enterprises and priority areas of development of this industry have been identified. The possible risks of such a variant of mutual assistance between machine-building enterprises have also been thoroughly studied, given the current trends in economic development at the regional and international levels. In general, the consolidation of business with proper support provides the participating companies with the economic effects of synergies, which makes it possible to ensure sustainable business development on the basis of social responsibility.

МОЖЛИВОСТІ КОНСОЛІДАЦІЇ БІЗНЕСУ МАШИНОБУДІВНИХ ПІДПРИЄМСТВ

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Ключові слова:

економічна ефективність,
інновації, інтеграція, капітал,
конкурентоспроможність,
консолідація, машинобудування,
стратегічний розвиток

У статті здійснене системне дослідження поняття консолідації бізнесу щодо діяльності машинобудівних підприємств України. Таке об'єднання зусиль спрямовується суб'єктами економічних відносин як на посилення існуючих конкурентних переваг, так і на здобуття нових для підвищення конкурентоспроможності інтегрованого бізнесу. Ця взаємовигідна взаємодія вигідна підприємствам машинобудівної галузі в умовах загострення кризових явищ, нових викликів економіки. Узагальнені існуючі методи вирішення проблем промислової галузі й обґрунтована ефективність нових методів та підходів інтеграції підприємств машинобудування в Україні шляхом консолідації бізнесу. Зокрема, запропоновано посилити консолідацію капіталів як інструменту розвитку конкурентної стратегії вітчизняних підприємств машинобудування. Визначені найбільш прийнятні можливості консолідації бізнесу українськими машинобудівними підприємствами та пріоритетні напрями розвитку цієї галузі. Також були ґрунтовно досліджені можливі ризики такого варіанту взаємодопомоги між машинобудівними підприємствами з огляду на сучасні тенденції розвитку економіки на регіональному і міжнародному рівнях. У цілому консолідація бізнесу за належного супроводу забезпечує підприємствам-учасникам економічні ефекти синергії, що дає можливість забезпечувати сталий розвиток бізнесу на засадах соціальної відповідальності.

Statement of the problem

The most important problem of any enterprise or organization that focuses on success and sustainable operation is their survival and ensuring continuous development. An effective solution to this problem is to create and implement competitive advantages that can be largely achieved through an effective enterprise development strategy, in particular in the field of mechanical engineering.

In recent years, structural changes have taken place in the machine-building industry of Ukraine and the conditions of enterprise activity have changed dramatically. Significant decline in production in the industry, indicate, on the one hand, the mismatch or low level of compliance of enterprises with the needs of society, and on the other hand, with the problems of effective use of their potential in accelerated transformations and changes in the environment. Russia's aggression has led to significant changes in exports and imports of engineering products stimulated the development of new approaches to management and innovation in production processes.

Mechanical engineering provides 2,4% of the gross value added of Ukraine, the volume of sold industrial products is 6,2% (2020), and the number of employees – 16,7%. This indicates that labor productivity in mechanical engineering is more than 2,5 times lower than in the industry of Ukraine as a whole [6].

Another problem is that today large machine-building enterprises need to be modernized, which requires significant investment resources. Without proper modernization, there will be job and income cuts. Significant investment potential can be released through capital consolidation.

The engineering industry needs to be transformed, and in the context of the benefits of business consolidation, of course with antitrust restrictions, the merger of engineering companies can significantly enhance their potential.

Analysis of recent studies and publications

Capital consolidation processes, including the activities of multinational companies, strategic alliances, mergers and acquisitions, have been studied by many scholars. For example, researchers at PricewaterhouseCoopers studied the possible conflict of interest between the participants in the consolidation and ways to reconcile them to achieve understanding and business development [1].

The results of Kravets K. research on new methodological approaches to assessing the effects of business consolidation are of practical value [3].

Scientists Petrovych Y. substantiated the directions of adaptation of machine-building enterprises to modern changes, in particular by consolidating them [5].

The strategic problems of business consolidation have been thoroughly studied by Yurii E. & Lutsyk I., who emphasized the need to take into account the factors of uncertainty in the activities of modern machine-building enterprises [7].

Objectives of the article

The purpose of this article is to substantiate the possibilities of consolidating the business of machine-

building enterprises of Ukraine taking into account potential risks, implementation of capital consolidation tools in the competitive strategy of machine-building enterprises.

The main material of the research

Business consolidation is an important tool for transformation in the business sector of Ukraine. Business consolidation is the combination of two or more industrial enterprises, independent companies and functional business structures. As a result of such a full or partial merger, overall market potential tends to increase, costs are reduced and efficiency is achieved through scale, which contributes to the establishment of new sustainable relationships with other market participants. The source of growth for business consolidation is the integration of assets into a single system with stable and effective relationships.

Mechanical engineering is one of the high-tech industries. It has a key role in ensuring scientific and technological progress and innovative economic development. Its products, namely the means of production, various types of inventory and household durables, creating a technological component of modernization, determine both the scientific and technical level of industrial production and the efficiency of the economy as a whole.

In a market economy, the problem of forming a strategy for the development and modeling of economic processes of machine-building enterprises is relevant. Innovative renewal of the technical and technological base of machine-building enterprises and a variety of corporate governance models makes us think about how effective they can be in socio-economic realities, so the formation of strategy for machine-building enterprises is appropriate in today's instability.

Combining several business units into new companies is the most radical option for the engineering industry. A consolidated business can get cheaper financing if the newly created company is stable, profitable and has more assets that can be used as collateral. In addition, business consolidation will help concentrate the market economy, expand the product range, increase geographical coverage and increase the customer base.

In order for Ukraine to become a competitive state in the engineering industry, it is necessary to take into account global trends and actively implement best practices in their fields. The priority direction of development of the machine-building industry is its transformation into an organized, sustainable, profitable part of our country's economy. Organized at the level of the district, region, territory or any other principle, consolidation should become a «helper» in this process [2].

The destruction of production facilities and transport infrastructure, the severance of interregional industrial ties due to the military conflict in eastern Ukraine, the annexation of Crimea, and the further military expansion of the Russian Federation have led to declining production and declining industrial demand. Mechanical engineering proved to be more vulnerable to the influence of these factors than the industry as a whole. With the general decline in industrial production for the period 2019–2021, the production of mechanical engineering products decreased by 27,3%. Also in recent years, the COVID-19 pandemic,

which has created unforeseen conditions for production, is of great importance for reducing performance in the field of mechanical engineering.

Increasingly, the amalgamation of enterprises contributes to their successful development, thanks to this consolidation of enterprises increase their market value, increase the efficiency of their economic activities. However, it should also be noted that a high level of consolidation of production does not guarantee high economic efficiency of production processes, while excessive concentration can lead to loss of control of the company.

In addition, if the integrated enterprise has a large size, irrational structure of fixed assets, suboptimal range of products, the level of consolidation can not be an indicator of production efficiency. In each specific industry there are the most optimal sizes of enterprises, objectively determined by the mechanism of achieving economic effect of scale. Under such conditions, companies are looking for effective development strategies aimed not only at implementing their social functions, but also to increase the degree of their independence and economic independence [3].

In a broad sense, the strategy of capital consolidation is an economic strategy of the enterprise, aimed at achieving competitive advantage through the consolidation of capital in its various forms. In the narrow sense, the strategy of capital consolidation is interpreted based on a specific goal and the chosen form of consolidation. Such strategies include vertical and horizontal integration, diversification, mergers and acquisitions, concentration, and strategic alliances.

The main motives that motivate capital to consolidate are:

- maximizing the company's profit and strengthening competitive advantages in the market;
- technical and technological advantages;
- economies of scale;
- higher stability and stability of the enterprise in times of crisis;
- advantages in the field of circulation;
- cost reduction;
- increasing the competitiveness of the enterprise in market conditions [5].

Machine-building companies apply a strategy of capital consolidation not only within the country, but also between companies from different countries. The machine-building industry is one of the most knowledge-intensive, so the high level of capital consolidation allows the company to develop and implement the latest technologies in production. However, economically unreasonable application of the strategy of capital consolidation can lead to a negative economic effect [1].

The economic strategy of the enterprise is a long-term action plan aimed at achieving the goals with the help of certain tools. The company determines the basic development strategy based on the main components of the portfolio of enterprise strategies, such as analysis and assessment of competitive potential of the enterprise, technologies it owns, macro environment in which it operates, existing government regulation and competitors, suppliers and consumers. The basic development strategy can be growth, stabilization or reduction of the enterprise.

Based on the chosen basic development strategy, the company chooses among certain strategic alternatives for development [7].

Considerable attention needs to be paid to creating a favorable business climate in cities, supporting small and medium-sized enterprises, developing an appropriate ecosystem, establishing effective cooperation between business and government, and reducing corruption. It is in this context that business associations, which can unite small machine-building enterprises, play an important role.

The location of machine-building enterprises in Ukraine is highly concentrated – almost 60% of the income of machine-building in Ukraine is generated in 6 main regions: Zaporizhzhia region (16,9%), Kyiv (12,3%), Kharkiv region (11,3%), Poltava region (6,3%), Donetsk region (6,1%) and Dnipropetrovsk region (6,0%). This is clearly shown in the diagram in Figure 1.

The regional structure of mechanical engineering of Ukraine in 2019–2021 has undergone significant changes. In particular, due to the Russian aggression, the positions of Donetsk region (from 14,0% to 6,1%), Luhansk region (from 5,3% to 1,0%), Crimea (by 1,8%) weakened. There was also a significant reduction in positions in Poltava and Dnipropetrovsk regions by 4,5% and 1,9%, respectively. On the other hand, most other regions increased their importance in the sale of machine-building products, of which the largest was Kyiv (by 7,3%), Zaporizhzhia region (by 2,9%), Kharkiv region (by 2,2%) and Kyiv region at 2,2% [4].

On the positive side, the level of organization of business representatives in Ukraine has significantly increased in recent years: today machine-building enterprises are united by regional, professional, functional, organizational and legal characteristics, type of activity or focus on a particular business segment [6]. This case is mostly about the large cities and industrialized regions.

Conclusions

Ukrainian engineering lags far behind developed countries and neighbors in the implementation of such technologies, and is only in its infancy. The most important way to ensure the effectiveness of the development of machine-building enterprises is the formation of adequate tools for strategic management.

The strategy of consolidation of capital in the engineering industry, aimed at achieving competitive advantage by manufacturers, strengthening their competitiveness in the global market and, ultimately, higher profits. Therefore, in order to increase the level of competitiveness of machine-building enterprises, it is necessary to stimulate and support processes aimed at consolidating capital, which can be manifested in various forms.

The potential for consolidating the business of machine-building enterprises is able to help raise the level of the national economy by achieving balanced interaction between the subjects of economic relations.

As a result of the merger, enterprises acquire the ability to produce innovative products that can replace imported goods and help increase the effective development of the country, even in the current difficult conditions of the corona crisis and Russian aggression.

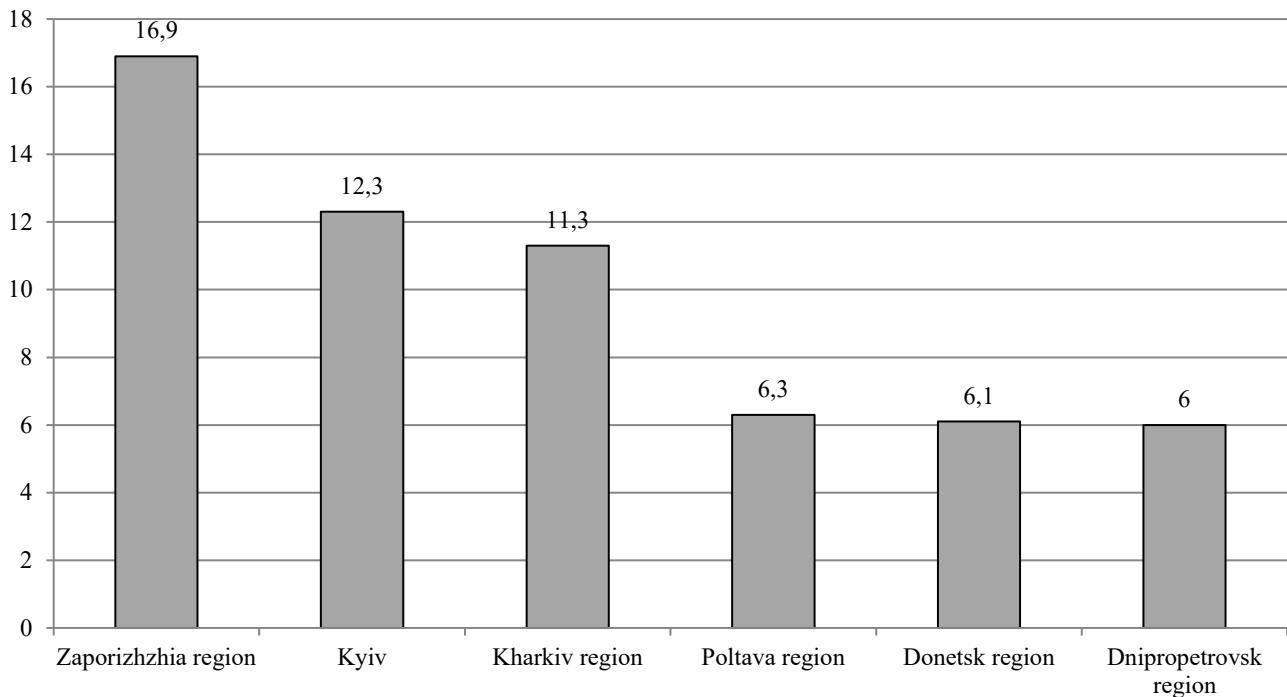


Fig. 1 – Regional structure of sales of mechanical engineering products in Ukraine in 2021, %

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