

УДК 330.34

DOI: 10.26140/anie-2019-0802-0014

## СОВРЕМЕННЫЕ ТЕНДЕНЦИИ ИНТЕГРАЦИИ БИЗНЕСА

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**Аннотация.** Актуальность исследования современного состояния мирового рынка слияний и поглощений обусловлена тем, что, достигнув глобальных масштабов, рынок М&А стал одним из индикаторов мировой экономики. Цель: комплексный анализ количественных и качественных характеристик мирового и российского рынков слияний и поглощений на современном этапе развития экономики. Методы: при проведении исследования применялись общенаучные методы и приемы: методы микро- и макроанализа и теории отраслевых рынков, сочетание качественного и количественного подходов, сравнительный и системный анализ. Результаты: Определена неравномерность динамики рынка М&А за последние годы, соответствующая мировым темпам экономического роста, и дана характеристика структуры сделок М&А. Представлены сведения об активности мирового рынка в первом полугодии 2018 г. Определены специфические особенности функционирования российского рынка М&А и неравномерная динамика за последние годы, соответствующая темпам развития национальной экономики. Дана характеристика структурных параметров сделок М&А. Научная новизна: Выявлены факторы, напрямую и косвенно определяющие вектор развития мирового рынка М&А в периоды оживления и рецессии экономики. Рассматривается воздействие современного состояния экономики России и влияние западных санкций на состояние рынка М&А. Практическая значимость: результаты, полученные в ходе исследования, дополняют имеющиеся экономико-теоретические представления по взаимосвязи макроэкономических факторов и динамики рынка слияний и поглощений, интеграции компаний в условиях структурного кризиса; возможность использования основных положений и выводов специалистами и руководителями фирм при разработке стратегий развития компаний; экспертами аудиторско-консалтинговых компаний и аналитических групп при подготовке тематических обзоров и информационно-аналитических исследований тенденций развития мировой экономики, а также глобального и отечественного рынка слияний и поглощений; в работе государственных органов при выработке рекомендаций для целей кредитно-денежной политики Российской Федерации и для совершенствования антимонопольного законодательства.

**Ключевые слова:** рынок слияний и поглощений, развитие, динамика, структура, сделка, М&А, стоимость, транспортность, стагнация, экономика, девальвация, национальной безопасности

## MODERN BUSINESS INTEGRATION TRENDS

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**Abstract.** The relevance of the study of the current state of the world market of mergers and acquisitions is due to the fact that, having reached global scales, the M & A market has become one of the indicators of the world economy. *Objective of the article:* comprehensive analysis of the quantitative and qualitative characteristics of the global and Russian M&A markets at the current stage of economic development. *Methods:* In the course of the study, general scientific methods and techniques were used: methods of micro- and macro-analysis and the theory of sectoral markets, a combination of qualitative and quantitative approaches, comparative and system analysis. *Results:* The unevenness of the dynamics of the M & A market in recent years, corresponding to world economic growth rates, has been determined, and the structure of M & A deals has been given. Provides information about the activity of the world market in the first half of 2018. The specific features of the functioning of the Russian M & A market and the uneven dynamics in recent years corresponding to the pace of development of the national economy are identified. The characteristic of structural parameters of M & A transactions is given. *Scientific novelty:* The factors that determine the vector of the modern development of the M&A market are identified; based on the analysis of M&A in the second decade of the XXI century the dynamics and structure of the global M&A market is determined; the specific features of the Russian M&A market are disclosed, a characteristic and the development trends of its dynamic and structural parameters are revealed. The obtained results complement recognized ideas and ideas about the relationship of macroeconomic factors and the dynamics of the M & A market. *Practical significance:* the results obtained in the course of the study complement the existing economic and theoretical ideas on the relationship of macroeconomic factors and the dynamics of the M&A market and the integration of companies in the context of a structural crisis; the opportunity to use the main provisions and conclusions by specialists and managers of firms in the development of strategies for the development of companies; experts of audit and consulting companies and analytical groups preparing thematic reviews and information and analytical studies of trends in the development of the world economy, as well as the global and domestic M&A market; in the work of state bodies when developing recommendations for the purposes of the monetary policy of the Russian Federation and for the improvement of antitrust laws.

**Keywords:** M&A market, development, dynamics, structure, transaction, M&A, cost, transparency, parameter, sanctions, stagnation, economy, devaluation, national security.

*Statement of the problem in general form and its connection with important scientific and practical problems.*

The current state of the national and world economy development cannot be imagined without the ongoing processes of M&A of companies. This is, firstly, related to the quantitative dynamics of the market: over the years, not only the total number of M&A, but also the value of transactions has been growing.

The dynamics here is so impressive that it leaves no doubt about the exceptionally high significance of these processes. Secondly, reaching global scales, the M&A

market has become one of the indicators of the world economy. Thirdly, this topic is relevant for the current stage of development of the Russian economy due to the inherent national characteristics associated with the specifics of the Russian economic model [1].

*Formation of the objectives of the article (setting the task).* Objective of the article: comprehensive analysis of the quantitative and qualitative characteristics of the global and Russian M&A markets at the current stage of economic development.

*Presentation of the main research material with full*

justification of the obtained scientific results.

1. M&A processes: basic aspects and specifics of development

M&A are a class of economic processes for the consolidation of business and capital proceeding at the macro- and microeconomic levels, as a result of which larger companies appear on the market.

The dynamics of company consolidation processes is closely linked to global economic cycles: during periods of economic expansion, the number and volume of M&A transactions usually increase, and during recessions they are significantly reduced. The M&A processes themselves are cyclical, overcoming successively alternating phases of recovery and decline in economic development. The world history of industrial market development has five stages of recovery in the M&A market, five so-called merger waves, each of which having its own unique characteristics introducing something new into the continuous process of the evolution of the M&A market [2].

Factors directly or indirectly affecting the development of the M&A market include: globalization of the economy forcing companies to consolidate capital to increase the efficiency of its use; a rise in commodity prices contributing to strengthening the position of companies, the emergence of free cash to finance M&A and the restoration of investor confidence; availability of low-interest sources of financing transactions; pressure from activist investors on the company's management forcing them to take into account the demands of investors and change the company's strategy, including expansion by acquiring other companies or selling all assets or part of them by the company itself [3]; protectionism and development of antitrust laws that affect the extent of competition in the markets; government policies can both facilitate M&A and inhibit or discourage them; development of specialists' skills in the M&A analysis, evaluation and implementation encouraging owners of companies to make a deal; the positive dynamics of a number of macroeconomic indicators, primarily, the permanent growth of stock indices, relatively low interest rates and the level of inflation, which contributed to the strengthening of shareholders' confidence and an increase in business activity; purchase and sale of securities by arbitrators ensuring the liquidity of shares and thereby increasing the number of transactions; the weakness of some currencies relative to others, affecting the value of companies and indirectly the dynamics of the M&A market.

The study of successive periods of increased and declined activity in the M&A market suggests that the acceleration of consolidation processes invariably accompanies periods of economic upturns. But these processes continue to occur in periods of stagnation and recession, although less active. Despite the fact that each subsequent period of increased activity in the M&A market had its own specifics, it is possible to identify common features that characterize M&A processes during periods of economic recovery and during periods of recession (Table 1).

Table 1 - The specifics of the companies M&A processes in periods of economic upturns and downturns: a comparative description [4]

| Upturn  | Downturn  |
|---|---|
| <b>Number and cost of transactions</b>  |   |
| Increase  | Decline   |
| <b>Motives</b>  |   |
| A wide range of "classic" motives   | "Classic" motives transformation  |
| <b>Transactions financing</b>   |   |
| Ability to choose between alternative methods of financing transactions (equity/debt, money, shares, bonds) | Limitations in sources of raising funds   |
| <b>Diversification and entering new markets</b>   |   |
| Expansion of business, the desire to go beyond the current activities (of the industry, region, country)    | Strengthening the company's position, focusing on the main activity in the company's home country |

| <b>Choice for the M&amp;A strategy</b>  |   |
|---|---|
| In most cases, a conscious choice (unless it is a hostile takeover of the entity) | Often becomes a necessary measure, a chance to save the company   |
| <b>Role of the state</b>  |   |
| A regulator and a subject of M&A deals  | The role manifested in the implementation of anti-crisis measures (financial assistance, bailout, etc.) significantly increases |

2. Global M&A market as an indicator of changes in the world economy

According to official data in the period from 2012 to 2017, the global M&A market had an uneven dynamics corresponding to world economic growth rates. So, in 2015, a record level was reached in the market: the amount of transactions amounted to 5.05 tln. USD [5]. After 2015, a slight decrease in activity was found on the market (Figure 1).

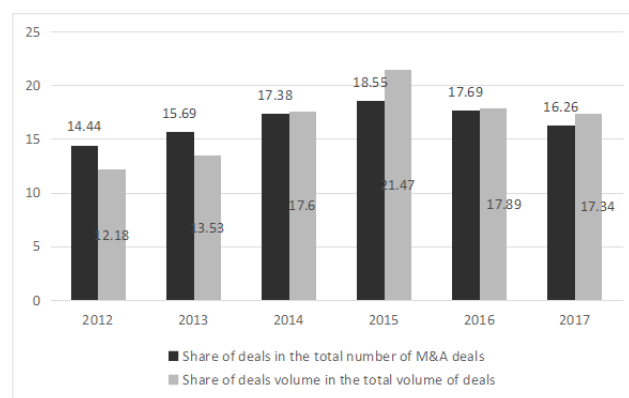


Figure 1 - Information on the volume of transactions in the global M&A market for the period from 2012 to 2017, % (Compiled by the author on the basis of InVenture Investment Group, 2017)

The largest share of the volume of transactions in the total volume of transactions in the M&A market for 2012–2017 was achieved in 2015 due to increased management confidence in the economic policies of governments.

The M&A market is segmented: the highest activity has been found in the North American region and in Europe. In 2017, the USA became the leader in terms of the number of transactions and attracted investments – 20897 M&A deals worth 1.455 tln. USD were made. In Western Europe, the UK became the leader in the region with transactions worth 285.4 bln USD, and in Central and Eastern Europe it was China with transactions worth 720.8 bln. USD [6] (Figure 2).



Figure 2 - Information on the number and volume of transactions in the global M&A market in 2017, % (Compiled by the author)

In 2017, Aetna's acquisition of an American company CVS Health for 77 bln. USD was the first among the highest deals in the USA. The acquisition of Walt Disney by an American company Twenty-First Century Fox Inc.

for 66.1 bln. USD took the second position. The merge of the British company British American Tobacco plc by the company Reynolds American for 49.4 bln. USD was in the third place by its size [7]. Significant deals were also made in Australia in 2017 (the acquisition of the Australian Westfield Corporation by the French company Unibail-Rodamco SE for 24.7 bln. USD) and in India (the acquisition of the company Reliance Industries Ltd by the group of companies Devarshi Commercial LLP, Karuna Commercial LLP for 23.1 bln. USD).

Regarding the structure of M&A deals, a high dynamics during an analyzed period is intrinsic to it. Considering global M&A deals by sectors of economy in 2015-2017, such sectors as machinery and production of equipment, chemical industry and plastic, wholesale and retail trade can be outlined among leaders (Figure 3).

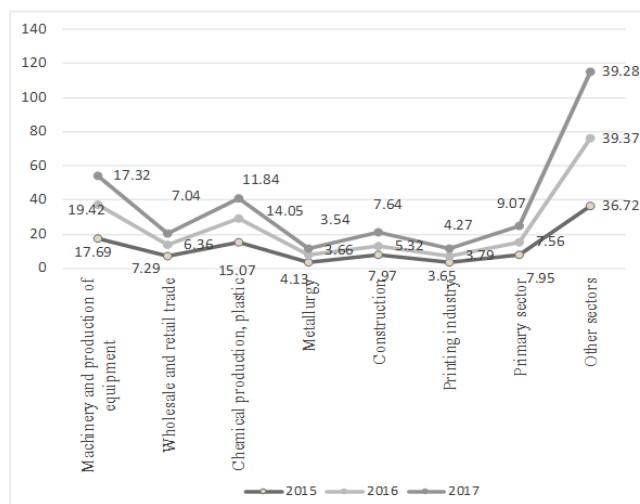


Figure 3 - Information on the share of the sector in the total volume of the leading sectors on the global M&A market for the period from 2015 to 2017, % (Compiled by the authors)

As for the latest market news, in 2018, several large deals were made on the global M&A market. It is worth mentioning the purchase of Express Scripts company worth 67 bln. USD by the American medical insurer Cigna at the beginning of March 2018. Also, the German energy company E.ON acquired the company involved in the production of renewable electricity Innogy worth 55 bln. USD. The merger of the US cable TV operator Comcast and Sky European media company for 31 bln. USD was a major deal on the global M&A market. M&A processes in the media market have been intensified, which is explained by the succession of changes caused by increased competition. Old-timers of telecommunications companies are forced to unite due to increased competition from online media companies (for example, Netflix) [8]. Comcast company should be noted among the major deals in the media business, having submitted an application for the purchase of the 21<sup>st</sup> Century Fox Corporation worth 65 bln. USD.

The volume of M&A transactions in the global market reached 2.5 tln. USD in the first half of 2018. In early 2018, the activeness in the M&A market was 50% higher than in the beginning of 2017. Experts believe that the market owes its growth to activity in the US and a high level of confidence from corporations in the current state of the economy, as well as accelerating economic growth. During the first half of 2018, 79 deals worth 5-10 bln. USD and 35 deals worth over 10 bln. USD were announced. However, the amount of transactions in 2018 has not reached record 4.6 tln. USD in 2007, although at the beginning of 2018 activity in the market was 12% higher than in 2007, which indicates an opportunity of reaching the record total level of transactions by the end of 2018 for the considered period of time.

In connection with the growth of the M&A market in the USA in 2018, American corporations can spend free cash amounted to 2.5 tln. USD to finance M&A deals (on M&A of its competitors), repurchase their shares and pay dividends to shareholders. It is expected that by the end of the year, US companies will spend about 1.3 tln. USD on M&A from free funds, foreign accounts, as well as from tax benefits as a result of the reform in the US.

Companies are looking for new ways to increase revenues and profits by reducing costs and maintaining product quality [9]. M&A deals are beneficial for companies that are also promoted by low interest rates and high stock prices. At present, the environment for the growth of the M&A market is ideal, business leaders are optimistic, the state of the financial markets is favourable for cooperation [10].

### 3. Russian M&A market: specifics of development in the XXI century

The M&A process characteristic of Western countries is rapidly spreading in Russia, which is associated with the relative political stability in the country and the positive dynamics of changes in national GDP and other macroeconomic indicators [11]. The distinctive features of the Russian M&A market are the participation of a wide range of participants in the process, the use of various business technologies, the creation of investment projects started from scratch, the rising cost of transactions and their transparency, etc. The schedule of M&A transactions on the Russian market for the period from 2012 to 2017 (Figure 4) reflects the dynamics of total transactions and the number of transactions. Before the introduction of sanctions in the Russian economy there was an increase in total transactions, reaching the highest value in 2013 (100.9 bln. USD). In subsequent years, there was a downward trend with a recovery in 2016 and a slight increase in 2017. In 2017, according to KPMG, acquisition of Rosneft CEFC China Energy Company Limited for 9.254 mln. USD was the largest transaction in terms of the amount.

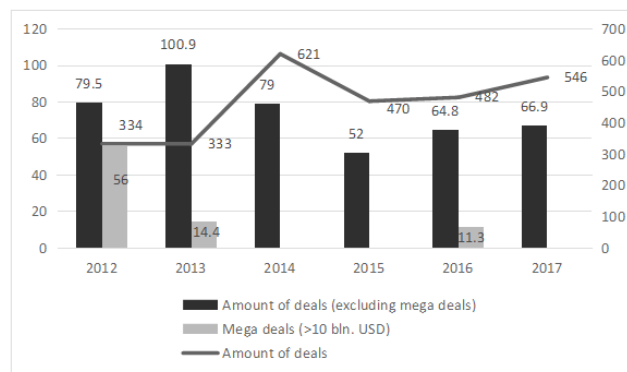


Figure 4 - Russian M&A market for the period from 2012 to 2017 (Compiled by the author on the basis of data: KPMG, 2017)

In terms of the number of deals, the real estate and construction, oil and gas sector and banking services and insurance became the leaders both in 2016 and in 2017. The number of M&A transactions in the consumer sector increased from 36 to 71 deals. Activity in agriculture was also noted in 2017.

The amount of M&A transactions involving Russian companies increased by 134 % in the first half of 2018 compared to the first half of 2017. In general, the service market for M&A is now quite lively, despite the fact that some transactions are frozen because of sanctions [12]. The Russian M&A market can gradually enter into stagnation after the rise. It was noted that despite all the positive trends of the market in the first half of 2018, the average transaction price decreased by 24.5% compared with the first half of 2017. The number of transactions also decreased, and the number of enterprises sold in bankruptcy proceedings in the



first half of 2018 increased from 11 in 2017 to 15 in 2018.

According to the industry ranking in terms of the total value of M&A deals in the first half of 2018, *financial institutions* took the first place (9 deals worth 5.5 bln. USD). According to Thomson Reuters, the sale of the Turkish subsidiary Denizbank by Sberbank to the Dubai bank group Emirates NBD for 3.2 bln. USD due to Western sanctions was the most expensive transaction in 2018 on the Russian market. This is almost a quarter (23.7%) of the total amount of deals in the first half of 2018 [13]. The *trade* with 22 deals worth 3.73 bln. USD was in the second place. The purchase of a 29% stake in Magnit, the second largest retailer in Russia, by VTB was the second most expensive purchase. VTB estimated the stake in Magnit at 2.45 bln. USD. A few months later, VTB resold a part of its stake (almost 12 %) to the investment Marathon Group. The third place was taken by *transport* with 10 transactions in the amount of 3.03 bln. USD and 17% of the market volume. The deal of transition of the railway operator "UVZ Logistic" to the company "Invest Logistics" was a significant event in the transport industry market [14]. Also, the Company Transportation Investments sold a 30.75% stake in Global Ports Investments Plc to the Delo group of companies; the transaction amount was 551.7 mln. USD (according to experts' estimates). *Construction and development* took the fourth place (40 deals worth 2.3 bln. USD), which occupies 12.9% of the market. The fuel and energy complex with 6 deals worth \$ 623.1 million was in the fifth place.

Features of the M&A market in Russia are conditioned by the influence of the following factors.

The impact of sanctions. On the one hand, sanctions imposed restrictions on the financing of Russian state and private companies. On the other hand, the growth in the volume of M&A deals over four years has been achieved at the expense of the "pitfall" of 2015 (a low base effect) – after the deterioration of Russia's relations with Western countries due to the annexation of the Crimea and the December 2014 crisis. In recent times, there has been a revival in the Russian M&A market. First, over the past 6-8 months, direct investment funds in Russia have gained money, which until then had been scarce and expensive. Funds began to be actively interested in various projects. Secondly, some European buyers became interested in Russia. However, some transactions are frozen due to US sanctions.

Economic problems have a negative impact on market growth. There are the following key negative factors affecting the M&A market: processes of stagnation in the economy, problems in the financial sector, external negative impacts (depreciating oil and sanctions), devaluation of ruble, activity of state structures, blocking of acquisitions of national companies by foreign ones due to the threat of national security; and protectionism. The focus of M&A deals is shifting toward financial and oil companies, banks and real estate. There has been an increase in interest in telecommunications companies, which are currently one of the promising industries for making M&A deals. Investors from Asia and the Middle East actively acquire shares in large Russian companies. The number of transactions of Asian investors increased by more than 2 times [15].

The Russian market is characterized by the presence of a large number of M&A which are not horizontal or vertical, but are the result of the customer's desire to diversify and enter new markets. At the same time, the role of lawyers in conducting M&A has grown. It is worth noting that there is a majority of small and medium deals carried out non-publicly among the peculiarities of the Russian market. These deals are made without disclosing details, very often market participants not knowing either the name of the buyer or the amount of the transaction. It is noteworthy that there is an unfriendly takeover in the Russian practice of M&A, which is characterized by acquiring control over assets by applying various kinds of pressure from political, judicial to using the imperfections of corporate law and fraud schemes.

A distinctive feature of the M&A market in Russia is

the significant role of the state and its active participation in the M&A process. It performs not only the functions of a regulator, but also quite actively participates in the formation of holdings in recent times. In general, the M&A process in Russia is positive for increasing the efficiency and competitiveness of companies. The current situation in the Russian M&A market is characterized by uncertainty. It is necessary to have the resources and consolidate them, understand the global economic trends, have the necessary capital for investment, a strong management team, plan actions, support the market and use synergies. Three factors are needed to lift the M&A market: liquidity, sufficient funding, and optimism. The intervention of the state is also important, especially in transactions of domestic partners with the East, which will be characteristic of future M&A transactions.

Sectors that are attractive in the future for M&A deals are agriculture, metallurgy, engineering, industries involved in the process of import substitution, export-oriented information technology industries [16]. Companies having an access to long-term capital and focused on consolidation will have a competitive advantage. Demand-oriented industries that are most sensitive to exchange rates are likely to experience difficulties. Investments in M&A deals must be clearly tracked both during the investment process and after investment; management must also be monitored so that funds go first to the company's goals in accordance with the investment plan.

*The findings of the study and prospects for further research in this direction.* A comprehensive analysis of the quantitative and qualitative characteristics of the global and Russian M&A markets for the period from 2012 to 2017 allowed to reveal their specific features of development:

- the M&A market had an uneven dynamics, corresponding to world economic growth rates. In 2015, a record level in the world market was reached: the amount of transactions amounted to 5.05 tln. USD; after 2015, there is a slight decrease in activity in the market. As for the Russian M&A market, before the introduction of Western sanctions, there was an increase in total deals (100.9 bln. USD in 2013); in subsequent years, the dynamics is negative with a recovery in 2016 and a slight increase in 2017;

- increase in quantity and value of deals. The largest share of the volume of deals in the total volume of transactions on the global M&A market is achieved in 2015 due to the increased confidence of companies' management in the economic policy of governments;

- high dynamics of industry structure of M&A. Machine building and production of equipment, chemical industry and plastic, wholesale and retail trade can be outlined among the leaders of global M&A deals. The leading sectors of the Russian M&A market are oil and gas industry, banking services and insurance and innovations and technologies;

- the global M&A market is segmented: the highest activity was found in the North American region (20897 M&A deals worth 1.455 tln. USD were made in the USA in 2017), in Western Europe (the UK with deals worth 285.4 bln. USD) and Central and Eastern Europe (China with deals worth 720.8 bln. USD). The largest share of the participation of Russian companies in M&A deals fell in 2013 – 3.14 %, which is not so significantly compared with the shares of the United States and Europe;

- active participation of the state both as a regulator and as a participant in M&A deals. This was manifested in a significant increase in the value share of public investment in M&A, and in taking a number of anti-crisis measures. Many governments have adopted various emergency financial assistance programs. The programs included the direct purchase of companies' assets that were on the verge of bankruptcy and the adoption of new laws to stimulate the market, the infusion of money into the economy through sovereign investment funds.

Based on the consolidation of numerous studies by economists and analysts and the analysis of statistical data

on M&A, it was found that the trends in the Russian M&A market are comparable with global trends for the same period. The necessary conditions for activation in the Russian M&A market are a low and manageable level of companies' debt, a neutral position of the government in relation to business and continuation of the course on creating favorable conditions for its development.

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Статья поступила в редакцию 08.04.2019

Статья принята к публикации 27.05.2019