

# FORMATION OF BUSINESS STRUCTURES IN THE CONTEXT OF PANDEMIC TRANSFORMATIONS

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**Abstract.** The *purpose* of the work is to study the process of formation of business structures in different regions of the world in the pre-pandemic and pandemic periods. The *object* of the study is the process of formation of business structures as integrated subjects of the global network economy. *Methodology.* The study uses the systematic method of cognition of processes and phenomena in their interconnection and development, as well as methods of statistical analysis used in the analysis of the formation of business structures in the pre-pandemic and pandemic periods. The results of the study reveal the features of the formation of new integration formations of network economy – business structures, which are understood as a complex open integrated system functioning in a dynamic globalized environment based on a combination of material and immaterial interests of member companies to accelerate joint development by accelerating the commercialization. joint innovation activities. It was found that the formation of business structures has become a modern global trend resulting from mergers and acquisitions (M&A) of several enterprises. *Practical implications.* The practical results of the study allow us to analyze the formation of global business structures in the pre-pandemic period (2015–2018) and the pandemic period (2019–2020). Thus, in the pre-pandemic period there was an annual increase in the number of global business structures by an average of 5%. However, their value in 2018 compared to 2015 decreased by 5.85% to USD 0.449 trillion. The number of global business structures in the regional aspect for 2015–2020, despite the impact of the COVID-19 pandemic, increased annually only in North America (8.4% in 2020 compared to 2015). Other regions of the world saw an annual decline in the number of business structures. It was found that since 2019, due to the impact of the COVID-19 pandemic, the number and value of business structures in the world has continued to decline, which has become rapid. The annual decline in the number of global business structures during the 2019–2020 pandemic averaged 6.37%, and the annual decline in their value averaged 33.19%. The regions that lost the most business during the 2019–2020 pandemic were Western Europe (2%), Southeast Asia (1.2%), and Eastern Europe (0.8%). *Value/originality.* The value of the study lies in the fact that it allows to analyze global trends in the formation of business structures in the pre-pandemic and pandemic periods and to identify further prospects for their formation in different regions of the world, given the rapid decline in the number of business structures in the world.

**Key words:** business structure, integration of enterprises, mergers and acquisitions, the COVID-19 pandemic, to the pandemic period, pandemic period.

**JEL Classification:** F01, F15, O12

## 1. Introduction

Modern processes of globalization of the world space, the strengthening of cooperative ties between states under the influence of economic integration, the transition of the world economy to the seventh technological mode, change the modern paradigm of global economic development. With the rapid invention of new information and communication technologies and the formation of a global networked economy, enterprises need to adapt in a timely

manner to the dynamic impact of the globalized space. Their activities are becoming more complex, which is impossible without the introduction of modern methods of production organization and the use of new approaches to management. Often an individual company lacks its own resources and/or capabilities to implement these strategic and operational changes, which leads to the need to consolidate and merge companies. That is why the current trend is the integration of enterprises and

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the formation of new business entities – business structures. The unification of enterprises within a single industry gave an impetus to the formation of horizontally integrated business structures. The development of vertical integration processes has led to the formation of vertically integrated business structures. Global integration processes have led to the formation of globally integrated business structures in the form of transnational corporations.

## 2. Literary review

In the scientific works of domestic and foreign researchers, the concept of "business structure" is considered from different points of view. Thus, in the scientific works of Bezhenar I. M., Basilsky A. V., Nitsenko V. S. and others, the business structure means a non-integrated enterprise, as a synonym for the term enterprise or as a generalizing concept. Scientists Gubanova L. I., Goncharuk T. V., Yavorska T. I. and many others understand the business structure as "small enterprise" or "small business enterprise", which is also studied as a non-integrated enterprise. Business structure, as a complex integrated enterprise formed as a result of merging several enterprises is studied in the works of such scientists as: Bilega O. V., Gorbachevskaya O. V., Korsun T. A., Kochubey R. V., Rusin-Girnik R. R. and many others. Despite the significant scientific achievements of domestic and foreign researchers in the study of the specifics of formation and features of business structures, the problems of formation of business structures in conditions of pandemic transformation are new and insufficiently studied.

## 3. Methods and results

The purpose of this work is to study the process of formation of business structures in different regions of the world in the pre-pandemic and pandemic periods. Based on this goal, the object of the study is the process of formation of business structures as integrated subjects of the global network economy. The scientific novelty of the study lies in the fact that it allows to analyze global trends in the formation of business structures for the period 2015–2020 and to identify further prospects for their formation in different regions of the world, taking into account the impact of the COVID-19 pandemic on global business. The methodological basis of the study are the scientific works of leading domestic and foreign experts on the functioning of business structures in modern conditions. The study is based on the systematic method of understanding processes and phenomena in their interconnection and development, as well as methods of statistical analysis used in the analysis of the formation of business structures

in the pre-pandemic and pandemic periods. The monographic method was used in the study of published scientific works of foreign and domestic scientists on the peculiarities of formation of business structures.

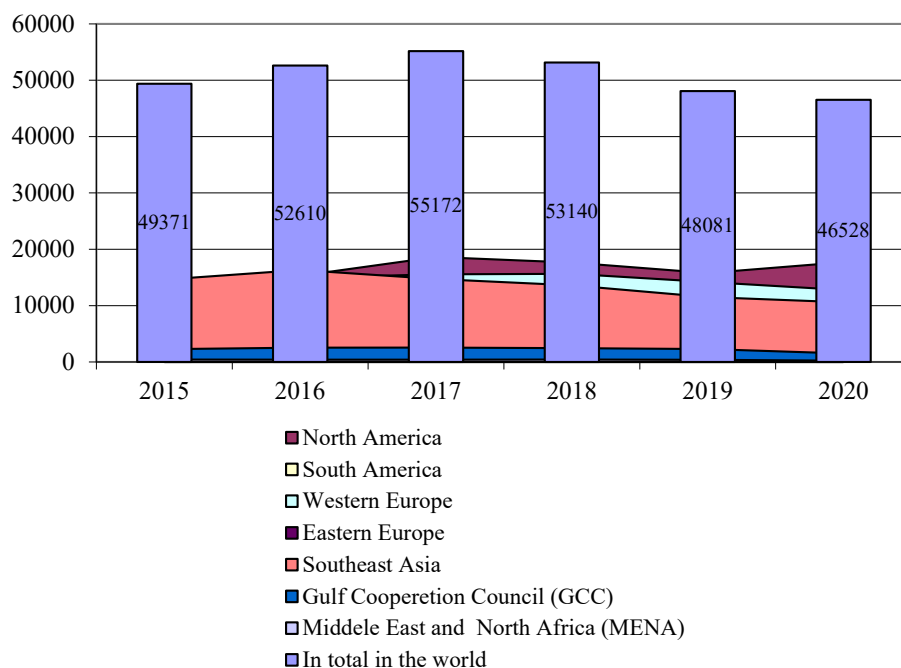
## 4. Peculiarities of the formation of business structures in modern conditions

### 4.1. The essence of the concept of "business structure"

Business structure, as defined by the author, is a holistic complex open integrated system functioning in a dynamic globalized environment, based on a combination of material and immaterial interests of member companies to accelerate joint development by accelerating the commercialization of joint innovations (Rusin-Girnik, Timnyak, 2018; Shatskaya, 2021). The formation of a business structure, as a complex integrated system, occurs as a result of the interaction of its constituent elements, which include: enterprises as independent entities; entrepreneurs or freelancers as independent entities. These components of the business structure form and directly affect the transformation of its internal and external environment. Entrepreneurial structure as a system can be either "highly organized, that is, have a branched and complex structure, or less organized, with a fairly simple structure, or generally chaotic, when its elements are distributed randomly and evenly" (Romanova, Makarov, 2014), depending on the number of enterprises of its participants. The main driving force behind the creation of a business structure is the need to improve competitiveness and ensure further development of the enterprises – members of this structure.

### 4.2. Formation of business structures in the pre-pandemic period

The formation of business structures has become a modern global trend resulting from mergers and acquisitions (M&A) of several businesses. Over the period of 2015–2019, a large number of business structures were created around the world, the dynamics of which change annually (Figure 1). Until 2018, there was an annual increase in the number of business entities in all regions of the world (6.5% from 2015–2016, 11.7% from 2016–2017). In 2015, the largest number of business structures were created in North America (14,656 units), Southeast Asia (14,618 units), and Western Europe (14,303 units). In 2016–2017, these regions dominated by the number of business structures created. The smallest number of business structures was created in the Middle East and North Africa: 429 units in 2015.



**Figure 1. The number of business structures created as a result of mergers and acquisitions (M&A) in the world for the period 2015–2020**

Source: compiled author by (Yavorska, Franchuk, 2014; Fortune, 2020)

In 2016-2017, their number decreased by 0.1% year-on-year. There was a slight decrease of 3.7% in the number of business entities globally in 2017–2018 and 9.5% in 2018–2019. In 2017, the number of business structures, even in the dominant regions of the world, decreased slightly in North America by 0.6%, Southeast Asia (1.1%). During the same period, however, it grew by 1.2% in Western Europe. In 2018–2019, these regions dominated by the number of established business structures.

In the regional distribution of global business entities in 2015, 29.7% of the total were business entities in North America, 29.6% in Southeast Asia, and 29.0% in Western Europe. The smallest number (0.9% of the total) were business entities located in the Middle East and North Africa (Figure 2). In 2016, the leading positions in the regional distribution of global business structures were occupied by business structures established in Southeast Asia (31% of the total), in second place – business structures from North America (29.1% of the total), in third place – from Western Europe (28.4%).

In 2017, the leading position in the regional distribution of global business entities was again taken by business entities established in North America (33.8% of the total), with Western European business entities in second place (28.2% of the total) and those from Southeast Asia in third place (26.7%). In 2018, the leading regional distribution of global business entities was again led by business entities established in North America (33.2% of the total),

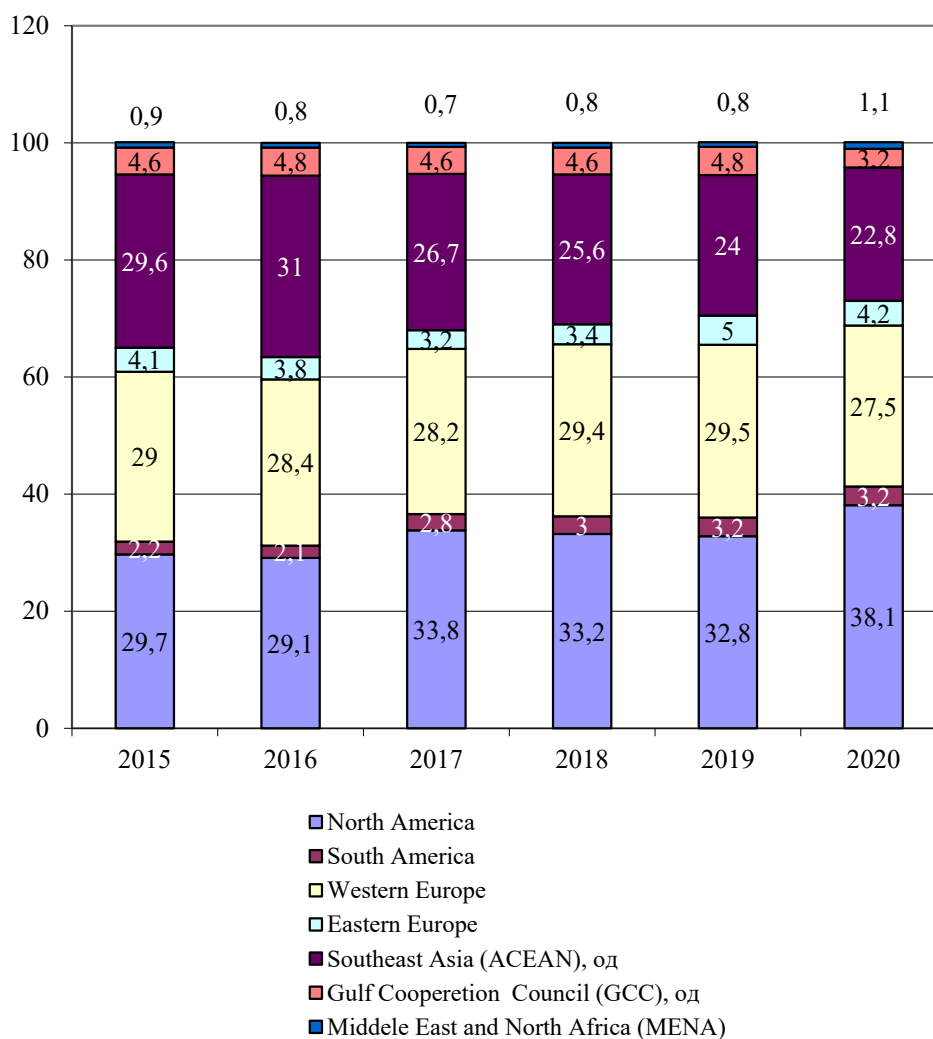
down 0.6% from last year; Western European business entities (29.4% of the total) were in second place, up 1.2% from last year; in third place, those from Southeast Asia (26.7% of the total), down 1.1% from last year.

Despite the large number of business structures created in the world between 2015 and 2018, their value changes annually under the influence of various factors (Figure 3).

Thus, in 2015 the value of business structures created as a result of mergers and acquisitions in the world amounted to \$ 7b681 trillion, and in 2016 decreased by 20% to \$ 6.148 trillion. In 2017, the total value of business structures in the world increased by 7.75% to \$6.625 trillion. In 2018, the general trend of increasing the value of global business structures continued, the value of which increased by 9.16% to \$7.723 trillion. The total decrease in the value of business structures in the world in 2018 compared to 2015 was \$0.449 trillion or 5.85%.

#### 4.3. Formation of business structures during the pandemic

While there was an annual increase in the number of business entities in all regions of the world before 2019, there has been a decline in the number of business entities globally since 2019 due to business barriers related to border closures, quarantine restrictions, and other negative factors caused by the COVID-19 pandemic. So, if in 2018 there were



**Figure 2. Regional structure of business structures created as a result of mergers and acquisitions (M&A) in the world for the period 2015–2020**

Source: compiled author by (Yavorska, Franchuk, 2014; Fortune, 2020)

53,140 business structures in the world, in 2019 their number decreased by 9.52% to 4,881 units. In 2020 the downward trend in the number of business structures in the world continued, the number of which decreased by 3.23% to 46,528 units compared to 2019. The total decrease in the number of business structures in the world in 2020 compared to 2015 was 2,843 units or 5.76%.

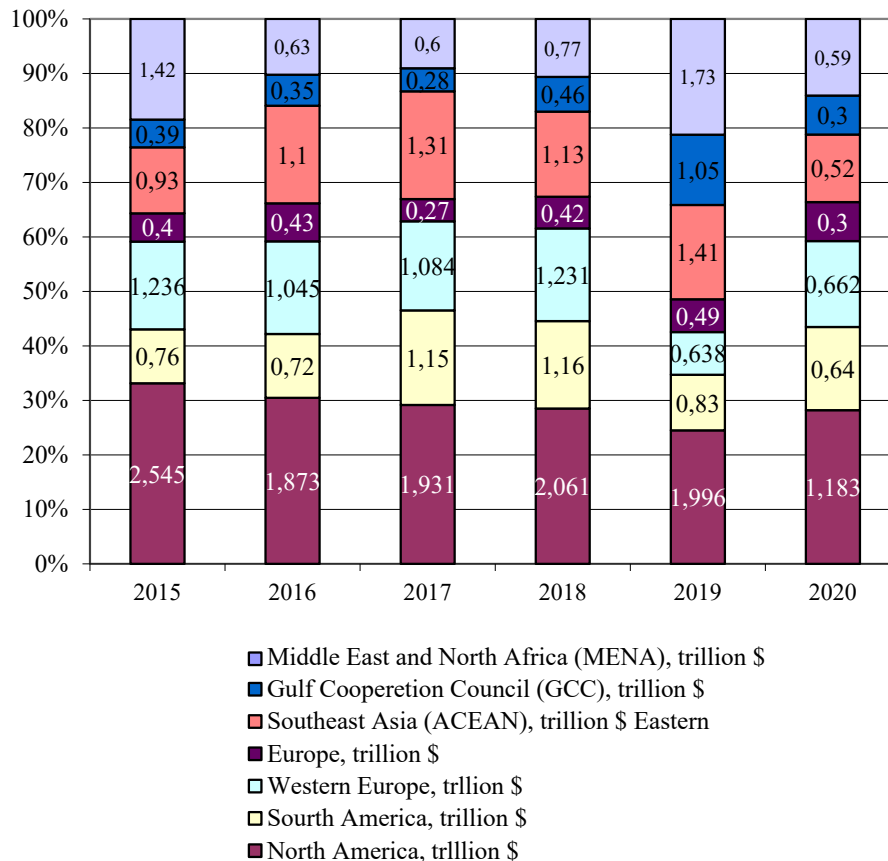
Regionally, the largest declines in the number of business structures during the 2019–2020 pandemic occurred in Western Europe (2%), Southeast Asia (1.2%), and Eastern Europe (0.8%). With the exception of North America, where the number of business structures increased by 5.3% during the analyzed period (Figure 2).

In 2019, the value of business structures created by global mergers and acquisitions rose 12.61% from \$7.232 trillion in 2018 to \$8.144 trillion in 2019. With the onset of the COVID-19 pandemic and business restrictions, the value of business structures

created through mergers and acquisitions globally in 2020 increased sharply by 48.5% from \$8.144 trillion in 2019 to \$4.195 trillion in 2020. The overall decline in the value of business structures globally in 2020 compared to 2015 was 45.4%.

## 5. Conclusions

In 2016, there were 6.56% more global business entities than in 2015. The total increase in the number of global business structures in 2017 was 4.86% compared to 2016. And in 2018, 3.68% more global business structures were created than in 2017. Thus, the annual increase in the number of global business entities over the pre-pandemic period of 2015–2018 averaged 5%. However, with the start of the COVID-19 pandemic, there were 9.52% fewer global business entities in 2019 than in 2018. This trend continued in 2020, when the number of global business structures decreased by 3.22%.



**Figure 3. The value of business structures created as a result of mergers and acquisitions (M&A) in the world for the period 2015–2020**

Source: compiled author by (Yavorska, Franchuk, 2014; Fortune, 2020)

Thus, the annual decline in the number of global business entities during the 2019–2020 pandemic averaged 6.37%.

The number of global business structures regionally for 2015–2020, despite the impact of the COVID-19 pandemic, grew annually only in North America (8.4% in 2020 compared to 2015). Other regions of the world saw an annual decline in the number of business establishments. The regions that lost the most business establishments during the 2019–2020 pandemic were Western Europe (2%), Southeast Asia (1.2%), and Eastern Europe (0.8%).

The value of global business structures in 2016 decreased by 19.95% compared to 2015. The total increase in the value of global business structures in 2017 was 7.75% compared to 2016. And in 2018, the value of global business structures

was 9.16% less than in 2017. Thus, the annual decline in the value of global business entities over the pre-pandemic period of 2015–2018 averaged 21.36%, despite a slight increase in 2017. The value of global business structures increased by 12.61% in 2019 compared to 2018. However, with the onset of the COVID-19 pandemic in 2020, the value of global business structures fell sharply by 45.8%. Thus, the annual decline in the value of global business structures during the 2019–2020 pandemic averaged 33.19%.

However, it can be concluded that despite the rapid decline in the number of business structures in the world and the significant decline in their value during the pandemic, such structures continue to work, being more efficient enterprises than non-integrated enterprises.

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