

In today's Poland may see a change in local government in the co-host and co-organizer of the public life of local communities, which is responsible for the identification and prioritization skilful preferences inhabitants.

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EXIT STRATEGY – AN OPTION NOT ONLY IN RECESSION

The events of the recent years have undoubtedly provoked a number of discussions on the correctness of functioning of international and domestic mechanisms for supporting economic growth. A lot of questions have been raised with respect to reaching the economic growth limits or rightness in perceiving free market as a self-regulating structure. Reflections upon fiscal, monetary or economic policy in the both global and regional dimension have been followed by those revolving around survival strategies for enterprises in the times of recession, increased risk and difficulties in obtaining funds for further operation.

A greater interest in anti-crisis management methods and tools has also resulted in more attention being paid to defence mechanisms and their more frequent application. The aim of this article is to present one of them, i.e. exit strategy, and to provide an overview of the respective terms, point out its advantages and finally focus on its legitimacy.

Exit strategy is fairly often associated with company liquidation. This approach however seems to be too narrow. First of all, it is important to define the entity that is capable of implementing such strategy. This may be as follows:

- a company represented by the respective bodies, e.g. the management board seeking to liquidate a certain part of the company operational activity or recognising the need to obtain a strategic investor;
- company owners (with the power to have an effect on its operational activity) who for example plan to sell all or a part of their shares in the company.

The aims of exit strategy depend on the situation of the company and the intention of the entity involved, and they include as follows:

- to obtain a positive capital from the company liquidation, sale or lease;
- to reduce losses and their consequences;
- to win new partners (investors) able to use the available potential better and thus to improve the company economic results;
- to give away power in order to reduce liability or the need for continued involvement.

In view of that, exit strategy may be defined as a deliberate and purposeful withdrawal of the company or the owner (entrepreneur) from operational activity with the aim of achieving economic benefits or reducing the need for continued involvement and liability.

The connection between these apparently unrelated situations and potential behaviours may be justified with the company lifecycle, as presented on the graph below (Figure 1)¹.

Figure 1. Exit strategy options vs. company lifecycle



Source: Data compiled and processed by the author.

A continuous rise in the range of business activity, its profitability, and accordingly in the company value is probable but rather unlikely. A high number of companies going into liquidation in Europe, i.e. approximately 10% of all companies (source: Eurostat), an increasing number of bankruptcies and particularly the ongoing economic recession have cooled down the optimism of numerous entrepreneurs. Working towards the company development, it is worth to consider selling the company or trying to find an investor – a new partner may offer the know-how more adjusted to the current conditions or a capital necessary for any investments.

¹ Zuccarello D., Davis C., *Knowing When to Exit: The Entrepreneurial Lifecycle*, Journal Of Corporate Renewal 2012, Vol. 25 Issue 4, p. 30.

In case of many entrepreneurs, a possible sale of a business (or its listing on the stock market), and, subsequently, the use of the funds obtained from it, is considered prior to establishing the company, i.e. already at the planning stage, with the purpose of having the future possibility to pump the so acquired assets into new projects. Others, on the other hand, despite their involvement, become weak or fall into harmful routines – while ownership changes (e.g. in the form of family succession) could result in a better vision or a more adjusted strategy, thus ensuring further development of the company and an adequate gratification for its previous owner.

In the scale of a company or a capital group, giving up a part of its operational activity may result in reducing losses or freeing the capital which may then be used in a significantly more effective way in the organisation's key areas. Unfortunately, decisions regarding such withdrawal are too often taken under pressure, they are enforced by the situation of the company – which leads to liquidation, or in the worst-case scenario to bankruptcy². Exit strategy covers these processes as well.

Thus, company lifecycle has an effect also on withdrawal options and consequently, on economic benefits (as presented on the graph)³. In its development period, and particularly at the time of its highest growth, a well-established and well-structured company is ready to be sold together with the promise for its further development. The period of stabilisation and achieving good results is considered attractive by potential investors (interested in the company purchase, takeover or in-kind contribution) or managers who can see further opportunities for the use of the potential available (and who accept the possibility for the company to be bought out or leased). With the right size, it could even become attractive to financial institutions or stock market players. Each of these scenarios allows for the company further development, company sale, or reduction of shares and diversification of risk.

While the period of downfalls or decline may still be encouraging for investors, the sale price achieved at this stage will be considerably lower (the so-called «fire sales»). Further failures may eventually lead to liquidation (which may of course end in obtaining a positive liquidation capital), or even bankruptcy.

Based on the above, a whole spectrum of exit strategy options is revealed, the final form of which will depend on the characteristics of the particular company, legal solutions applied or current market conditions. If they are to be adequate, any key choices or strategic evaluation of the given situation should always be made with these scenarios taken into account – not only for the purpose of their possible implementation, but for the correct assessment of risk connected with certain decisions.

Popularisation of the concept of exit strategy and systematisation of knowledge related to it should be one of the conclusions drawn from the current economic recession. While striving for the highest growths and weighing their options and available conditions with great optimism, new entrepreneurs should always be aware of exit options and possibilities. In practice, the respective expertise should subsequently be translated into the following skills:

- designing and planning skills in order to be able to plan a business in a way that allows its sale, partial withdrawal, gaining investors or going public (being listed on the stock market)⁴;

² Balcaen S., Manigart S., Buyze J., Ooghe H., *Firm exit after distress: differentiating between bankruptcy, voluntary liquidation and M&A*, Small Business Economics 2012, Vol. 39 Issue 4, p. 949.

³ Based on: Hawkey J., *Exit Strategy Planning: "Growing Your Business for Sale or Succession"*, Gower Publishing Limited, Abingdon 2002, p. 44.

⁴ Ch. F. Meshginpoosh, *Planning your exit*, Smart Business Philadelphia 2012, Vol. 7 Issue 1, s. 20.

- skills connected with preparing your business for succession;
- skills connected with assessment of risk and its consequences;
- skills connected with minimisation of costs and consequences of a possible liquidation or bankruptcy.

Finally, it must be pointed out that entrepreneurs are not always willing to opt for the exit strategy or even to consider it as a solution, as it may lower their potential gains. They forget however about its main advantage, i.e. elimination of risk. While advocating for this way of thinking, one may refer to the motto that one of the entrepreneurs once shared with the author: «It's better to have 100 dollars than not to have 300».

SUMMARY. *The text focuses on one of the defence strategies, i.e. exit strategy. The author presents its definition while outlining arguments for a wide range of the strategy applications and connections between the strategy options. He also points out advantages and discusses legitimacy of withdrawal options in decision analysis.*

KEY WORDS: *exit strategy, decision making, defence strategies*

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ПЕРСПЕКТИВИ ІНТЕГРАЦІЙНОЇ ВЗАЄМОДІЇ УКРАЇНИ З ГЛОБАЛЬНИМ ВИРОБНИЧИМ ІНФРАСТРУКТУРНИМ ПРОСТОРОМ

У статті досліджено процес інтеграції економіки України у глобальну виробничу інфраструктуру. Проаналізовано імпортозамінюючу та експортоорієнтовану моделі економічної політики. Охарактеризовано систему інтересів суб'єктів глобальної виробничої інфраструктури.

Ключові слова: *глобалізація, глобальна виробнича інфраструктура, зовнішньо-економічна стратегія, міжнародна економічна інтеграція, світове господарство.*

Актуальність даного дослідження полягає у необхідності формування міжнародної виробничої інфраструктури як світового, так і регіонального рівнів через глобалізаційні процеси у міжнародній економіці, які проявилися перш за все, на світовому ринку товарів, капіталів та робочої сили. Ефективне функціонування як національних економік, так і світового господарства в умовах глобальних технологічних змін зумовлює необхідність якісного вдосконалення всіх елементів виробничої інфраструктури (транспорту, зв'язку, енергопостачання, шляхів сполучення, інформації тощо).