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The article investigates the issues related to the improvement of the mechanisms of formation and implementation of socio-economic development by enhancing the efficiency of the processes of strategic planning and forecasting for the purpose of macroeconomic stabilization in the country. The conclusion was made about the need to build regulatory and methodological core of the strategic planning, the basis for the work on which will be the revision of the order of elaboration of procedural links strategic planning to identify the goals, objectives and actions, and environmental analysis in the existing analytical instrumental component of the process.

Key words: *strategic planning, strategy, plan, program, forecast, government regulation, public policy.*

В статье исследованы вопросы, связанные с совершенствованием системы механизмов формирования и реализации стратегии социально–экономического развития путем повышения эффективности процессов стратегического планирования и прогнозирования с целью макроэкономической стабилизации в стране. Сделан вывод о необходимости построения нормативно–методологического стержня реализации стратегического планирования, основой для работы над которым станет пересмотр порядка проработки процессуальных звеньев стратегического планирования по определению целей, задач и действий и анализа окружающей среды в поле существующей аналитически инструментальной составляющей процесса.

Ключевые слова: *стратегическое планирование, стратегия, план, программа, прогноз, государственное регулирование, государственная политика.*

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MOTIVATIONS FOR MERGERS AND ACQUISITIONS: PROS AND CONS

The paper presents a conceptual approach to the motivational bases and forms of mergers and acquisitions . The author investigates the causes of mergers and their main advantage. Considered forms of mergers and the problems that arise in the process of integration. The processes of acquisitions and their types and forms. For each type of takeover highlighted its advantages and disadvantages. The possible strategies for action in the process of acquisitions .

Keywords : *Mergers, acquisitions, motivational base, integration process, forms of integration, synergy, conglomerate, takeover, diversification strategy.*

Mergers and acquisitions (M&A) result from the processes of globalization of the world economy. The experience of conducting the process of mergering in other countries is needed to effectively introduce new methods of doing business. There are many possibilities of investing money such as takeover company, investing in bank, buy futures and derivatives and so on. Two firms may join together (a merger) to form a new joint firm, or one firm may acquire all the common stock of another firm (an acquisition). The consequences of both restructurings are the same. Almost all firms are either actively engaged in merger activity or worried about being acquired. Along with the advantages caused by these processes, there is a threat to run into problems.

The reasons may be different. These are: an unsuccessful development of a strategy of a merger or an acquisition, a careless way of working out certain aspects of the operation, the absence of a personal interest of the personnel, etc. However, the processes of globalization, a positive dynamics of the equities market as well as economic and strategic obstacles to the independent growth of companies promote the growth of mergers and acquisitions, converting them into one of basic instruments of a fast increase in sales volumes. In the recent years the mergers have increased and the main reasons are perhaps the boom in the stock market which has made mergers much more attractive because it is relatively cheap to acquire other companies by paying for them in high valued shares. Secondly, the pace of deregulation and globalization has increased worldwide. This has especially affected the financial sector. Thus, the topic is important to management.

Research on the theoretical and practical aspects of integrating enterprise dedicated many works of foreign and domestic scholars, namely R.Braley [1], P. Buriak [2], M. Bradley [6], R. Bruner [7], T. Galpin [9], P. Gohan [3], Y. Ivanov [5], D. Tikhomirov [5] and others. However, these works suffer from vagueness motivational base and business process integration is not sufficiently highlight the link between certain forms of integration based on the implementation of enterprise integration. That is what caused the relevance of the study.

The purpose of this paper is to explore the motivation of mergers and acquisitions, and to distinguish the positive and negative factors.

Mergering is a reorganization of companies, as a result of which all rights and duties pass to a new company. Acquisiting is a reorganization of companies, as a result of which one company takes control over the other. Mergers and acquisitions occur for many different reasons, ranging from the desire for risk reduction to the necessity of doing something with extra cash currently held for which the firm has no other special plans.

Corporate takeovers occur readily in the United States and in the United Kingdom. They happen with difficulties, yet eventually happen, in France and Italy, because of the strong ties among companies and the establishment. They do not happen often in Germany because of the dual board structure, nor in Japan because companies have interlocking sets of ownerships known as keiretsu, nor in the People's Republic of China because the state majority owns most publicly listed companies there.

Reasons of mergers:

1. Reinforcing your company's position;
2. Reducing competition;
3. Rationalizing production;
4. Optimizing the use of a plant or invested capital;
5. Diversifying products or markets;
6. Searching for sybergy.

These motives are considered to add shareholder value:

- Economies of scale: reducing of costs when company grows;
- Increased revenue/Increase Market Share: This motive assumes that the company will be absorbing a major competitor and increasing its power to set prices;
- Cross Selling: the opportunity to sell the ex-partner's products and services;
- Synergy: more efficient being combined;
- Taxes: to reduce the tax base;
- Geographical: start working on different location.

These motives are considered to not add shareholder value:

- Diversification: shareholders might earn more by investing in other business;
- Overextension: Tend to make the organization unmanageable;
- Manager's hubris: buying to improve the image;
- Empire Building: Managers have larger companies to manage;
- Manager's Compensation: it is linked to profitability and not mere profit of the company;
- Vertical Integration: Companies acquire part of a supply chain and benefit from the resources.

In business or economics a merger is a combination of two companies into one larger company. Such actions are commonly voluntary and involve stock swap or cash payment to the target. A merger can resemble a takeover but result in a new company name (often combining the names of the original companies) and in new branding.

Classifications of mergers:

• *Horizontal mergers* take place where the two merging companies produce similar product in the same industry.

• *Vertical mergers* occur when two firms, each working at different stages in the production of the same good, combine.

• *Conglomerate mergers* take place when the two firms operate in different industries.

A unique type of merger called a *reverse merger* is used as a way of going public without the expense and time required by an IPO.

The occurrence of a merger often raises concerns in anti-trust circles. Government may investigate anti-trust cases for monopolies dangers, and have the power to block mergers. Merger does not ensure the success of the resulting organization.

Correcting problems caused:

1) by incompatibility - whether of technology, equipment, or corporate culture - diverts resources away from new investment;

2) by concealment of losses or liabilities at one of the partners;

3) overlapping subsidiaries or redundant staff may be allowed to continue, creating inefficiency, and conversely the new management may cut too many operations or personnel.

Technically, what differentiates a merger from an acquisition is how it is financed.

A merger financed by stock swap. All owners of their company get same amount of stock in the new combined company. Merger is a legal process and one or more of the companies lose their identity.

An acquisition (of un-equals, one large buying one small) can involve a cash and debt combination, or just cash, or a combination of cash and stock of the purchasing entity, or just stock.

In some cases, a company may acquire another company by issuing high-yield debt (high interest yield, «junk» rated bonds) to raise funds (often referred to as a leveraged buyout).

Historically, Investment Banks (intermediaries which assist companies in selling ownership of themselves as stock or borrowing money directly from investors in the form of bonds) have been closely associated with merger and acquisition activity since a merger or acquisition is a sales opportunity for the Investment Bank. If the company wants to merge with another, it must attain a fair market value for its shares to be swapped which would involve an investment bank. If it wants to buy the other company with borrowed money, it would most likely borrow directly from investors in the form of bonds through a private placement, engineered by the investment bank. Thus, Investment Banks position themselves to act as advisors on mergers and acquisitions and usually charge large fees for doing so.

Takeover is the acquisition of a company by new owners. The shares of the company are acquired by new owners, normally another company. They may be paid for in cash, or in the purchaser's shares.

Types of takeover:

1) Horizontal means to merge with the firms producing the same type of goods;

2) Vertical means joining with firms in other stages of the production or sale of a product. Vertical is subdivided into backward (with suppliers) and forward (with customers). Backward is a merger with or the acquisition of one's suppliers. Forward is a merger with or the acquisition of one's marketing outlets.

3) Conglomerate takes place when the two firms operate in different industries.

This system however, gives an incentive to Investment Banks to try to stimulate as much M&A activity as possible, even though the result might not be good for the shareholders of the acquiring company, possibly a conflict of interest. The amount of influence this has is unclear since this activity is usually secret and since the majority of merger proposals do not go through.

Proxy fight **-** technique used by an acquiring company to attempt to gain control of a takeover target. The acquirer tries to persuade the shareholders of the target company that the present management of the firm should be ousted in favor of a slate of directors favorable to the acquirer. If the shareholders, through their proxy votes, agree, the acquiring company can gain control of the company without paying a premium price for the firm.

Proxy Fight - Competition of outside group with management for stockholders proxies in order to accumulate votes to elect a new board of directors.

A friendly takeover consists of a straight buyout of a company, and happens frequently. The shareholders receive cash or (more commonly) an agreed-upon number of shares of. the acquiring company's stock.

A hostile takeover occurs when a company attempts to buy out another whether the management of the target company likes it or not. A hostile takeover can usually occur only through publicly traded shares, as it requires the acquirer to bypass the board of directors and purchase the shares from other sources. This is difficult unless the shares of the target company are widely available and easily purchased (i.e., they have high liquidity).

A takeover bid is a public offer to a company's shareholders to buy their shares, at a particular price during a particular period, so as to acquire a company.

Predator is a company which buys another one. Pray is a company which has already bought.

Raid means buying another company's shares on the stock exchange, hoping to persuade enough other shareholders to sell to take control of the company. Dawn raid consists of buying shares through several brokers early in the morning, before the market has time to notice the rising price.

The advantages of a raid as compared to a takeover bid: In many countries, if all shareholders agree to sell, the bidder is obliged to buy 100% of the shares, and cannot stop at 50% plus one. In this case, it is not necessary to pay more than the existing market price. One can attempt to buy large quantity of shares through several brokers as soon as the market opens, before speculators notice the rising price.

Defense strategies:

1. Black knight – a company which makes undesirable offer to takeover another.
2. Golden parachute is a special conditions contained in the employment contract, which makes costly to dismiss an employee in case of merger.
3. Green mail is a situation, when pray buys shares at a higher price.
4. Leverage bid is an acquisition, which is funded by issuing junk bonds.
5. Pac – man defense means that pray supply to predator to buy their shares.
6. Poison pill – actions taken to repel a raider, such as changing the share voting structure or the board of directors, or spending all the company's cash reserves.
7. Porcupine – an agreement between companies and their suppliers, customers and creditors which inhibits predator to takeover a company.
8. Sandbag – pray agrees with predator to negotiate, but trying to delay negotiations till white knight appears.
9. Shark repellants – changes the charter about the increase of voting shares necessary to take a decision about takeover.
10. White knight firm that helps pray to avoid hostile takeover.

A hostile takeover may presage a reverse takeover can occur in different forms:

- a smaller corporate entity takes over a larger one.
- a private company purchases a public one.
- a method of listing a private company while bypassing most securities regulations, in which a shell public company buys out a functioning private company whose management then controls the public company.

Pros and cons of a takeover differ from case to case but still there are a few worth mentioning. Pros:

1. Increase in Sales / Revenues (e.g. Procter & Gamble takeover of Gillette)
2. Venture into new businesses and markets
3. Profitability of target company
4. Increase market share.

Cons:

1. Reduced competition and choice for consumers in markets
2. Likelihood of price increases and job cuts
3. Cultural integration/conflict with new management
4. Hidden liabilities of target entity.

Directions: *Opportunistic* direction means that company acquires another, in hope to get profit in the future. *Strategic* direction assumes that predator may decide to purchase a company is profitable and has good distribution capabilities in new areas, it can help to enter a new market without having to take on the risk, time and expanse of starting a new division.

Divestiture - disposition of an asset or investment by outright sale, employee purchase, liquidation, and so on.

Spin off form of corporate divestiture that results in a subsidiary or division becoming an independent company. In a traditional spin-off, shares in the new entity are distributed to the parent corporation's shareholders of record on a pro rata basis. Spin-offs can also be accomplished through a leveraged buyout by the subsidiary or division's management, or through an employee stock ownership plan (ESOP).

Just as it is desirable for some corporations to merge, it may be desirable for other firms to divest a unit or units. There are several situations where divestment may logically be desirable. In the first place, the unit may be more valuable to another corporation because synergy of some type would result. In fact, all the reasons for mergers are, with slight adjustments, reasons for divestment.

There is another basic reason for divestment. Assume a corporation has a major unit that is not healthy. The financial difficulty of the major unit may overshadow the fact that other units of the corporation have excellent prospects.

In such a situation, bond covenants might prevent the spinning off of profitable units, since these units are a major part of the debt security. However, there may be no reason why a suitable split of the debt cannot be arranged so that the debtholders are approximately as well off (or better off). Adding warrants or conversion features is one method of accomplishing the acceptance of a corporate spin-off.

A third reason for divestment exists when the central core of the corporation adds overhead costs but little or no value. In fact, it can be that the large size of the corporation reduces managerial flexibility as well as prevents identification by employees with the well-being of the corporation. Smaller organizational units standing on their own bottoms might collectively be more valuable than an entire set of units operating as one corporation.

There are several different ways of splitting a corporation. With a spin-off, the shareholders of the parent receive shares in the unit being separated (this transaction tends to be tax-free and inexpensive).With a carve-out, the shares are issued to the public (cash is raised).With a split-off, the shareholders choose to convert some or all of their shares into the shares of the divested corporation (the process protects the parent's stock price).

The individual companies might have been more efficient if liberated from central management. Consequently, raiders were able to borrow money, buy badly-managed, inefficient and underpriced corporations, and then restructure them, split them up, and resell them at a profit.

Asset – stripping – selling off the assets of poorly performing or under-valued companies – proved to be highly profitable.

Debts incurred were guaranteed by companies' assets. Management LBO is when a company is bought by its existing managers.

The acquisition of a corporation by another corporation is an investment decision. If one is convinced that investments should be evaluated using the net present value method, it would be disconcerting if an investment decision involving the acquisition of a corporate entity could be correctly made using a simplistic device such as conjecting the change in the firm's P/E ratio. It is not clear that a management is able to acquire a firm with a low P/E (such as a firm with low growth opportunities) and fold it into a firm with a high P/E and obtain a benefit, unless the market assumes that the growth rate will change under the new management.

We can expect that the prospect of quick and easy profits arising from financial wheeling and dealing will sometimes give rise to decisions made from the point of view of short-run considerations rather than from the long-term profitability of the decision. We cannot force management to set objectives of one type or another.

We can hope that a better understanding of the significance of mergers will lead to better analysis on which to base decisions. Just combining two firms does not automatically lead to an increase in value. Mergers and acquisitions will always be with us as one way in which a firm may grow (while the investors of the acquired firm change the nature of their investment). We may see the government defining limitations on situations where firms may merge, but it would be surprising to see legislation that discouraged mergers and acquisitions of firms in different industries from taking place.

Financial planners must consider the possibilities of mergers and acquisitions from two different perspectives. One is the opportunity to acquire new firms, and the other is that their firm is a possible candidate for someone else to acquire. It is extremely difficult for managers to view a merger completely objectively. If their firm is acquiring another firm, the process is looked at as being beneficial to all parties. If their firm is being acquired, the acquiring firm is a "raider".

A firm with under-utilized assets and little debt that is undertaking less-thanprofitable investments and has outstanding large amounts of preferred stock is a likely merger candidate. The foregoing reasons may not all be valid, but these situations do tend to attract merger-oriented firms. The financial planner should keep this in mind. Hopefully, the decisions that are made will be aimed at maximizing the well-being of the stockholders.

There are many motivations that lead to mergers and acquisitions. The payment of a large premium over market price does not necessarily indicate an unwise decision by the acquirer. Unfortunately, sometimes management might not be able to reveal all its reasons for offering the large premium. Thus, stockholder unrest can arise where there would not be unrest if all the facts were known. But even worse, there can also be situations where management's analysis is faulty and the purchase price is excessive. Time will reveal which is the true situation. Looking back, any one of us can be wiser than the wisest manager trying to make merger decisions under conditions of uncertainty.

Despite some achieving integration processes of enterprises in Ukraine, yet history shows frequent failure of these operations. This can be explained by the uncertainty of the direction of motives, clear objectives and implementation of these processes misguided form of integration. Therefore, for the successful implementation of business process integration is important thought-out strategy for integration. What could be the subject of further research.

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У статті подано концептуальний підхід щодо мотиваційної бази та форм реалізації процесів злиття та поглинання компаній. Автором досліджено причини злиттів та їх основні переваги. Розглянуто форми злиття компаній та проблеми, які виникають в процесі інтеграції. Досліджено процеси поглинання компаній та їх типи та форми. За кожним видом поглинання виділено його переваги та недоліки. Розглянуто можливі стратегії дій в процесах поглинання компаній.

Ключові слова : *злиття, поглинання, мотиваційна база, інтеграційний процес, форми інтеграції, синергія, конгломерат, придбання, диверсифікація, стратегія.*

В статье представлен концептуальный подход к мотивационной базе и формам реализации процессов слияния и поглощения компаний. Автором исследованы причины слияний и их основные преимущества. Рассмотрены формы слияния компаний и проблемы, которые возникают в процессе интеграции. Исследованы процессы поглощения компаний, их типы и формы. По каждому виду поглощения выделены его преимущества и недостатки. Рассмотрены возможные стратегии действий в процессах поглощения компаний.

Ключевые слова : *слияния, поглощения, мотивационная база, интеграционный процесс, формы интеграции, синергия, конгломерат, приобретение, диверсификация, стратегия.*