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## Article

# Organizational and legal assessment of the impact of relocation on the investment and economic policy of enterprises

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# ORGANIZATIONAL AND LEGAL ASSESSMENT OF THE IMPACT OF RELOCATION ON THE INVESTMENT AND ECONOMIC POLICY OF ENTERPRISES

*The object of the study is the process of relocation of Ukrainian enterprises both within the country and abroad. The problem of the study, first of all, is that the relocation of business for domestic business entities was not very relevant recently, and the practical experience of moving capacities is practically absent. An analysis of the difficulties encountered by entrepreneurs when deciding to relocate the company was carried out. In addition, the study examines the enterprise relocation program proposed by the government and its shortcomings that make it difficult to use. It was determined that among the main problems of the state program of relocation are the insufficient information base and awareness of the existing program, the lack of established communication between the participants of the process. It was emphasized that entrepreneurs need additional financing for the time of adaptation and stabilization of their business in new regions, expansion of infrastructure in the form of creation of business incubators, business hubs and business accelerators. However, there are almost no innovative relocation companies in the studied regions. It is necessary to stimulate innovative activity with long-term sectoral development programs and fiscal incentives, since the relocation of enterprises in modern conditions is an effective tool for the restoration of entrepreneurial activity in new regions of the country, which in turn ensures the relative stability of the economy, provides jobs, guarantees the production of national products and services, as well as the possibility of their implementation on the international market. Potential solutions have been analyzed and determined, which can contribute to revitalizing the relocation of businesses and making the process more successful. However, this requires state support and additional funding, which will help bring the enterprise relocation program to a new level, which in turn will help enterprises to continue their activities and have a positive impact on the state's economy. This study can become a reference point for Ukrainian business in the near future. Also, the research can be useful for the authorities, the public and the university environment.*

**Keywords:** relocation enterprises, Ukrainian enterprises, state program of relocation, business recovery, investment, innovative relocation companies, economic stability.

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## 1. Introduction

In recent years, the economy of Ukraine has faced complex challenges: coronavirus, full-scale intrusion. This forces Ukrainian entrepreneurs to quickly adapt and make decisions in crisis situations. One of the problems of the last two years was the complete or partial inability to work due to hostilities, so the solution to this problem was relocation. Relocation aims to move the enterprise to a safer region or country and start operations in a new location. The country's government has introduced a special enterprise relocation program, which aims to help those entrepreneurs who apply for business relocation. However, it turned out that the problem has a number of imperfections and causes

additional difficulties for entrepreneurs, and as a result, the improvement of the economic situation in the regions where the enterprises were relocated is slowing down, the level of employment and provision of production technologies does not change significantly, as expected.

It is appropriate to study the experience of other countries, described in [1] on the long-term consequences of war for direct foreign investment and economic development; problems of relocation in [2]; the analysis of the investment casualties of war by [3, 4].

*The aim of this research is the analysis of the state program of relocation of enterprises, its prospects, shortcomings, potential solutions and problems that complicate the process of implementing this program.*

## 2. Materials and Methods

The main methods used in this research are descriptive, comparative, generalization, observation, analysis and synthesis of socio-economic realities. In the direction of methodical, organizational and practical provision of the relocation process, a considerable number of works of scientists are known. A number of scientists and practitioners' studies organizational and economic aspects of the relocation of entrepreneurship during the martial law in Ukraine [5, 6]. Considerable attention is paid to the possibilities of regulating innovative entrepreneurship and enterprises in the conditions of relocation [7, 8]. All-encompassing problems faced by entrepreneurs in modern conditions and the role of modern entrepreneurship in the national economy are highlighted in the works [9–13]. Features of a forward-thinking culture to create a business environment in countries that are at war, in particular in Israel researched in [2].

## 3. Results and Discussion

Ukraine's economy has been suffering huge losses for more than two years. As a result of the destruction of civil and industrial facilities, infrastructure, enterprises faced problems of survival. Many enterprises faced the problems of loss of labor force, destruction of facilities, lack of financing, limited work, closing of business. During this time, about 8,000 domestic businesses changed their place of registration. The war led to a humanitarian crisis, and a large part of the population went abroad, which affected and will continue to affect the demographic and economic situation in the country for many years [9, 10].

However, despite the difficulties faced by enterprises, Ukrainian entrepreneurship is characterized by the ability to quickly adapt in crisis situations. Thanks to the ability to quickly make atypical decisions, entrepreneurs were able to change the direction of their activities, introduce innovations and technologies, and move their businesses to other regions of Ukraine and beyond.

In any conditions, there are many factors that affect the successful conduct of business, including: accumulation, systematization and transfer of economic information, search and exchange of scientific knowledge and research, ways of attracting financing, innovative development of enterprises [9]. Entrepreneurship plays a very important

role in maintaining economic stability and growth, so at the beginning of a full-scale war it was very important to choose a strategy and plan the way forward. One of the most active measures was the relocation of enterprises. This method was known even before 2022 as a search for potentially better conditions for the existence of the company, but in times of war it became vitally necessary [10].

Although the relocation of enterprises has similar problems in both peacetime and wartime, it differs greatly in the speed of decision-making and the motivation to preserve the business. Two groups of entrepreneurs can be distinguished: those who chose relocation as a way to save their business and did not think about it until the full-scale war; and those who considered such an option and saw in it an opportunity for growth [11].

To understand the proportions of the number of enterprises that potentially allowed the use of relocation as a method of saving the company, below is a diagram (Fig. 1).

In March 2022, the government developed a program for the relocation of enterprises in order to preserve the stability of the economy by moving businesses from war zones or close to them. In April of the same year, a platform was launched jointly with the Ministry of Economy of Ukraine, which is based on the collection and processing of applications from enterprises wishing to move to safer regions. The program can be used by any enterprise that submits an application. According to the adopted resolution, this happens free of charge [15, 16].

Below is a diagram (Fig. 2) regarding the number of applications on the portal for the relocation of enterprises from the combat zone in May 2022, which demonstrates the speed of processing applications and their total number.

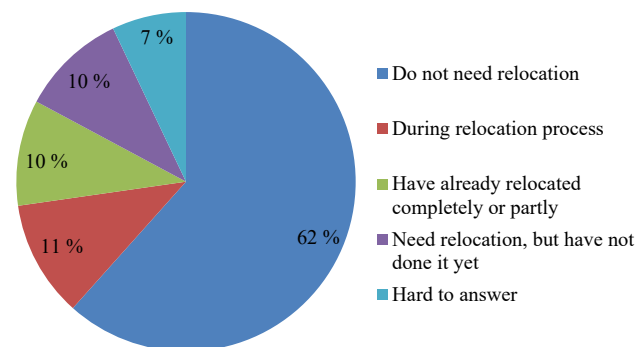


Fig. 1. Statistics of enterprises that need relocation (according to data [14])

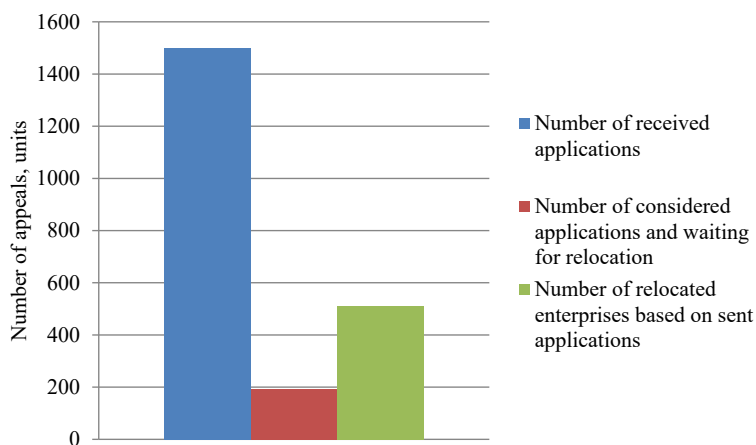


Fig. 2. Statistics of the number of applications regarding requests for relocation of enterprises in May 2022 (according to data [14])

Entrepreneurs considering the option of relocation should be aware that this procedure is multifaceted and complex both financially, technically and legally. In the process of relocation, entrepreneurs face a number of problems, including:

- *ignorance*. Entrepreneurs were not informed of this possibility, there was no urgent plan developed, due to which it was not possible to react correctly to the crisis situation immediately;
- *complexity*. Moving employees and assets both independently and by the forces of Ukrzaliznytsia or Ukrposhta is a rather complicated procedure;
- *market mismatch and inability to conduct marketing research due to lack of funds*. A potential new market may be saturated with similar goods or substitute goods or, on the contrary, may not need them;
- *the problem of product certification*. If the company decides to move abroad, it faces the need to comply with European standards and certification;
- *bureaucracy*. Business registration and registration in European countries takes more time;
- *language barrier and misunderstanding of people's mentality*. This makes it impossible to communicate effectively and fully understand each other, so it is worth paying attention to this when choosing a country for relocation [10].

Considering the relocation abroad in more detail, it can be noted that mainly such areas as services, trade, IT, transport, construction transport businesses abroad. Ukrainian businessmen consider a number of advantages in moving companies to Europe. Among them, it is possible to highlight: the location and proximity to various European countries, as a result – the convenience of logistics, a more understandable legal system than in other countries of the world. At the same time, according to research data, only about 11 % of businessmen are considering options for relocating enterprises outside of Ukraine [11].

As mentioned above, relocation is now an important part of the business process, which in turn affects the stability of the Ukrainian economy. One of the positive consequences of the relocation of enterprises is the provision of jobs. For example, in 2022, thanks to relocation, more than 35,000 jobs were saved and more than 7,000 people were able to find work in relocated companies. Thanks to this, businesses are able to continue to function and support the economy [12].

Having analyzed the difficulties of relocation, it is possible to single out potential solutions that will help increase the efficiency and quality of the state relocation program [13].

First of all, let's agree with the opinion of KSE Graduate Business School expert, who claims that, first of all, it is necessary to standardize the information provided to potential clients by regional and district administrations. It is worth providing contacts of employees with whom it is possible to consult, the level of real estate prices, create lists of real estate objects that can be taken for rent. Continuing the topic of the need to disseminate information, O. Zubchenok notes the benefit of providing data on the main industries by region so that companies considering a specific area for relocation could assess possible prospects for purchases, cooperation, supplies, etc. [17].

Secondly, in order to facilitate the internal relocation of enterprises, in addition to providing information about the region in general, it is worth sharing data about the infrastructure of the region and its provision, namely: heat

supply, electricity, water supply, etc. Due to the peculiarities of certain regions, entrepreneurs face difficulties in connecting to communications. Therefore, it would not hurt to organize practical courses or online training, which will aim to facilitate the adaptation of business in new areas. Moreover, the state needs to develop measures that will help the relocated business realize products or services, for example, it is possible to consider the possibility of a state order with the help of diversification of production [13].

It is worth noting that during the relocation of enterprises, it is necessary to pay more attention to the investment policy and additional financing of the business. In turn, investments are aimed at improving the economic condition of the enterprise, increasing production efficiency and ensuring social and economic stability. Because investment policy is not only a set of economic decisions that determine the main directions of capital investments, but also a certain number of measures to concentrate investments in priority directions for restructuring business activities.

In addition to all the above-mentioned measures that can help entrepreneurs relocate their businesses, according to the KSE Graduate Business School expert, it is worth introducing additional financing and soft loans for the sustainable operation of the company in the new location in the first months, while the company adapts [17]. Of course, material investments are also of great importance. Investors can provide premises, cars, land, equipment, etc. for use, which in turn will directly mitigate the relocation of the enterprise, help restore former capacities, or even increase productivity.

Almost half of the enterprises that changed their place of registration work in the field of wholesale trade (44 %), in the field of construction (6 %). Rounding out the top three internally displaced enterprises are businesses that carry out real estate transactions (4.1 %) [18]. There are almost no relocating enterprises working in the innovative field, because, according to many owners and managers, the issue of innovative development is not timely. Obviously, innovations remain relevant mostly for large enterprises and exporters.

Therefore, in order to establish communication and harmonious work of business and government in the conditions of relocation, it is necessary to constantly receive feedback, partner support, public involvement, because high results in the form of the development of local and regional innovation ecosystems in the regions of Ukraine, where enterprises were relocated and continue to be relocated, directly depend on such actions (creation of business incubators and accelerators, innovation funds and development of mentoring programs, especially for innovative types of business).

The acute relevance and timeliness of the problems of modern Ukrainian enterprises, one of which is relocation, makes it necessary to constantly improve the methods and tools of the relocation process. Thus, the study and analysis of the situation at the end of the second year of the full-scale invasion and martial law explains the results of the study.

*Practical relevance*. The simulated process of relocation of Ukrainian enterprises turns out to be a practical and effective tool for establishing economic and investment policy. The practical significance of the obtained results is that the main provisions substantiated by the authors in this article are brought to the level of specific methodical

and practical recommendations in the economic activity of enterprises regarding the analysis of the state program of relocation of enterprises, its prospects and shortcomings.

*Research limitations.* The limitation of the study is primarily due to the lack of some available and reliable statistical, marketing and other data. In addition, a relatively small circle of Ukrainian scientists who researched this topic until 2022 are known. In order to implement the obtained results in practice, it is necessary to carry out qualitative expert studies, monitoring, examinations and, finally, the formation of mathematical models' assessment of the impact of relocation on the investment and economic policy of enterprises.

*The impact of martial law conditions* on the relocation of businesses is undeniable and has been clearly felt since the beginning of the war in eastern Ukraine in 2014. During Russia's large-scale invasion of Ukraine in 2022, the problem was significantly exacerbated. Enterprises of all forms of ownership found themselves in a situation of destruction of the entrepreneurial ecosystem, and therefore lost contact with the university environment, bodies of executive power and local self-government, investors and other stakeholders. It was the violation of the information and investment background, the curtailment of long-term industry programs that led to crises, bankruptcy, and relocation as salvation.

*Prospects for further research.* In the future, it is planned to investigate the prerequisites for the development and support of eco-industrial parks in the conditions of relocation and European integration of business processes.

#### 4. Conclusions

Today's turbulent environment forces entrepreneurs to face deep problems, and Ukrainian business faces the most acute of them – military operations, as a result of which it is forced to make difficult decisions, such as moving to other regions of the country or abroad. In order to support national entrepreneurship, a company relocation program was developed and launched, which has both indisputable advantages and a number of disadvantages that complicate the relocation process. Among the problems encountered by entrepreneurs, the following are highlighted: ignorance of entrepreneurs, complexity of the process, bureaucracy, market mismatch. However, subject to some changes, the relocation program is potentially successful. The main such conditions are the need to provide information about the program itself, about the infrastructure of possible regions for relocation, potential suppliers and sales markets. In addition, entrepreneurs need additional financing for the time of adaptation and stabilization of their businesses in new regions, expansion of infrastructure in the form of creation of business incubators and business accelerators, etc. However, there are almost no relocation companies working in the innovative field. Instead, innovative activity continues to decline. It is necessary to stimulate innovative activity with long-term sectoral development programs and fiscal incentives. Thus, the relocation of enterprises in modern conditions is an effective tool for the renewal of entrepreneurial activity in new regions of the country, which in turn ensures the relative stability of the economy, provides jobs, guarantees the production of national products and services, as well as the possibility of their sale on the international market.

#### Conflict of interest

The authors declare that they have no conflict of interest in relation to this research, whether financial, personal, authorship or otherwise, that could affect the research and its results presented in this paper.

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#### Data availability

The manuscript has no associated data.

#### Use of artificial intelligence

The authors confirm that they do not use artificial intelligence technologies in the creation of the current work.

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