

ACCOUNT OF RISK OF INTEGRATION CO-OPERATION

Success of integration of companies is related to the high uncertainty and risk. Efficiency of integration co-operation which is realized in the conditions of difficult, dynamic and indefinite environment depends on understanding reasons and mechanisms of integration risks action.

Keywords: integration, integration co-operation, risk, risk factors.

The modern stage of economy development is characterized by distribution of integration co-operation of economic entities, enlargement of businesses, increase of competition intensity, growing dependence of management efficiency from external environment dynamic.

The necessity of providing dynamic development of enterprises of Ukraine in the conditions of external environment influence uncertainty stipulates the necessity of search of balance between external factors and internal environment, requires development and realization of modern conceptions, technologies and effective administrative decisions in the area of restructuring and development of enterprises activity for providing their functioning effectiveness increase and economic increase. One of the directions of increasing efficiency of activity in the conditions of competitive environment and distribution of globalization is strengthening integration co-operation and forming computer-integrated structures of different types.

Success of companies integration is related to the high uncertainty and risk, as a decision-making moment in relation to the necessity of integration co-operation and obtaining the result of integration activity deferred in time, and charges on realization of integration project and absorption of enterprises are very high. An incomplete account and accounting risks at making decisions leads to the failure of integration projects and considerable financial losses of enterprises which are the initiators of integration. Efficiency of integration co-operation which is realized in the conditions of difficult, dynamic and indefinite environment depends on understanding reasons and mechanisms of integration risks action, and also development of measures on managing them.

Scientific and applied problems of risk management got development in scientific researches of many domestic and foreign researchers: V.V. Vitlinskogo, V.M. Granaturova, O.L. Ustenka, O.I. Yastemskogo, D.A. Shtefanycha, A.T. Algina, G.B. Klejnera, I.T. Balabanova, Y.A. Utkina, C.M. Illiashenka, V.I. Cherkasova, G.V. Chernovoi, V.V. Glushchenka, M.V. Khokhlova, V.A. Moskvina, O.S. Shapkina, A. Mura, K. Khlardena and others [1-3;5-6]. Their works are sacred to the research of risk essence, determination of factors and reasons of his origin, description of methods of estimation and management of different risk kinds (productive, financial, innovative, investment etc.).

However, features and multi-stepness of integration process of enterprises of agroindustrial complex requires deepening of theoretical and practical revisions in relation to an integration co-operation management risk.

In previous work [4] it was paid attention to formulation of integration risks essence, classification of integration co-operation risks and basic approaches to determining risk situations on meso- and macrolevels. The purpose of this article is determination of risk situations which arise up on a microlevel and draw the risk of different subjects of integration.

At the deep analysis of integration expediency, efficiency of further development of integrated structures an important moment is determining and accounting interests of all proprietors and potential participants of association; correlation of the different shares and control possibilities which they give; determining basic contradictions between the proprietors of the different shares (shallow, control, blackout and others like that) holdings, between a management and proprietors; accounting features of motion of securities (integrator, company of purpose and newly created integrated structure) is at the secondary market, tendencies of demand and dynamics of market value; presence of reliable objective information about the state of participants with the purpose of creating the long-term program of activity, displays of informative asymmetry between the participants of associations etc. So, the necessity of determining and accounting the risk situations which arise up on a microlevel and draw the risk of different subjects of integration (company-integrator, having a special purpose company and newly created integrated structure) appears.

The high-quality analysis of riskiness of integration processes in agricultural sphere and food industry allowed to set basic situations, related to the risk (consequences of influence of risk factors) for company-integrator, company-purpose and newly created integrated structure.

For a company which is the initiator of integration, it is possible occurrence of the following adverse situations: false choice of the company development direction; inadequate determination of necessary measure of connection is between companies; inadequate determination of necessary measure of connection between companies; a wrong choice of a target object of purchase, strategic partner for integration (confluence); improper estimation of attractiveness of enterprise, absence of clear pictures of the state of company-purpose; overvalue of the company-purpose cost; acquisition of financially helpless enterprise; errors in determining cost of agreement; underestimating the volume of additional investments; extra costs on the process of integration; worsening of terms of crediting; errors in the process of negotiations leading to the increase of cost, decline of loyalty of management of company-purpose, loss of the shareholders interest in completion of agreement, counteraction to the agreement from the side of the company management; resistance of labour collective to the changes which take place; producing requirements to the creditors about pre-schedule implementation of obligations; a fall in the exchange of the company shares at the market; weakening positions at the market and worsening financial state before completion of integration process; failure to obtain the permission on integration as a result of disparity to the requirements of antitrust legislation etc.

For special purpose companies the following risk situations are the most reliable: fall in the exchange of the company shares at the market; worsening of market positions and financial state on a period before completion of the integration process; impossibility of use of additional channels of receiving profit; losses from the change of dividend policy of a new company; establishment of unprofitable course of shares exchange; violation of shareholders rights; loss of status of an independent company joint owner; dismissal of staff etc.

The conducted analysis allowed to reveal unfavorable situations which can arise up at a newly created integrated structure:

- diminishing efficiency of agreement as a result of lacks of process of realization of integration;*
- a fall in the exchange of shares of companies at the market;*
- weakening positions at the market and worsening of the financial state on completion of the integration process;*

- decline of capitalization of the incorporated company, in comparing to total capitalization of its separate parts;
- redistribution of corporate control in favor of individuals, who are disinterested in the effective functioning companies;
- loss of personnel and/or decline of its loyalty, diminishing of the labour productivity; resistance of labour collective to the changes which take place;
- decline of quality of implementing business processes, which results in diminishing operating efficiency;
- antagonism of corporate cultures and management system;
- technological incompatibility of the informative systems or necessity of large charges on integration of information technologies of companies which unite;
- conflict (technological incompatibility) of the incorporated productive systems (potentials), that it is caused by specificity of productive and financial cycles;
- conflict of aims, caused by the features of human resources, investment, financial, innovative policies of subjects of association;
- appearance of negative image as a single integrated entity structure and the system;
- diminishing clients base, impossibility to attract new partners or loss of existent partners predefined by specificity of relationships with suppliers and customers;
- increase of the combined size of tax payments;
- decline of the middle norm of income;
- worsening of possibilities of crediting; increase of cost of the attracted facilities;
- complication of placing of securities;
- diminishing of general money stream;
- occurrence of the negative effect of scale;
- false choice of the integrated company development direction;
- cancellation of integration agreement (agreements of confluence/absorption) in case of disparity to the requirements of antitrust legislation etc.

In our opinion, risky situations and negative consequences which can arise up on a microlevel in the process of integration, is possible to unite in the following types of risk: informative risk; administrative risk; commercial risk; strategic risk; investment-financial risk; legal risk (see a table. 1).

The noted factors (factors) which generate a risk on a macrolevel during realization of integration processes, forming and developing new integration structures, are subsoil for a further analysis and determination of possible negative consequences of integration cooperation. Unaccounting risks of macrolevel can hinder to achievement of aims of integration and reduce her efficiency.

For the estimation of reliable value of risk and development of measures on diminishing of its size, it is necessary realizing careful and objective analysis of external and internal environment factors, formulation of their complex and determination of influence on the degree of integration process risk.

The integral analysis of risks can be put in basis of constructing a new high-quality system of estimation of integration processes riskiness, that will be based on monitoring estimation of risks. It must become the first step on the way of forming methodical base of risks estimation and tool of exposure of the increased risk in the process of formation and development of concrete integrated structures.

Table 1

Typological grouping of influence negative consequences of integration subjects risk factors

Risk factors	Possible consequences
1	2
An informative risk is possibility of rejection in activity due to the different degree of plenitude and authenticity of information which is used	
<p>Actuality, authenticity, reliability, relevance, purposefulness and informative unity of data, plenitude of reflection of maintenance, clearness; there is insufficiency of state information and dynamics of changes at the market; absence or fallaciousness of information about state of potential participants of association; errors, information distorted by chance or intentionally in official documentation of enterprises; informative uncertainty, curvature of information or coil of confidential information; disparity of the national system of accounting to generally recognized principles of accounting; objective impossibility of accounting all parameters of internal and external environment; displays of informative asymmetry between the participants of associations; different degree of plenitude and authenticity of used information; occurrence of negative news (whether rumors) in relation to an enterprise or products etc.</p>	<p>Unobjectivity of administrative decisions in relation to expediency of integration. A wrong choice of a purpose entity of purchase, strategic partner for integration (confluence). Improper estimation of the enterprise attractiveness, absence of clear pictures of the state of company-purpose. Overvalue of the company-purpose cost. Acquisition of the financially helpless enterprise. Inexact estimation of the additional investments volume. Errors in determining cost of agreement. Extra costs on the process of integration. Technological incompatibility of the informative systems or necessity of large expenditures is on integration of informative streams of companies which unite.</p>
An organizationally-administrative risk is possibility of unplanned change of the final result of activity as a result of erroneous decisions on the economy, organizations and management questions which are accepted by the economic activity subject.	

<p><i>Uneffective organizational structure; low level of organization; errors of planning and projection, lacks of co-ordination of works in relation to the process of integration and further development of the integrated system; insufficient adjusting and control; erroneous construction of business processes; errors in human resources policy, in a selection and placing of staff; low level of organization of an enterprise management process; a personnel has absence of work experience and general economic knowledge; unadaptability of personnel and the enterprise is to changes; features of human resources policy of subjects of association; specificity of relations with suppliers and customers; change of independence and responsibility of management subjects; attitude toward the risk of leaders and specialists; correlation of collective and individual procedures in the processes of decision making with the purpose of increase of their efficiency and minimization of risk; insufficient level of providing co-ordination of all subsystems and functions of the integrated system etc.</i></p>	<p><i>Incompatibility of interests of participants of association. Conflict of aims. Antagonism of corporate cultures and control system. Loss of personnel and/or decline of its loyalty, diminishing the labour productivity, resistance of labour collective to changes which take place. Loss of reputation. Negative image as a single integrated entity structure and the whole system. Diminishing the clients base. Violation of shareholders rights. Loss of the independent company joint owner status. Redistribution of corporate control in favor of individuals, who are disinterested in the effective functioning companies. Decline of business processes realization quality, which results in diminishing operating efficiency. Diminishing efficiency of agreement as a result of lacks of process of realization of integration. Loss of market positions, decline of competitiveness of production and enterprise as a whole.</i></p>
<p><i>A commercial risk is probability of receiving less of the planned profit or receipt of losses in the process of financially-economic activity, realization of commodities and services, uncertainty of results of concrete commercial business.</i></p>	

<p><i>Contractual (after terms, price, quality) delinquency from the side of market partners; insolvency of customers; decline of volumes of realization as a result of diminishing demand or squeezing-out this commodity by competitive commodities (by substitutes, introduction of limits on its sale); unexpected decline of purchases volumes comparatively with compared with the planned purchases, that reduces the scale of the whole operation and increases the unit costs of goods sold (due to conditionally-permanent charges); worsening quality of commodity in the process of storage or transporting; unproductive losses of commodity; low level of marketing; increase of distribution costs, compared with the planned ones in the result of fines payments, unforeseen deductions; disparity of prognosis and real structure of the consumer market; disparity of commodity to basic competition descriptions etc.</i></p>	<p><i>Loss of potential consumers. Loss or diminishing of market segment. Diminishing sale volumes. Loss of competitive edges and competitiveness of commodity and enterprise on the whole.</i></p>
<p><i>A legal risk is probability of unplanned change of the final result of activity as a result of erroneous interpretations of legislative demesne of the enterprise, failure to observe and/or violation of requirements of normatively-legal acts which regulate integration processes</i></p>	
<p><i>Illegal actions of individuals inside or outside of the enterprise (elimination of documentation by public accountants, racket, bribery, corruption etc.); legal errors at processing documents in relation to an integration agreement; trials with external partners; internal trials.</i></p>	<p><i>Prohibition on integration. Cancellation of integration agreement (agreements of confluence/of absorption). Penalty approvals and administrative penalties. Necessity of losses reimbursement. Worsening of reputation. Worsening of positions at the market. Narrowing of possibilities for development. Diminishing of possibilities of the legal providing of implementation of agreements. Loss of positive image. Loss of suppliers and consumers</i></p>
<p><i>A strategic risk is possibility of acceptance and introduction of incorrect administrative decisions, and also inadequate reacting on any changes in a legislation or external environment</i></p>	

<p><i>Specificity of productive and financial cycles of management subjects; features of human resources, investment-financial, innovative policy of subjects of association, Disparity of general organization strategy to functional strategies and aims of development of strategic subdivisions</i></p>	<p><i>False choice of the company development direction (an integrated structure). Inadequate strategy of development. Incorrect choice of direction and type of integration. Functional strategies unbalancing. Disparity of the resource providing to the rates of development of the enterprise (an integration association). Inaccessibility of general organization aims. Loss of dirigibility of development of the structure and structural subdivisions (morphons). Occurrence of negative effect from a scale. Conflict (technological incompatibility) of the incorporated productive systems (potentials). Conflict of aims of structural subdivisions. Weakening of positions at the market and worsening of the financial state. Decline of competitiveness. Increase of the combined size of tax payments</i></p>
<p><i>An investment-financial risk represents probability of occurrence of unfavorable financial consequences in the form of profit or capital loss in the situation of uncertainty of financial-economic or investment activity realization terms.</i></p>	
<p><i>Non-fulfillment of own financial responsibilities before an investor, a creditor; impossibility of a partner, a borrower to execute the financial obligations; inflation and deflation processes; depreciation of investment-financial brief-case of the enterprise; worsening of dividend policy; ineffective policy of investment-financial portfolio construction; worsening of the state of affairs of financial market; increase or decrease of suggestion of free money resources; oscillation of rates of exchange; worsening of possibilities of crediting; increase of cost of the attracted money</i></p>	<p><i>Worsening of the financial state. Diminishing of general money stream. Producing of requirements by creditors about pre-schedule implementation of obligations. Decline of level of profitability and absolute profit margin. Impossibility of use of additional channels of receiving profit. Losses from the change of dividend policy of a new company. Establishment of unprofitable course of exchange of shares. High probability of offensive of bankruptcy of the enterprise (an integrated structure). Diminishing of cost of an integrated company. Worsening of financial firmness. Appearance of negative money streams.</i></p>

Source: authorial development

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