

**Laličić Branka\***

<https://orcid.org/0009-0001-4988-9061>

**Vapa Tankosić Jelena\*\***

<https://orcid.org/0000-0001-8062-1154>

**Gardašević Jovana\*\*\***

<https://orcid.org/0000-0002-3239-2083>

**UDK: 334.75:330.322(100)**

Original scientific paper

DOI: 10.5937/ptp2503073L

Received on: June 12, 2025

Approved for publication on:

August 25, 2025

Pages: 73–92

# THE IMPORTANCE OF INVESTMENT MOTIVES AND FINANCIAL STRATEGIES IN MERGER AND ACQUISITION (M&A) PROCESSES IN TRANSITION COUNTRIES WITH REFERENCE TO THE REGULATORY FRAMEWORK – A MULTIDISCIPLINARY ANALYSIS

**ABSTRACT:** Mergers and acquisitions (M&A) are among the key strategies for the growth and development of companies, particularly in transition countries, where they significantly contribute to economic growth. This is especially relevant in the period following the crisis of M&A transactions caused by the COVID-19 pandemic and the military conflict in Ukraine. Therefore, the aim of this research is to identify the key investment motives, taking into account financial strategies and risks, with reference to the institutional framework in transition countries. By applying the Systematic Literature Review (SLR) method and a multidisciplinary analysis of the factors influencing M&A activities in these economies, the research seeks to contribute to a better understanding of the key drivers of

---

\* PhD Candidate, University Business Academy in Novi Sad, Faculty of Economics and Engineering Management, Novi Sad, Serbia; Assistant, Novi Sad School of Business, Novi Sad, Serbia, e-mail: abadzicb@gmail.com

\*\* PhD, Full Professor, University Business Academy in Novi Sad, Faculty of Economics and Engineering Management, Novi Sad, Serbia, e-mail: jvapa@fimek.edu.rs

\*\*\* PhD, Associate Professor, University Business Academy in Novi Sad, Faculty of Economics and Engineering Management, Novi Sad, Serbia, e-mail: j.gardasevic@fimek.edu.rs

 © 2025 by the authors. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

these processes and to provide relevant implications for company managers and policymakers. The findings point to three dominant motives for M&A in transition countries. They expand the knowledge of M&A motives in transition economies and highlight the need for further research on this topic, given the complexity of the market and its turbulent dynamics, as evident also in the sphere of innovative technologies.

**Keywords:** *mergers and acquisitions (M&A), transition countries, M&A investment motives, financial strategies, regulatory factor, institutional factor, risk management.*

## 1. Introduction

Mergers and acquisitions (M&A) are strategic business processes in which two or more companies merge or one company buys another. M&As are established with the aim of achieving certain business synergies, economies of scale, business diversification, market share growth, or other strategic and financial goals. Both processes, i.e. merger, which implies the merger of two or more companies, and acquisition, which implies the absolute purchase of one company, aim to increase competitiveness, business diversification, synergistic effects and company growth. Therefore, M&A are transactions in which companies merge or buy one another in order to achieve strategic and financial goals (e.g. Nestorović, 2015; Perić, 2023). Key M&A trends in transition countries play an important role in the dynamics of global M&A activities and flows. Therefore, the aim of this research is to establish key investment motives, considering financial strategies and risks in transition economies.

## 2. Literature review

On the one hand, the defining feature of M&A in the context of global capital flows in the literature is that M&A is a strategic tool for companies, as it allows them to capitalize on global capital flows and diversify their operations (Mauboussin, 2010; Hossain, 2021). Cross-border M&As, in particular, allow companies to access new sources of capital, technology and talent, which can improve their overall competitiveness (Hitt & Pisano, 2004; Li, Li & Wang, 2016; Zheng, Wei, Zhang & Yang 2016; Christofi, Vrontis, Thrassou & Shams 2019) and profitability (Hitt & Pisano, 2004; Li, Li & Wang, 2016). On the other hand, the success of M&A in the context of global capital flows is not guaranteed,

as there are challenges that companies face. The most relevant challenges in this sense are cultural differences, regulatory obstacles and integration challenges (Moschieri, Ragozzino & Campa, 2014; Vanwallegem, Yildirim & Mukanya, 2020; Wójcik, Keenan, Pažitka, Urban & Wu 2022).

Regarding M&A in transition economies, i.e. in those countries undergoing economic and political transitions, M&A are often particularly complex and challenging. The reason for this is that the mentioned transitions include privatization, deregulation, development of legal and regulatory frameworks, development of institutional framework, development of innovative technologies and the like (e.g. Uhlenbruck & Castro, 2000). However, the success of M&A in the context of these countries often depends on determinants such as the quality of institutions, the level of political and economic stability, and the ability of companies to manage a complex regulatory and cultural environment. These determinants together represent challenges for foreign investors (Moschieri, Ragozzino & Campa, 2014; Nestorović, 2015; Perić, 2023; Stefanović, Vapa-Tankosić & Mirjanić, 2025).

Regarding investment decisions in the context of M&A, they are critical, as they can have significant implications for the success or failure of the transaction. The increasing complexity of the global business environment and the growing importance of factors such as sustainability, technological changes and geopolitical risk indicate that it is necessary to pay considerable attention during the process and in making decisions about M&A (e.g. Denčić-Mihajlov, 2020; Alkaraan, 2021; Perić, 2023, pp. 28–36). Also, the stability of the banking system of the host country plays a relevant role (Vapa Tankosić & Vukosavljević, 2021).

### ***2.1. Regulatory framework: institutions efficiency in the context of M&A***

Institutional and regulatory obstacles belong to the group of dominant impediments to M&A development in transition economies, compared to other barriers. For example, many transition economies have adopted or revised competition laws to prevent increased industry concentration and market power but the effective enforcement of these laws remains a challenge. Regarding privatization regulation, privatization acquisitions differ from conventional acquisitions due to constraints imposed by the privatization context, the depth of subsequent restructuring, and the sensitivity required toward the local context and societal changes (Lebedev, Peng, Xie & Stevens, 2015). Besides competition and privatization regulation, there are many others related to M&A such as institutional distance, FDI restrictions in many

countries, EU and international regulations that interfere with national laws etc., that represent the challenge for FDI expansion.

Expansion of M&A is one of the crucial goals for companies. Nonetheless, their expansion differ regarding time frames, strategic decisions, success factors, activities, competitive advantages, and legal regulations in the target market (Stefanović, Vapa-Tankosić & Mirjanić, 2025, p. 38). In Serbia, M&A activities declined in the late 20<sup>th</sup> century due to political turmoil but increased in the early 21<sup>st</sup> century as stability returned, making the country more attractive for foreign investment. Taking banking sector as an example, over the past two decades, the banking sector in Serbia has faced significant challenges, including slow economic recovery, the global financial crisis, and political instability. M&A have been crucial for Serbian banks to adapt to these challenges. Since 2000, the presence of foreign banks has increased, leading to the acquisition of domestic institutions and a decline in the number of banks from 50 in 2002 to 20 in 2024. Foreign banks, mainly from the EU, have played a dominant role, driving ownership changes and enhancing sector efficiency through new business models and innovations. A notable example includes NLB Bank's acquisition of Kontinental Banka and subsequent merger with NLB LHB Banka in 2008. These processes have modernized Serbia's financial sector, improved competition, and increased service quality for consumers (Stefanović, Vapa-Tankosić & Mirjanić, 2025).

That institutional and regulatory framework is crucial for M&A is also evidenced by research all over the globe. For example, Reddy (2016) aimed to outline the institutional laws governing (M&As) in India with the scope to propose guidelines for institutions and multinational managers engaged in foreign investment and acquisition activities. The author engaged in reviewing, summarizing, and analyzing the legal framework that regulates M&As, takeovers, and foreign investments, and concluded that high-valuation inbound deals have been delayed or unsuccessful due to inadequate financial infrastructure, unpredictable government officials, and political interference. Government, therefore, is invited to attract greater investment inflows from developed and emerging markets by simplifying investment regulations and providing tax incentives.

### 3. Research methodology

This study aims to examine key factors or motives that encourage M&A activities. To identify the dominant motives of M&A with particular reference to transition economies, the specifics of financial strategies are also investigated. The first hypothesis of this research refers to the investment motives of M&A

in countries in transition. The second hypothesis is closely related to the first hypothesis because it refers to the obstacles to the development of M&A in countries in transition.

H1: The dominant investment motives for M&A in transition countries are market share acquisition, vertical integration, diversification and economies of scale, compared to other motives.

H2: The dominant obstacle in the development of M&A in countries in transition is of institutional and regulatory type, compared to other obstacles.

Justification: In accordance with the theoretical explanation of this hypothesis, it is assumed that companies operating transition economies face specific challenges such as unfinished privatization processes, weak competition, insufficiently developed capital markets and an underdeveloped system of institutions. In such a business environment, the key investment motives for M&A differ from those in developed market economies. In insufficiently competitive countries, i.e. transition economies, companies use M&A to quickly increase their market share and gain a dominant position on the market. This motive is particularly pronounced in industries with high entry barriers for new market players.

The third hypothesis is related to M&A financial strategies (and underlying financial risks) transition economies. The fourth hypothesis is closely related to the third one and refers to the evaluation of the M&A implementation as a financial strategy for the development of countries in transition.

H3: Investment motives of foreign investors have a significant influence on the choice of financial strategies and financial risk management in M&A processes in transition countries.

H4: The evaluation of the M&A implementation in transition countries is dominantly based on financial risks.

Justification: Foreign investors motivation for accessing the market of transition countries, such as access to local resources, markets and technologies, can influence their choice of financial strategies and approach to financial risk management in M&A transactions. In accordance with the third hypothesis, the dominant financial strategies of foreign investors (M&A) in these countries can be looked at in more detail, namely the diversification of funding sources (e.g. combining domestic and international funding sources), structured financial transactions (due to increased risk), foreign exchange risk management (e.g. use of hedging instruments and other derivatives), corporate restructuring (e.g. optimization of business processes, cost reduction and efficiency increase). Also, the most common financial risks faced by foreign investors can be seen such as foreign exchange risk, liquidity risk, regulatory

and political risk, country risk, business partner risk, etc.

This paper relies on theoretical evidence published in academic M&A journals through SLR. SLR as a method was also used because it allows a sample of publications to be systematically reviewed. Moreover, the use of the SLR method enables the improvement of knowledge about the analyzed topics from a certain area that is available in the academic literature, through study and careful analysis. In addition, the method of locating, the method of analysis and the method of synthesis of research results are used.

The stages of research that are characteristic of the SLR method are as follows (Dezi, Battisti, Ferraris & Papa, 2018): Phase 1: Defining keywords to search the database; Phase 2: Search for articles (papers) in the database; Phase 3: Reading and selection of titles and abstracts; Phase 4: Reading and selection of articles (papers); Phase 5: Analysis of articles (papers) for research purposes.

In Phase 1, the main keywords used to search the literature, i.e. articles (Phase 2), are “M&A main motives”, “M&A drivers”, “M&A main motives in transition economies”, “M&A drivers in countries in transition”, “M&A main financial risks”, “M&A financial risks transition economies”. During Phase 3, titles were selected, while summaries of all papers found during Phase 2 were selected later. After selecting titles and summaries, papers were selected for complete reading (Phase 4). In other words, the papers whose content is of greatest interest for the analysis in this paper have been selected. In the last phase, Phase 5, the papers extracted in the penultimate phase of the research were analyzed, during which Table 2 (in the results section) was created for the purpose of greater transparency of the research proceedings. This was repeated several times, due to the multidisciplinary approach presented in the next section of the paper.

#### 4. Research results

In this section it follows the research results and its interpretation. Table 1 shows the identification of selected papers that were considered for analysis in this research. Namely, 100 papers on the topic “M&A motives in transition economies” were identified, of which 31 were published in the period from 2014 to 2024. Of the mentioned 31 papers, 20 were selected for detailed analysis, due to their nature of research related to this one. For each article, information such as the source, journal, year of publication, as well as the research method used and the results were extracted. In the period 2019-2024, 50% (n=10) of the papers were published, while in 2018 n=2 papers were published, in 2016 n=3 papers, in 2015 n=1 paper, and in 2014 n=2 papers.

**Table 1.** SLR and a multidisciplinary approach

Author(s)	Year	Journal	Discipline
Hitt & Pisano	2004	<i>Mergers and acquisitions: Creating integrative knowledge</i>	Management
Glaister & Ahammad	2010	<i>Mergers and acquisitions in practice</i>	Management
Estrin & Uvalić	2014	<i>Economics of Transition</i>	International economy
Francis et al.	2014	<i>Journal of Corporate Finance</i>	Corporative finance
Nestorović	2015	<i>Ekonomski temi [Economic Themes]</i>	Macroeconomy
Li, Li & Wang	2016	<i>International Business Review</i>	International business
Zheng	2016	<i>International Business Review</i>	International business
Buckley et al.	2016	<i>Journal of World Business</i>	International business
Caccia & Baleix	2018	<i>Revista de economía mundial</i>	International economy
Riepina et al.	2018	<i>Financial and credit activity problems of theory and practice</i>	Finance
Christofi et al.	2019	<i>Technological Forecasting and Social Change</i>	Technology and Sociology
Dikova, Panibratov & Veselova	2019	<i>International Business Review</i>	International business
Denčić-Mihajlov	2020	<i>Ekonomika poljoprivrede [Economics of agriculture]</i>	Agriculture
Perić	2020	<i>Management: Journal of Sustainable Business and Management Solutions in Emerging Economies</i>	Management
Vertakova, Vselenskaya & Plotnikov	2021	<i>Journal of Risk and Financial Management</i>	Finance
Zámborský et al.	2021	<i>Journal of Risk and Financial Management</i>	Finance
Niemczyk et al.	2022	<i>Energies</i>	Technology and energetics
Perić	2023	<i>Repository Singidunum University</i>	Business economy
Hajiyev et al.	2024	<i>International Journal of Sustainable Development &amp; Planning</i>	Sustainable economy
Xiao, Peng & He	2024	<i>International Review of Financial Analysis</i>	Finance

Source: Authors' elaboration

For the purposes of a more comprehensive discussion of the results, all the research hypotheses of this paper are reviewed alongside the evidence from the literature that supports them. It follows the systematic review of relevant M&A research (SLR results). Table 2 summarizes hypotheses confirmation.

**Table 2.** Hypothesis confirmation of SLR results

Author (Year)	Hypothesis confirmation	Author (Year)	Hypothesis confirmation	Author (Year)	Hypothesis confirmation
Hitt and Pisano (2004)	<b>H2; H4.</b>	Glaister and Ahammad (2010)	<b>H1</b>	Francis et al. (2014)	<b>H1 – especially the first determinant</b>
Nestorović (2015)	<b>H4</b> partially	Li, Li & Wang (2016)	<b>H4; H2.</b>	Zheng et al. (2016)	<b>H1</b>
Buckley et al. (2016)	<b>H1; H3.</b>	Caccia & Baleix (2018)	<b>H2; H4.</b>	Riepina et al. (2018)	<b>H3; H4.</b>
Dikova, Panibratov & Veselova (2019)	<b>H1</b> partially; <b>H2.</b>	Duan et al. (2019)	<b>H3; H4.</b>	Denčić-Mihajlov (2020)	<b>H1</b>
Vertakova, Vselenskaya & Plotnikov (2021)	<b>H4</b>	Zámborský et al. (2021)	<b>H1; H2.</b>	Niemczyk et al. (2022)	<b>H1</b> partially
Perić (2023)	<b>H1; H2; H3.</b>	Hajiyev et al. (2024)	<b>H3; H4.</b>	Xiao, Peng & He (2024)	<b>H1</b>

Source: Authors' elaboration

In their study, Hitt and Pisano (2004) analyse cross-border M&A. As a result of their theoretical work, which confirms H2 and H4, they claim that cross-border M&A provide access to new capital, technology, and talent, enhancing competitiveness and profitability. However, M&A are accompanied by significant integration challenges such as cultural differences and regulatory barriers. Glaister and Ahammad (2010) analyzed the strategic motivation of cross-border M&A on the sample of 591 British companies that acquired firms in North America and Europe (survey data for 2000–2004). They employed a survey research and factor analysis, and variables such as strategic motives for cross-border M&A, i.e., synergies, market development, target improvement, market power, product diversification to identify key M&A motives. Key motives identified were: access to new markets, faster entry, international

expansion, and resource acquisition. No hierarchy established – all motives rated equally important, confirming H1. Similarly, applying qualitative analysis (case studies, semi-structured interviews, and secondary data review), Zheng et al. (2016) analysed cross-border M&A of Chinese multinational companies in developed economies (US/EU) through main determinants such as presence of strategic resources in the target company (e.g., advanced technology, well-known brand, specific knowledge), and decision by the Chinese company to proceed with acquisition for resource acquisition (yes/no, frequency of such acquisitions). Their study provides empirical evidence that confirms H1, i.e. that acquiring strategic resources and technologies are key motives for M&A, and that Chinese multinational companies are strategically and resource-oriented regarding M&A to strengthen their competitiveness. H1 was also confirmed based on Denčić-Mihajlov (2020), where the author used 11 M&A transactions in the food sector in Serbia. In his case study, where sustainability factors in M&A (ESG criteria) and identified key motives for M&A in the sample before and after merging were the main determinants, the author found that key motives for M&A in transition countries are aligned with strategic and sustainable goals. The main motives are asset acquisition and equity acquisition (shares) that follow sustainability trends – market expansion and strengthening company credibility while respecting ESG aspects. Differently, H1 was only partially confirmed according to Niemczyk et al. (2022). Namely, they analysed M&A in the energy sector of Western Europe and other countries (Singapore, New Zealand, GCC) after 2015. In their qualitative analysis (literature review and comparative analysis) the factors such as types of energy investment motives, i.e. traditional (related to fossil fuels) vs. „green“ motives (aligned with the transition to renewable sources) were established. Business risk diversification through the transition from fossil to renewable energy sources was identified as the most common motive for M&A, confirming the importance of diversification as a motive for M&A.

Caccia and Baleix (2018) conducted a literature and secondary data analysis to examine motives and impact of FDI/M&A from developing countries on host economies, focusing on the role of institutions and regulation. Confirming H2 nad H4, it was established that M&A from developing economies can improve the performance of acquired firms (access to markets, technologies). However, an inadequate institutional environment in the host country can severely limit the success of M&A. Using secondary data analysis, Riepina, Vostriakova, Chukhraieva and Bril (2018) examined M&A transactions in Ukraine (various sectors such as oil and gas, agro-industry, banking, telecommunications, real estate), for the 2013–2017 period.

Determinants they used were financial leverage (degree of debt), and financial performance indicators of M&A (e.g., total shareholder return, total business return). Their results show that high average returns were noted after M&A in various sectors. The success of M&A significantly depends on the level of debt (financial leverage). Companies with optimal capital structure better manage financial risks and achieve better post-M&A results. The importance of financial strategy (capital structure optimization) for M&A success was highlighted. Therefore, the outcomes of Riepina et al. (2018) confirm H3 and H4 of this research. Similarly, H3 and H4 were also confirmed in experimental study of Duan, Ye and Liu (2019) who examined 200 M&A data. This author employed regression analysis, where dependent variable was overall risk level and success of the M&A process, and independent ones were risk factors in the M&A process (financial, operational, market, etc.). Risk assessment is conducted at all stages of M&A (before, during, and after acquisition). Six key types of risks are identified in the integration phase (including financial risk, highlighting the importance of financial risk management). The failure rate of acquisitions is high (over 50% of cases) due to unaddressed risks, so systemic risk management is crucial for success. Vertakova, Vselenskaya and Plotnikov (2021) conducted a SLR using factors such as categories of risk in M&A (e.g., strategic, financial, market, operational, legal, regulatory, etc.), and level and significance of these risks (risk ranking and assessment of potential impact on M&A success). They found that managers pay the most attention to financial risks when evaluating M&A, which aligns with H4.

Estrin and Uvalić (2014) analysed determinants of FDI/M&A inflow in 17 transition economies, for the 1990–2011 period. Employing regression analysis (gravity model), where FDI inflow through M&A is dependent, and GDP, distance, wages, resources, institutions, EU membership, Western Balkans non-EU members are independent variables, they found that (1) natural resources, (2) new market takeover, (3) strategically oriented, (4) efficiency increase are four main categories of M&A motives in transition economies, confirming H1. Zámborský, Yan, Sbaï and Larsen (2021) analysed 713 cross-border M&A, i.e., European firms acquired by companies from 11 Asia-Pacific countries (2007–2017). Regression analysis (logistic models) were employed, where increase scale, cross-border/expand geographic footprint, and add products/expand offerings were dependent, and potential motives for M&A (15 possible motives identified) were independent variables. The findings suggest the main cross-border M&A motives in transition economies are three: (1) increase in business volume, (2) expansion of geographic footprint (entry into new markets), and (3) expansion of offerings. The quality of the regulatory environment in the buyer's

home country significantly impacts the company's motives. Therefore, H1 and H2 are confirmed.

Using regression (OLS models) as well, Francis, Hasan, Sun and Waisman (2014) analysed 543 M&A deals (US acquirers) in 43 developing market economies, for 1993–2010 period. Determining observational learning, i.e. Cumulative Abnormal Return (CAR), market adjusted five year Buy-and-Hold Return (BHAR), and the change in post-merger performance ( $\Delta$ ROA) as dependent, and performance and decisions in own M&A, i.e. acquirer, target country, deal characteristics, and fixed effects, annual, as independent variables, they confirmed H1 (especially the first determinant) of this paper. In other words, companies can learn by observing – by watching others' cross-border acquisitions. They gain knowledge for successful execution of their own M&A. A motive for leaving a global footprint (presence in the global market for prestige and legacy) identified, not necessarily linked to short-term profit but to long-term expansion goals (Francis et al., 2014). Similarly, Nestorović (2015) used regression (panel model) to analyse FDI and M&A in 16 transition economies (2001–2011), determining GDP growth rate as dependent, and FDI inflow, GDP per capita, inflation, domestic loans, exports, imports, gross savings, labor force, and corruption (CPI) as independent variables. He found that FDI, including M&A, have a positive effect on GDP growth in transition economies, confirming H4 partially; results support the general significance of M&A (H4) in a broader sense. Using a much larger sample, Buckley, Munjal, Enderwick and Forsans (2016) analysed 1138 cross-border acquisitions made by 515 Indian MNEs (2000–2013), while determining value of foreign acquisitions, and number of foreign acquisitions as dependent, and experience and knowledge from previous international acquisitions (experimental/learning by doing vs. inexperienced knowledge – technological know-how), as well as Own Financial Resource, Own Technical Resources, Business Group, FDI, Foreign Equity, Firm Age, and Firm Size as independent variables. The results of their regression (panel models) analysis show that Indian companies with prior acquisition experience more easily integrate new firms, reduce costs (e.g., utilize cheaper labor), and more quickly access new markets and technologies, thus increasing their profitability and competitiveness. This study essentially shows that acquiring knowledge and technologies is an important motive for M&A (consistent with the motive for resource/competence access), and that the success of M&A depends on the learning and knowledge utilization strategy (knowledge investment motive affects financial strategy and acquisition outcome), confirming H1 and H3 of this paper. Applying regression analysis (linear and nonlinear models), Dikova, Panibratov and Veselova (2019)

investigated over Russian MNE and their M&A (two data sets – 322 country-level observations, and 318 individual M&A transactions, both for 2007–2013 period). Dependent variable used were outcomes of M&A (total number of M&A at the country level) and ownership structure in individual acquisitions (fully or partially owned), while independent variables were investment motives according to the OLI paradigm. Russian MNE best utilize M&A when combining location advantages (e.g., wealth of natural resources in the target country) with internalization (full ownership of the acquired firm). Common motives for M&A (e.g., resource, market) were found, but they are strongly conditioned by the institutional framework, confirming H1 partially and H2. Russia and Azerbaijan (examples of cross-border M&A in a competitive financial market; e.g., acquisitions in the banking sector) were used as a sample in Hajiyev et al. (2024) research. The results of their literature review suggest that there are four key strategies that companies apply in the M&A process to become market leaders were identified: (1) organizational, (2) innovative, (3) investment, and (4) financial. It was also found that investment motives are closely linked to the choice of M&A strategy; and that a properly selected M&A strategy leads to transaction success and economic progress, confirming H3 and H4.

Even three hypotheses were confirmed (H1, H2, and H3) through the analysis of Perić (2023). She conducted a research over 58 upper-middle income countries (1991–2019), with a special focus on Serbia. Quantitative part of analysis (OLS and LMM regression models) used labor market indicators, i.e. employment rate, wages, income inequality as dependent, and FDI inflow and annual variations as independent variables, while qualitative part of the analysis (case study: Serbia) used in-depth interviews with 102 foreign companies (2020–2022). Perić found that FDI has a significant but small positive effect on employment (new job creation, reduction in unemployment), the impact of FDI on wages is mixed, and the effect of FDI on income inequality is not clearly established. Findings also confirm the existence of dominant motives for M&A and institutional barriers in transition countries, as well as the impact of investment motives on the choice of financial strategy.

In their event study, Li, Li and Wang (2016) analysed 367 M&A of Chinese companies (2000–2011), determining change in company value after acquisition announcement (stock price reaction and later financial results) as dependent, and Hofstede's Cultural Dimensions, and Greater China plus Singapore Dummy (GCS), and characteristics of Chinese companies and their acquisitions (e.g., firm size, prior experience, sector) as independent

variables. Their results confirm H4 and H2 mostly by showing that Chinese firms on average see an increase in stock value after international acquisition announcements, especially when acquiring firms with valuable resources (technology, brands) in developed countries. Greater international experience and lower cultural/institutional distance contribute to successful integration and value creation. M&A can thus create value (measured by financial indicators), but the outcome correlates with strategic and institutional factors. Another study regarding China was conducted by Xiao, Peng and He (2024) in which the authors used private listed companies in China (with CEOs from rural backgrounds), for 2007–2018 period. In the correlation and regression analysis, dependent variables were reflected in main motives for M&A in the company, while independent ones were “rural experience” of top managers (CEOs raised in rural areas; degree of influence of that background on values in the company). CEOs with rural upbringing show a tendency toward unconventional motives for M&A. Specifically, one of the main explanations for their acquisitions is leaving a global footprint – international expansion to create a lasting legacy and prestige for the company, even when this move is not directly related to maximizing short-term profit. According to the findings of Xiao, Peng and He (2024), H1 is once again confirmed.

## **5. Discussion**

We found that the dominant motives of M&A in transition economies are access to new sources and resources, international expansion and diversification. Therefore, the first hypothesis of this research is partially confirmed, which is in accordance with Glaister and Ahammad (2010), Francis et al. (2014), Buckley et al. (2016), Caccia and Baleix (2018), Dikova, Panibratov and Veselova (2019), Zámborský et al. (2021), and Perić, (2023). Vertical integration, as a separate M&A motive in these countries, is associated with the dominant three motives, but it was not found to be among the dominant motives. Also, it was determined that the dominant obstacles for the development of M&A are institutional and regulatory type, which fully confirms the second hypothesis of this research and which is in accordance with Caccia and Baleix (2018) and Perić (2023). Regarding the third hypothesis, it was determined that the investment motives of foreign investors have a significant influence on the choice of financial strategies in M&A processes and transactions, especially in the first phase of M&A, as well as that the management of financial risks in M&A processes relies on the motives of investors. This confirms the third hypothesis, which is in accordance with e.g. Duan et al. (2019). Moreover,

company managers evaluate the implementation of M&A based on numerous factors, and most often on the basis of financial risks, confirming the fourth hypothesis of this research, which is in accordance with Riepina et al. (2018) and Vertakova, Vselenskaya and Plotnikov (2021). It was found that the main financial risks in this context are reflected in the pricing and examination of the target company, the financing of M&A transactions, the method and instruments of payment, as well as the integration of financial systems (Vertakova, Vselenskaya & Plotnikov, 2021).

Generally, the findings largely confirm all four hypotheses which highlights their theoretical and practical importance for M&A activities transition economies. The identification of access to new resources, international expansion and diversification as dominant motives confirms expectations from previous research, shows that companies in transition economies pursue similar strategic goals as those in developed economies, and emphasizes how crucial these factors are for their economic growth. Contemporarily, the observation of institutional and regulatory obstacles as the main limiting factors indicates that the structural characteristics of the markets of transition economies have a significant influence on the success of M&A transactions, which is in line with the findings of previous studies and implies the need to improve the investment climate. Furthermore, the confirmed impact of foreign investors' motives on the choice of financial strategies illuminates the dynamic relationship among the reasons for which these transactions are carried out and the way they are financed. Such a connection, also observed in earlier works (e.g. Duan et al., 2019), underlines the importance of an integrated approach when planning M&A. Finally, the fact that managers pay the most attention to financial risks when evaluating M&A confirms the central role of risk management in these processes, which was emphasized by Riepina et al. (2018) and Vertakova, Vselenskaya and Plotnikov (2021).

## 6. Conclusion

The aim of this paper was to examine the dominant motives that encourage M&A activities in transition economies, with reference to financial strategies and basic risks. The main result of this research indicates that the dominant motives of M&A are: access to new sources and resources, international expansion and diversification, as well as that the financial risks of M&A depend a lot on investment motives.

This research significantly contributes to increasing the quantum of knowledge and understanding of the key motives of M&A transition countries. The contribution of this research is reflected in the systematization and analysis of the main factors that motivate investment, which can be of great importance for company managers and researchers. Such insight into the key drivers of investment decisions can serve as an incentive for conducting additional research and formulating successful business strategies.

The limitations of this research are reflected in the sample of only 20 papers and it is limited only to transition economies in a general sense. Therefore, the academic community is encouraged to further research and question the generalizability of the results of this research, not only because of the sample but also because transition countries, although similar, may be different in terms of their economic, social and institutional differences.

### **Conflict of Interest**

The authors declare no conflict of interest.

### **Author Contributions**

Conceptualization, J.G.; methodology, J.V.T. and B.L.; formal analysis, B.L.; funding acquisition, B.L.; investigation, B.L.; project administration, J.G.; resources, J.G.; supervision; J.V.T., J.G., and B.L.; validation, J.V.T.; visualization, J.G.; writing - original draft preparation, B.L.; writing - review and editing, B.L., J.V.T. and J.G. All authors have read and agreed to the published version of the manuscript.

**Laličić Branka**

Univerzitet Privredna akademija u Novom Sadu, Fakultet za ekonomiju i inženjerski menadžment u Novom Sadu, Novi Sad, Srbija; Visoka poslovna škola strukovnih studija, Novi Sad, Srbija

**Vapa Tankosić Jelena**

Univerzitet Privredna akademija u Novom Sadu, Fakultet za ekonomiju i inženjerski menadžment u Novom Sadu, Novi Sad, Srbija

**Gardašević Jovana**

Univerzitet Privredna akademija u Novom Sadu, Fakultet za ekonomiju i inženjerski menadžment u Novom Sadu, Novi Sad, Srbija

# **ZNAČAJ INVESTICIONIH MOTIVA I FINANSIJSKIH STRATEGIJA U PROCESIMA SPAJANJA I KUPOVINE U ZEMLJAMA U TRANZICIJI SA OSVRTOM NA REGULATORNI OKVIR – MULTIDISCIPLINARNA ANALIZA**

**APSTRAKT:** Procesi spajanja i kupovine (*eng. M&A*) su jedna od ključnih strategija rasta i razvoja kompanija, naročito kompanija u zemljama u tranziciji, što umnogome doprinosi ekonomskom rastu ovih zemalja, naročito nakon krize M&A transakcija tokom perioda pandemije COVID-19 i vojnog sukoba u Ukrajini. Stoga je cilj ovog istraživanja ustanoviti ključne investicione motive, razmatrajući finansijske strategije i rizike, a sve to uz osrvt na institucionalni okvir u zemljama u tranziciji. Koristeći metod sistematskog pregleda literature (*eng. Systematic Literature Review – SLR*) i multidisciplinarne analize faktora koji utiču na M&A aktivnosti u zemljama u tranziciji, nastoji se doprineti boljem razumevanju ključnih pokretača ovih procesa i omogućiti relevantne implikacije za menadžere kompanija i donosioce odluka. Rezultati ovog istraživanja ukazuju na tri dominantna M&A motiva u zemljama u tranziciji. Saznanja do kojih se došlo proširuju znanje o M&A motivima u zemljama u tranziciji, ali i naglašavaju potrebu za daljim istraživanjima o

ovoj temi zbog komplesnog tržišta i njegove turbulentne dinamike, kakva je evidentna i u sferi inovativnih tehnologija.

**Ključne reči:** spajanja i kupovina (M&A), zemlje u tranziciji, investicioni M&A motivi, finansijske strategije, regulatorni faktor, institucionalni faktor, upravljanje rizicima.

## References

1. Alkaraan, F. (2021). Strategic investment decision-making: mergers and acquisitions toward industry 4.0. In: Cooper, C. L. & Finkelstein, S. (eds.), *Advances in mergers and acquisitions* (pp. 39–52). England, Northspring: Emerald Publishing Limited. DOI: <https://doi.org/10.1108/S1479-361X20210000020004>
2. Buckley, P. J., Munjal, S., Enderwick, P., & Forsans, N. (2016). The role of experiential and non-experiential knowledge in cross-border acquisitions: The case of Indian multinational enterprises. *Journal of World Business*, 51(5), pp. 675–685. DOI: <https://doi.org/10.1016/j.jwb.2016.07.006>
3. Caccia, F. C., & Baleix, J. M. (2018). FDI from emerging countries: motivations and impacts. *Revista de economía mundial*, (50), pp. 65–82. DOI: <https://doi.org/10.33776/rem.v0i50.3899>
4. Christofi, M., Vrontis, D., Thrassou, A., & Shams, S. R. (2019). Triggering technological innovation through cross-border mergers and acquisitions: A micro-foundational perspective. *Technological Forecasting and Social Change*, 146, pp. 148–166. DOI: <https://doi.org/10.1016/j.techfore.2019.05.026>
5. Denčić-Mihajlov, K. (2020). Does sustainability matter in mergers and acquisitions? The case of the Serbian food industry. *Ekonomika poljoprivrede*, 67(1), pp. 25–36. DOI: 10.5937/ekoPolj2001025D
6. Dezi, L., Battisti, E., Ferraris, A., & Papa, A. (2018). The link between mergers and acquisitions and innovation: A systematic literature review. *Management Research Review*, 41(6), pp. 716–752. DOI: <https://doi.org/10.1108/MRR-07-2017-0213>
7. Dikova, D., Panibratov, A., & Veselova, A. (2019). Investment motives, ownership advantages and institutional distance: An examination of Russian cross-border acquisitions. *International Business Review*, 28(4), pp. 625–637. DOI: <https://doi.org/10.1016/j.ibusrev.2018.12.007>

8. Duan, Y., Ye, Y., & Liu, Z. (2019). Risk assessment for enterprise merger and acquisition via multiple classifier fusion. *Discrete and Continuous Dynamical Systems-S*, 12(4-5), pp. 747–759. DOI: <https://doi.org/10.3934/dcdss.2019049>
9. Estrin, S., & Uvalić, M. (2014). FDI into transition economies. Are the Balkans different? *Economics of Transition*, 22(2), pp. 281–312. DOI: 10.1111/ecot.12040
10. Francis, B. B., Hasan, I., Sun, X., & Waisman, M. (2014). Can firms learn by observing? Evidence from crossborder M&As. *Journal of Corporate Finance*, 25, pp. 202–215. DOI: <https://doi.org/10.1016/j.jcorpfin.2013.11.018>
11. Glaister, K. W., & Ahammad, M. F. (2010). Motives for cross-border mergers and acquisitions: Perspective of UK Firms. *Mergers and acquisitions in practice*, pp. 1–32. DOI: <https://doi.org/10.2139/ssrn.1549812>
12. Hajiyev, N., Karimova, T., Bozhko, L., Sakulyeva, T., & Babaskin, D. (2024). Typology of Key Mergers and Acquisitions Strategies in the Process of Becoming a Market Leader. *International Journal of Sustainable Development & Planning*, 19(2), pp. 681–694. DOI: <https://doi.org/10.18280/ijsdp.190225>
13. Hitt, M., & Pisano, V. (2004). Cross-border mergers and acquisitions: Challenges and opportunities. In: Pablo, A. L. & Javidan, M. (eds.), *Mergers and acquisitions: Creating integrative knowledge* (pp. 45–59). Oxford: Wiley-Blackwell
14. Hossain, M. S. (2021). Merger & Acquisitions (M&As) as an important strategic vehicle in business: Thematic areas, research avenues & possible suggestions. *Journal of Economics and Business*, 116(8), p. 106004. DOI: <https://doi.org/10.1016/j.jeconbus.2021.106004>
15. Lebedev, S., Peng, M. W., Xie, E. & Stevens, C. E. (2015). Mergers and acquisitions in and out of emerging economies. *Journal of World Business*, 50(4), pp. 651–662. DOI: <https://doi.org/10.1016/j.jwb.2014.09.003>
16. Li, J., Li, P., & Wang, B. (2016). Do cross-border acquisitions create value? Evidence from overseas acquisitions by Chinese firms. *International Business Review*, 25(2), pp. 471–483. DOI: <https://doi.org/10.1016/j.ibusrev.2015.08.003>
17. Mauboussin, M. J. (2010). Surge in the urge to merge: M&A trends and analysis. *Journal of Applied Corporate Finance*, 22(2), pp. 83–93. DOI: <https://doi.org/10.1111/j.1745-6622.2010.00277.x>
18. Moschieri, C., Ragozzino, R., & Campa, J. M. (2014). Does regional integration change the effects of country-level institutional barriers on

M&A? The case of the European Union. *Management International Review*, 54, pp. 853–877. DOI: <https://doi.org/10.1007/s11575-014-0206-7>

19. Nestorović, O. (2015). Da li strane direktnе investicije doprinose privrednom rastu zemalja zemalja u tranziciji? [Are foreign direct investment contribution to the economic growth of transition?] *Ekonomski teme*, 53(2), pp. 273–282

20. Niemczyk, J., Sus, A., Borowski, K., Jasiński, B., & Jasińska, K. (2022). The dominant motives of mergers and acquisitions in the energy sector in Western Europe from the perspective of green economy. *Energies*, 15(3), p. 1065. DOI: <https://doi.org/10.3390/en15031065>

21. Perić, M. (2020). Impact of FDI inflow on average wage and employment in Serbia. *Management: Journal of Sustainable Business and Management Solutions in Emerging Economies*, 25(1), pp. 13–22. DOI: 10.7595/management.fon.2019.0007

22. Perić, M. (2023). *Uticaj priliva stranih direktnih investicija na tržišta rada u ekonomijama sa višim srednjim dohotkom – doktorska disertacija* [The impact of foreign direct investment inflows on labor markets in upper-middle-income economies – doctoral thesis]. Beograd: Univerzitet Singidunum

23. Reddy, K. S. (2016). Regulatory framework of mergers and acquisitions: A review of Indian statutory compliances and policy recommendations. *International Journal of Law and Management*, 58(2), pp. 197–215. DOI: <https://doi.org/10.1108/IJLMA-03-2015-0013>

24. Riepina, I. M., Vostriakova, V. Y., Chukhraieva, N. M., & Bril, M. S. (2018). M&A financial levers in management of business value. *Financial and credit activity problems of theory and practice*, 4(27), pp. 222–230. DOI: <https://doi.org/10.18371/fcaptp.v4i27.154197>

25. Stefanović, D., Vapa-Tankosić, J., & Mirjanić, B. (2025). Mergers and acquisitions in the banking sector of the Republic of Serbia. *Pravo – teorija i praksa*, 42(1), pp. 37–54. DOI: <https://doi.org/10.5937/ptp2501037S>

26. Uhlenbrück, K., & Castro, J. O. D. (2000). Foreign acquisitions in Central and Eastern Europe: Outcomes of privatization in transitional economies. *Academy of Management Journal*, 43(3), pp. 381–402. DOI: <https://doi.org/10.5465/1556401>

27. Vanwalleghem, D., Yildirim, C., & Mukanya, A. (2020). Leveraging local knowledge or global advantage: Cross border bank mergers and acquisitions in Africa. *Emerging Markets Review*, 42, p. 100656. DOI: <https://doi.org/10.1016/j.ememar.2019.100656>

28. Vapa Tankosić, J., & Vukosavljević, D. (2021). The analysis of the structured financial transactions as alternative sources of financing.

*Pravo – teorija i praksa*, 38(1), pp. 13–24. DOI: <https://doi.org/10.5937/ptp2101013V>

29. Vertakova, Y., Vselenskaya, I., & Plotnikov, V. (2021). Mergers and acquisitions risk modeling. *Journal of risk and financial management*, 14(9), pp. 1–24. DOI: <https://doi.org/10.3390/jrfm14090451>

30. Wójcik, D., Keenan, L., Pažitka, V., Urban, M., & Wu, W. (2022). The changing landscape of international financial centers in the twenty-first century: Cross-border mergers and acquisitions in the global financial network. *Economic Geography*, 98(2), pp. 97–118. DOI: <https://doi.org/10.1080/00130095.2021.2010535>

31. Xiao, X., Peng, J., & He, X. (2024). Reasons for M&A: A perspective from senior executives' rural experiences—Evidence from Chinese private listed companies. *International Review of Financial Analysis*, 93(C). DOI: <https://doi.org/10.1016/j.irfa.2024.103209>

32. Zámborský, P., Yan, Z. J., Sbaï, E., & Larsen, M. (2021). Cross-border M&A motives and home country institutions: Role of regulatory quality and dynamics in the Asia-Pacific Region. *Journal of Risk and Financial Management*, 14(10), p. 468, pp. 1–24. DOI: <https://doi.org/10.3390/jrfm14100468>

33. Zheng, N., Wei, Y., Zhang, Y., & Yang, J. (2016). In search of strategic assets through cross-border merger and acquisitions: Evidence from Chinese multinational enterprises in developed economies. *International Business Review*, 25(1), pp. 177–186. DOI: <https://doi.org/10.1016/j.ibusrev.2014.11.009>