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DOI <https://doi.org/10.26661/2414-0287-2022-4-56-02>**DOMINANT TRENDS OF BUSINESS MERGER AND ACQUISITION IN UKRAINE****Lynenko A.V., Dobrokhvost L.S.***Zaporizhzhia National University**Ukraine, 69600, Zaporizhzhia, st. Zhukovsky, 66*

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During the study, it was found that today the main trends of integration processes are mergers and acquisitions, which provide a wide range of unique opportunities for optimizing the machine-building complex of Ukraine. Machine-building enterprises, as well as energy infrastructure facilities, are subject to deceitful attacks by Russian invaders. It is necessary to permanently restore our potential, and this is possible due to the consolidation of financial, production, intellectual resources, human capital of business entities while strengthening public-private partnership. An improved mechanism for step-by-step planning of the system of evaluation and decision-making on the start of implementation of a merger or acquisition agreement. The article substantiates that business mergers and acquisitions are effective ways of redistributing ownership from less efficient owners to more successful ones. The specific characteristics inherent in modern mergers and acquisitions are summarized. Theories and relevant motives that encourage business owners to enter into corporate merger and acquisition agreements in the modern conditions of economic development of Ukraine are studied. It is substantiated that the integration processes of mergers and acquisitions have direct impact on their participants but also the economy at the regional, national, and even international levels. This influence can be both positive and negative, so participants shall give attention to all possible risks, and these processes shall be regulated by national and international antimonopoly legislation. However, the main stages of activation of merger and acquisition processes for machine-building enterprises of Ukraine in modern conditions with an orientation towards post-war recovery were highlighted.

**ДОМІНАНТНІ ТЕНДЕНЦІЇ ЗЛИТТЯ ТА ПОГЛИНАННЯ БІЗНЕСУ В УКРАЇНІ****Линенко А.В., Доброхвост Л.С.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**гнучкість, диверсифікація,  
економічний розвиток,  
злиття та поглинання,  
інновації, інтеграція,  
конкурентоспроможність  
бізнесу, машинобудування

В процесі дослідження виявлено, що сьогодні основними тенденціями інтеграційних процесів є злиття та поглинання, що надають досить великий спектр унікальних можливостей для оптимізації машинобудівного комплексу України. Машинобудівні підприємства, як і об'єкти енергетичної інфраструктури зазнають підступних атак російських загарбників. Необхідно постійно відновлювати свій потенціал, а це можливо за рахунок консолідації фінансових, виробничих, інтелектуальних ресурсів, людського капіталу суб'єктів бізнесу при посиленні державно-приватного партнерства. Вдосконалений механізм поетапного планування системи оцінки й ухвалення рішення про початок реалізації угоди злиття чи поглинання. В статті обґрунтовано, що саме злиття та поглинання бізнесу є дієвими способами перерозподілу власності від менш ефективних власників до більш успішних. Узагальнені специфічні характеристики, що притаманні сучасним злиттям і поглинанням. Досліджені теорії та відповідні мотиви, що спонукають власників бізнесу до укладання угод корпоративного злиття та поглинання в сучасних умовах економічного розвитку України. Обґрунтовано, що інтеграційні процеси злиття та поглинання впливають безпосередньо на їхніх учасників, але й на економіку, на регіональному, національному й навіть на міжнародному рівнях. Вплив цей може бути як позитивним, так і негативним, тому учасникам необхідно зважати на всі можливі ризики, а процеси ці

мають регулюватися національним і міжнародним антимонопольним законодавством. Також були виокремлені основні етапи активізації процесів злиття та поглинання для машинобудівних підприємств України в сучасних умовах з орієнтацією на повоєнне відновлення.

### Statement of the problem

Before the war, there was still a powerful production base in Ukraine that was historically focused on heavy industry. Even now, under the conditions of martial law, the machine-building industry remains one of the key drivers of the development of the Ukrainian economy. The recovery of the economy is already taking place, every day the engineering industry is becoming more complex, and the pace of technological changes is increasing, therefore the task of forming a policy for the progressive development of the engineering complex has become more and more relevant.

The machine-building complex of Ukraine needs large-scale structural transformations and reorientation of the real sector to the production of science-intensive products. According to the experience of other countries, modernization takes place just at the expense of large-scale integration processes, which are ensured by the procedures of mergers and acquisitions of economic entities.

Companies of economically developed countries are increasingly using mergers and acquisitions as a powerful tool for strengthening their positions on the market, expanding the spheres of business activity, ensuring the sustainability of development in conditions of turbulence and uncertainty of the environment of their operation.

Currently, in the national economy, these processes have slowed down due to the war, the machine-building market is not sufficiently developed and is at a waiting stage. However, given the intensification of mergers and acquisitions, the situation may change significantly, which makes this study relevant. Hence the need for an in-depth study of the dominant trends of mergers and acquisitions in order to further search for effective solutions in the development system of the machine-building complex of Ukraine. Thus, the areas of integration of business entities in Ukraine is defined as the priority guidelines of the National Economic Strategy for the period until 2030 [1].

### Analysis of recent studies and publications

The study of modern trends and prospects of mergers and acquisitions is in the field of vision of a significant number of economists, in particular such researchers as Yu. Bytsiura [2], I. Maksimenko [3], T. Shvydka [4]. H. Yehorova reveals the essence of the concepts of “merger” and “acquisition” more fully. Merger and acquisition is the integration of two or more companies, usually similar in size, based on the voluntary agreement of the management of each company to combine assets and continue operations as a new legal entity or as part of the existing one with proportional or contractual right of management and approval decisions aimed at expanding the sphere of influence and economic power of the company, achieving competitive advantages, increasing the market value of the company and obtaining a synergistic effect [5].

However, despite the sufficient scientific achievements, there are constant changes in the processes of mergers and

acquisitions, which causes a regular need for scientific analysis and generalization of the results of these processes. Especially, in the conditions of the ongoing Russian-Ukrainian war, and with the focus on the post-war recovery of Ukraine’s economy.

### Objectives of the article

The objective of the article is to determine the features and current dominant trends of business mergers and acquisitions in Ukraine under martial law conditions, as well as the substantiation of new economic opportunities, their positive impact on the development of domestic machine-building enterprises with an orientation to post-war recovery.

### The main material of the research

Ukraine still has a large production base, historically focused on heavy industry. The machine-building complex remains one of the key drivers of the growth of the Ukrainian economy despite the war. Previously, the Ukrainian production of industrial machinery had strong ties with the CIS countries, which acted both as suppliers of parts for Ukrainian enterprises and as the main sales markets for Ukrainian products. However, due to recent events, Russian aggression, the machine-building sector reoriented itself to other, civilized markets. Ukrainian production and export potentials remain quite significant and have prospects for further growth.

The economic picture in Ukraine necessitates a quick response to changes in the business environment with the help of appropriate management methods and mechanisms. Against the background of the economic crisis, machine-building industry in Ukraine cannot withstand the negative impact of systemic external and internal factors, there is a steep downfall in exports and a decrease in investment demand. This forces to use mainly forms of short-term planning of economic activity in the machine-building industry.

Processes of mergers and acquisitions of companies on a global basis are becoming one of the most common trends of concentration of business interests, strengthening of integration relations, and formation of conditions for the development of most successful companies. The implementation of mergers and acquisitions has a dual nature, as the concluded agreements contribute to increasing business competitiveness and can have a global impact on the economy.

Processes of company merger, which occur as a result of the merger of two or more business entities, are conveniently classified into several types. A merger of firms, i. e. a merger, as a result of which the combined companies cease to function as separate business entities. Control over management and all assets and liabilities to customers is transferred to the merged company.

Merger of assets, i. e. the transfer of both the share capital payment and the control rights over their companies by the participants of the merger to the owners of the

company while preserving the activity and organizational and legal form of the latter. The share capital payment in this case can only be control rights over the company. Merger is a form of association in which only one of the merged companies continues to operate under its name, while the others lose their independent existence and activity as legal entities [6].

However, depending on the nature of integration, mergers can be divided into horizontal, vertical, parallel (fungible) and conglomerate. A horizontal merger is a merger of companies that operate in the same market, offer the same products, in other words, are industry competitors.

A vertical merger involves the merger of companies that are in a “supplier-consumer” relationship. If the main goal of the horizontal merger of companies is to increase their place in this market segment and increase competitiveness, then vertical mergers are more dangerous, they can affect the reduction of the cost of production and the increase in the profitability of production. A horizontal merger makes

it possible to use the synergistic effect, that is, the effect of the scale of production. Vertical merger is mostly aimed at monopolizing the production chain.

Fungible (parallel) mergers produce interrelated goods, nevertheless, conglomerate associations cover enterprises that are not related to each other by production or sales relations, that is, these entities are not competitors among themselves.

A comparison of the characteristic features of mergers and acquisitions is given in the Table 1.

The processes of mergers and acquisitions are determined by one or more key motivators, among which diversification effects, tax benefits, and individual motives of the owners are mostly singled out [7].

However, the main purpose of such agreements is to achieve a synergistic effect, for the purposes of corporate management, two main conceptions of synergy are considered – operational and financial ones, which are listed in the Table 2. It is recognized that the classic

Table 1 – Comparison of Merger and Acquisition Procedures of Business Entities in the Economy of Ukraine under Modern Conditions

Characteristics	Merger	Acquisition
Benefit of scale	+	–
The joint desire of the partners to enter into a contract	+	–/+
Operational economy	+	–
Strive to obtain a synergistic effect	+	+
The consequence of the difficult financial environment of the enterprise	–	+
Availability of access to additional resources	+	+
Diversification of activities	+	+
Taking into account the interests of shareholders	–	+
Buying assets that are undervalued by the market	–	+
Investing funds that are temporarily free	–	+
Obtaining monopoly power	+	+
Expanding the sphere of influence and/or strengthening market positions	+	+
Strategic superiority	+	–
Elimination of competitors	–	+

Table 2 – Basic Theories of Merger and Acquisition of Business Entities

Conception	Motivation of participants in mergers and acquisitions
Operational synergy conception	Improvement of operational efficiency
Scale (volume of production) advantage	Increasing production efficiency by increasing the volume of production due to the increase of consumers, suppliers or the reduction of competitors
Financial synergy conception	Lower cost of capital for business
Diversification and improvement of creditworthiness	Positioning of the company in fast-growing market segments: new products – current markets; new products – new markets; current products – new markets
Strategic reorganization	Agreements are made with the aim of faster adaptation to changes in the external environment than could be achieved at the expense of internal sources and reserves of the corporation
Managers’ ambitious plans	The managers of the acquiring corporations are confident that their valuation of the target is more accurate than the market valuation. This circumstance forces them to overpay for overestimated synergies
Purchase of undervalued assets	Companies interested in expansion choose for investment objects whose market value is lower than the recoverable amount of their assets
Elimination of inefficient management	Replacing managers who are not acting in favor of the owners
Revaluation of the company’s value	Investors’ revaluation of the buyer company’s equity capital, in other words, a classic explanation of the appropriateness of a merger
Taxation optimization	Tax base reduction, tax benefits receipt, duplicate assets release
Market power strengthening	Increasing the controlled share of the market in order to set prices above the competitive level

explanation of the expediency of mergers and acquisitions lies in the synergistic conception.

The essence of the synergistic purpose is that the new company that results from the merger can enjoy a wide range of benefits that result from combining the resources of these companies. This makes it possible to create a new, enlarged and more efficient company, which not just combines the capabilities of two of its participants, but also makes it possible to make a leap forward in development [8].

The process of merger or acquisition shall take place considering the norms of the current antimonopoly and competition legislation. It should also be noted that mergers and acquisitions can be divided according to the criterion of legality of actions applied by the subjects of associations. So, it can happen through a friendly acquisition, hostile and illegal ones, or rather, without observing the norms of antimonopoly and corporate law [9].

During a friendly acquisition, company managers and participants support such agreements, aiming at a positive result for the company's activity, namely, improving the efficiency of corporate management.

A hostile acquisition can lead to corporate conflict and corporate disputes. This means that the actions that qualify as hostile acquisition are carried out without consultation with the participants in the process, especially the majority ones, in violation of the rights and legitimate interests of shareholders.

In a hostile acquisition, the top managers of the seller company do not agree with the actions of the buyer company, and often try to resist through lawsuits or active opposition in the mass media. Therefore, often in such cases, the offer to purchase shares is made directly to the owners of the company's shares without any consultation with the management, each owner decides independently [10].

It is worth emphasizing that a significant role in merger and acquisition agreements is played by the state, which shall reorient speculative motives from reforming assets and changing owners to the desire to create new value based on the development and application of new generation management technologies.

Now, the machine-building industry is becoming more complex, the modern pace of technological changes is increasing, therefore the task of forming a policy for the progressive development of the machine-building complex of Ukraine is being updated. The emergence of new trends in economic development, such as mergers and acquisitions, causes changes in traditional models of achieving industrial leadership.

The goals and motives of conducting company merger and acquisition can be different: from the natural desire to monopolize the market to the usual desire to reduce costs associated with the activities of the parent company, from purchase for further resale to such a costly but preclusive entry into a new market before the main competitor in the chief area of activity.

In addition, as a result of mergers and acquisitions, a machine-building company can become so large both in terms of size and scope of activity that government regulation will have less impact on its further development. Instead, an integrated business will be able to provide tangible support for the reconstruction of Ukraine.

### Conclusions

Today, against the background of globalization, competition is intensifying, many companies face significant problems when trying to enter new markets, obtain strategically important scarce resources, and increase business capitalization. Mergers and acquisitions allow companies to overcome growth difficulties.

An analysis of the peculiarities and consistencies of mergers and acquisitions makes it possible to make the following generalizations. First, firms with technological advantages are more likely to create enterprises in new sectors of the economy, while technologically backward companies most often acquire technology by absorbing foreign enterprises. Secondly, the leaders in the global market of mergers and acquisitions are companies with extensive experience in the international market.

At the stage of critical shifts in the global machine-building industry, the domestic machine-building industry risks being left out of the competitive struggle, and therefore, it is necessary not only to implement changes in individual machine-building enterprises, but also in the industry as a whole. In particular, it is necessary to form a national understanding of the importance of the development of machine-building industry for the national economy with its implementation in specific strategies of industrial and technological development of the country.

M&A trends are wave-like in nature and associated with dominant economic phenomena and transformations. Each of the characterized modern trends of mergers and acquisitions has its own features, specific parameters, formed by the features of modern economic development, legislative regulation of consolidation processes, motives, trends and opportunities for the development of machine-building enterprises with an orientation towards the post-war recovery of Ukraine.

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