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## **RELOCATION OF COMPANIES (ENTERPRISES): SOCIO-ECONOMIC AND LEGAL MECHANISMS**

The process of changing the conditions of a company's (enterprise's) activity prompts relocation processes through the movement of its employees both within Ukraine and abroad.

The relocation of companies as a response to emergency circumstances requires an understanding of their activities in terms of innovative growth rates, both in Ukraine and abroad, as well as their dynamic capabilities in management, coordination, and monitoring of various elements of the cooperation process.

The purpose of this article is to analyze the issues related to possible algorithms for a company's response to changes in the level of threats and critical risks to its operations, and to the socio-economic and legal aspects of relocation.

A set of general scientific and special methods was used. The materials for the study were publications by domestic and foreign scholars, as well as norms of the current legislation of Ukraine and the EU.

The article analyzes the peculiarities of company (enterprise) relocation as a mechanism that allows a company to respond promptly to changes in external socio-economic and legal factors, promising areas of relocation implementation, and its shortcomings. An analysis of relocation, which manifests itself in several dimensions, is carried out. It is argued that internal relocation is an effective mechanism for responding to emergency circumstances, such as martial law or a full-scale military invasion, while cross-border relocation is an effective mechanism in the context of EU accession and the application of relocation opportunities provided for EU member states to domestic companies.

The authors of the article provide considerations on the basic tools that can serve as the foundation for the development of directives and procedures that will regulate the company's immediate actions after relocation.

***Keywords: relocation, company, enterprise, legal entity, business, strategic necessity, innovative growth, European Union, regulatory competition, industrial park***

***JEL classification: E44, F21, F30, G12, G14, G15, G31, M49***

Процес зміни умов діяльності компанії (підприємства) спонукає до релокаційних процесів через переміщення їх працівників в Україні та за кордон. Релокація компаній, як реагування на надзвичайні обставини, потребує розуміння їх діяльності з погляду темпів їх інноваційного зростання в Україні та за кордоном, динамічних можливостей в управлінні, координації та моніторингу різних елементів процесу співробітництва.

Метою цієї статті є аналіз питань, пов'язаних з можливими алгоритмами реагування компанії на зміну рівня загроз і критичних ризиків для її функціонування, з соціально-економічними та правовими аспектами реалізації релокації. Використано комплекс загально-наукових та спеціальних методів. Матеріалами для дослідження слугували публікації вітчизняних та зарубіжних учених, норми чинного законодавства України та ЄС.

Проаналізовано особливості релокації компанії (підприємства) як механізму, який дозволяє компанії оперативного реагувати на зміну зовнішніх соціально-економічних та правових факторів, перспективні напрямки реалізації релокації та її недоліки. Здійснено аналіз релокації, яка проявляється у кількох площинах: переміщення компанії як виробничих потужностей компанії, при чому як внутрішнього, так і транскордонного; переміщення персоналу компанії у межах диверсифікованих структурних відокремлених підрозділів; переміщення адміністративного центру управління. Стверджується, що внутрішня релокація є ефективним механізмом реагування на надзвичайні обставини, на кшталт воєнного стану чи повномасштабного воєнного вторгнення, а транскордонна релокація — ефективним механізмом у перспективі включення до ЄС і застосування до вітчизняних компаній можливостей релокації, передбачених для країн-членів ЄС.

Авторами статті надаються міркування щодо базового інструментарію, який може стати основою для розробки директив і процедур, що регламентуватимуть невідкладні дії компанії після релокації.

**Ключові слова:** релокація, компанія, підприємство, юридична особа, бізнес, стратегічна необхідність, інноваційне зростання, Європейський Союз, регуляторна конкуренція, індустріальний парк

**JEL classification:** E44, F21, F 30, G12, G14, G15, G31, M49

### **Introduction and review of literature.**

In the contemporary global context, companies (enterprises) in every country strive to operate and adapt amidst emerging crisis conditions, necessitating strategic decisions, particularly concerning the relocation of their operations.

A business (viewed as an enterprise or firm) is an organization involved in trading goods or services to consumers [1]. There's also a perspective that defines business as any activity or enterprise undertaken with the intent of generating profit [2, p. 68]. Therefore, in this study, the term 'business' is employed in the context of companies' (enterprises') operations.

Relocation of a business's company (enterprise) is gradually becoming a typical phenomenon worldwide. In the era of globalization, stability does not facilitate effective changes in a company's operations. In the business world, the ability to quickly adapt and adjust to new operating conditions is essential for survival

in the market environment. Moreover, it is sometimes necessary to make decisions that can drastically change both the business strategy and the working conditions of employees. These changes in work conditions are precisely reflected in the implementation of the so-called relocation processes among the staff of the company (enterprise) [3].

Relocation is a manifestation of modern development processes and activities of companies (enterprises), incorporating a comprehensive combination of social, economic, managerial, and legal aspects in regulating their operations.

Globalization, as a leading trend in the development of global business, is manifested in expanded opportunities for companies to undertake cross-border relocation. At the same time, the internal development processes of individual states necessitate the relocation of companies in response to objective economic factors or specific social development characteristics.

Studies on ensuring sustainable growth and competitive advantages in the relocation of companies (enterprises) have also examined the impact of international cooperation and cross-border activities on the quality of innovations implemented by relocated companies, as well as on achieving innovation productivity effects.

It's important to note that, both in Ukraine and the EU, the role of company (enterprise) relocation is gradually increasing. The exploration of this issue is addressed in the works of foreign scholars such as F. Becker [4], V.G. Haines [5], M. Henricks [6], S. Kinkel [7], K. Otto, C. Dalbert [8], K. Kronenberg [9], A. Schulz [10], A. Schulte [11], J. Sithipolvanichgul [12], E. Tuomala, V. Danivska, R. Gustafsson [13], and A. Weterings, J. Knoblen [14].

Ukrainian researchers, in particular, have analyzed the strategy of business relocation in Ukraine, including M.I. Melnyk, I.V. Leshchukh [15], V. Panchak, S. Grabsky [16], and I. Khymych [3].

The features of cross-border organizational activities of companies (enterprises) have been identified in the studies of scholars such as M.L. Sheng, N.N. Hartmann [17], J.W. Lu, P.W. Beamish [18], J.A. Mathews, I. Zander [19], D. Crick [20], F. van Eenennaam, K.D. Brouthers [21], Y. Duan, L. Huang, H. Cheng, L. Yang, T. Ren [22], X. Fu, X.M. Fu, P. Ghauri, J. Hou [23], and W. An, Q. Huang, H. Liu, J. Wu [24].

These issues are linked to the investigation of the life cycle of the company (enterprise), aspects of which were examined in the works of scholars such as O.I. Matyushenko [25], D. Miller, P.H. Friesen [26], and S.H. Hanks [27].

Recent research by scientists regarding the development processes of industrial parks, whose territories are used as new locations for Ukrainian companies (enterprises) addressing their relocation issues, has been defined in the scientific works of A.V. Zelisko, O.V. Rozghon [28], D.O. Lazarenko, D.O. Papuk [29], and A. Ropytskyi [30].

### **Identification of previously unresolved parts of the overall problem.**

However, insufficient attention is paid to issues related to the socio-economic and legal aspects of relocation implementation. Thus, despite the existence of studies on activities related to business relocation, this highlights the need to study the interpretation of business relocation, identify peculiarities and problems in the regulation of enterprises, and gain a more comprehensive understanding of their activities in terms of their innovation growth rates in Ukraine and abroad, while conducting further research in this direction.

**The purpose of the article.** The aim of this article is to analyze issues related to possible response algorithms for a company (enterprise) to changes in threat levels and critical risks to its functioning, as well as to the socio-economic and legal aspects of relocation implementation. To achieve this goal, the article investigates the following issues: analysis of the terminological apparatus in the studied field of legal relations; consideration of the complex nature of relocation and the set of factors determining its application peculiarities; and analysis of relocation as a phenomenon of objective reality, which can manifest in several dimensions: transnational and internal (inter-municipal, inter-provincial, and inter-regional relocation).

**Data and Methods.** In conducting scientific inquiries, a combination of general scientific and specialized research methods was utilized.

Based on the analysis of a series of publications regarding the peculiarities of a company's (enterprise's) relocation implementation, using methods of analysis and synthesis, the risks and advantages of such relocation were revealed, as well as its immanence for companies (enterprises) in the context of contemporary globalization processes. The use of classification methods allowed for the identification of different manifestations of relocation, determined by the factors that caused it, and for modeling individual types of company (enterprise) relocations. The alternative methods applied in the article enabled a critical examination

of the use of relocation by modern companies (enterprises) and the identification of shortcomings in its implementation. The applied comparative method provided the opportunity to identify the main indicators for continuing the transformation of the application of relocation by companies (enterprises) according to standards established in the global community. At the same time, comparative methods enabled the assertion of differences in approaches to regulating the relocation of companies (enterprises) in individual states.

The use of the cybernetic method allowed for the exploration of the system of social, economic, and legal factors determining the peculiarities of relocation implementation, considering it as an element of a complex system of various aspects of a company's (enterprise's) activities. This system actively influences all components of the company's operations and itself undergoes constant changes under their mutual impact.

### **Results and discussion.**

*The concept of "relocation" and the analysis of factors influencing the nature of relocation phenomena.* Relocation is a complex process for an individual company (enterprise). Justifying the choice based on direct costs can lead to unexpected changes in indirect costs for the company (enterprise) [4]. As a complex and comprehensive process founded on a combination of economic, social, and legal mechanisms, relocation requires consideration of a significant list of external and internal factors for the company. Specifically, for implementing relocation, it is necessary to calculate its nature (complete or partial), decide on the timing (strategic or tactical), and determine the geographical direction of relocation, particularly whether it will be cross-border or within the country where the company (enterprise) is registered. Accordingly, relocation impacts the inter-organizational relationships within the company (enterprise), leading to various consequences and potentially activating the company's (enterprise's) competitiveness or leading to its bankruptcy.

Relocation is a response to the level of external threat to the business, under which processes of moving offices and/or types of activities from a dangerous area to a safer place are activated, usually on a temporary basis and within one country [16]. Relocation is always a manifestation of the company's (enterprise's) response to external and internal challenges associated with the success of its business operations. In this context, relocation processes are always accompanied by the introduction of various kinds of innovations by the company.

Inexperienced traditional companies (enterprises) may face problems associated with their participation abroad, which "drain" their international investments (irrecoverable costs) and may even lead to the cessation of internationalization (temporarily) and the transfer of capacities back to the home country location, as noted by S. Kinkel [31], A. Schulz [10], and A. Schulte [11]. This phenomenon is known as the return of production/parts of production previously transferred abroad (backshoring or back sourcing).

S. Kinkel [7] formulates two hypotheses regarding the development of production relocation and backshoring activities in the context of an economic crisis: the proportion of companies relocating production decreased during the global economic crisis, and the proportion of companies undertaking backshoring of production decreased under the conditions of the global economic crisis.

Business expansion may be necessitated by the need to undertake innovative activities in the economic space, which is logical in the context of implementing innovations. The pace of scientific and technological progress in the world provides opportunities to master new technologies.

Common reasons for the relocation of a company (enterprise) may include, for example, improving access to markets, reducing costs, enhancing expertise, the need for larger premises, restructuring, or merging with another business. Most entrepreneurs view business relocation as an opportunity for expansion and intensification of turnover as a result of mastering new [6].

Thus, the relocation of a company (enterprise) can be driven by various objective factors, particularly the need to expand the business geographically, the economic aspect due to a financial crisis (for example, the Great Recession (2008–2009)), or the necessity of moving due to military actions and the impossibility of continuing business (as in the case of the large-scale invasion of Ukraine by the Russian Federation and Belarus (24.02.2022)). The latter factor is especially relevant in the context of conducting business by domestic companies (enterprises).

In examining the mechanism of company (business) relocation, we must proceed from the fact that its objective basis is the presence of a certain integral property complex, on which the company (enterprise) realizes its production capacities and ensures the production cycle of goods, works, or services being produced, performed, or provided. These aspects of the company's (enterprise's) functioning determine, from an economic standpoint, the existence of the life cycle of the enterprise as a manifestation of the company's production capacity. By the life cycle of the enterprise, we understand the totality of stages that create a complete circle of development over a certain period of the company's evolution, each characterized by a specific system of strategic goals and objectives, peculiarities of resource potential formation, and achieved functioning results [25].

In their study of variations in environment, strategy, structure, and decision-making methods throughout the firm's life cycle, D. Miller and P. H. Friesen identify five stages: birth, growth, maturity, revival, and decline. The final stage of the company's cyclical development is the primary determinant that defines the emergence and necessity of applying the phenomenon of relocation to the company. From the perspective of economic theory, such a stage of decline as a determinant of relocation can occur at any stage of the company's cyclical development. Specifically, D. Miller and P. H. Friesen note that the maturity stage can precede the stages

of decline, revival, or even growth, while after the growth stage, there may be a stage of decline or death of the enterprise [26]. Moreover, as emphasized in the work of S. H. Hanks, the decline of the enterprise can actually occur at any stage of the life cycle [27].

The stage of decline is characterized by a deterioration in the company's performance indicators, reflected in the negative dynamics of all its cash flows. Therefore, without additional external cash inflows (investment inflows) necessary for quality restructuring, it degrades. This may be due to a decrease in demand, a reduction in sales volumes and revenues, a decrease in profitability, loss of sales markets, moral and physical wear and tear exceeding critical limits, a lack of financial resources, and difficulty in attracting financial resources.

Thus, the relocation of a company (enterprise) can be necessitated by the need for business growth if the latter is experiencing an economic crisis or is in a stage of decline. In the case of a successful relocation, the company (enterprise) restores its level of competitiveness and has prospects for growth.

Socio-economic growth and development of the company (enterprise) manifest in irreversible, regular changes in the economic situation and social infrastructure of the business entity, resulting in the organization transitioning to a fundamentally new qualitative state [32].

Advantages of relocation for companies (enterprises) in the case of a crisis or unstable situation include the possibility of obtaining more favorable working conditions (work premises, modern equipment, high wages, change of work schedule, etc.), simplified mechanisms for obtaining visas and new housing for employees, legal support, and state financial assistance.

In the case of relocating an enterprise or its separate division, it is important to ensure the proper implementation of human rights and legal regulation of all possible disputes and complaints [33].

When external risks become critical and ensuring the safety of business operations in

a particular territory becomes threatening due to possible escalation of hostilities or other military factors, the organization's crisis committee must make a decision to introduce a state of temporary relocation.

Typically, in practice, there are two main types:

– Tactical relocation – short-term (up to 30 days) relocation of business operations and identified critical stakeholders, the list of which is predetermined during the safety audit and formalized in the form of separate appendices to emergency management procedures;

– Strategic relocation – extended (from 30 days and more) relocation of business operations and identified critical stakeholders [16].

In implementing the initiative of business relocation, it is primarily important to determine the type of relocation for continuing entrepreneurial activities in a new location. Since there are complete, partial, and phased relocations, each entrepreneur determines for themselves which type of business relocation will be most effective for a particular situation.

To implement business relocation, it is also necessary to clarify its geographical direction, namely cross-border relocation (across borders or jurisdictions) and inter-provincial (inter-municipal, inter-regional) relocation of enterprises (within the country). The chosen geographical direction determines the content and nature of the legal and economic measures regarding the relocation.

*Cross-Border Relocation of a Company (Enterprise)*. Effective management of a company (enterprise) implies flexibility in its strategy for future development in response to existing socio-economic challenges. Among such challenges is the need to transition to partially remote work to protect and expand employee opportunities, develop rapid responses to potential operational disruptions, serve clients, and ensure the uninterrupted operation of the company's production capacities [23].

The constantly changing business environment of a company (enterprise) makes

the prospects for stable development illusory, necessitating cross-border organizational activity. In this context, M.L. Sheng and N.N. Hartmann [17] discovered that cross-border tacit knowledge exchange and social capital can influence the development of a firm's innovative capabilities.

It's noted that for small and medium enterprises (SMEs), moving business abroad becomes their new strategic dimension. As pointed out by J.A. Mathews, I. Zander [19], and D. Crick [20], it is necessary for them to integrate international management into existing company governance, and decision-makers in these companies need to expand their operational sphere beyond national borders. This can lead to risks of misjudgment and erroneous decisions, especially if new strategic decisions still rely on existing resources and competencies, as per the opinion of J.W. Lu, P.W. Beamish [18], F. van Eenennaam, K.D. Brouthers [21].

Reducing labor costs, accessing new markets, proximity to key consumers, accessing new knowledge, and seeking better tax incentives and subsidies are among the most important motives for transferring production activities abroad (S. Kinkel [31], B.L. MacCarthy, W. Atthirawong [34]).

For deciding to move production activities abroad, particularly, advantages related to the location, such as low labor costs in countries with low wage levels, are a key factor. However, access to foreign markets and proximity to key clients are also decisive motives (S. Kinkel [31], S. Kinkel, S. Maloca [35]).

Duan Y., Huang L., Cheng H., Yang L., and Ren T. [22] found that cross-border knowledge management can improve innovation quality in multinational companies, where cultural distance plays a slowing role. X. Fu [23] insists on the influence of international cooperation and its characteristics on the innovation quality of multinational enterprises (MNEs) in developing markets. Under increasing global competition and rapid technological shifts, companies from developing markets are increasingly using internationalization

as a strategy to strengthen their innovation indicators at the global level.

Despite various stimulating factors for international cooperation and, consequently, cross-border relocation, there is also a list of obstacles. Recognized barriers include capital and funding requirements for overseas projects, overcoming bureaucratic barriers abroad, and a lack of know-how, potential, and competent personnel for cross-border management (I. Fillis [36]).

Therefore, internationalization is not without problems, particularly geographic and cultural differences between countries that create obstacles to achieving desired outcomes (M. Ho, P.N. Ghauri, M. Kafouros [37], M. Dionisio, E.R. de Vargas [38]).

Thus, there is a close link between cross-border knowledge management activity and corporate innovations. From the perspective of cross-border knowledge seeking, seeking knowledge beyond organizational boundaries can bring diverse knowledge to companies, facilitating the generation of new ideas (W. An, Q. Huang [24]).

Cross-border relocation is a clear manifestation of active processes of globalization and universalization in the modern world, comprehensively encompassing the economic, social, and legal aspects of company (enterprise) operations. Therefore, the prospect of companies (enterprises) applying cross-border relocation tends to grow and intensify.

Globalization has led to the liberalization of economic activities—the free movement of capital, technology, goods, and services within and between countries, creating favorable conditions for effective and swift large-scale commodity-money exchange in the form of buying and selling. Processes are underway utilizing fundamentally new forms and methods of commercial activity, forming and spreading free economic zones. The result of fostering closer economic cooperation and free trade has been the emergence of new channels of economic exchange—global integration networks that unite individual states into integration groupings, enhancing their competitiveness. The most well-known among such formations are

the European Union, North American Free Trade Agreement (NAFTA), Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC), and others.

Tuomala E., Danivska V., and Gustafsson R., in their work, define three strategic levels of physical environment change, namely location, building, and physical work environment, which must be considered when deciding to relocate. Corporate relocation affects the company (enterprise) through five operational qualities: staff productivity, costs, retention and availability of employees, operational changes, and organizational culture. Decisions related to location, building, and workplace are the main long-term strategic decisions that determine the company's (enterprise's) future operating environment. However, business decision-makers often do not assess all aspects of relocation before deciding on relocation [13].

Using the term “cross-border transfer of company location,” we mean changing the location of the registered office, moving from the initial place of registration to a place located beyond national or state borders. Since this is an international move or a move beyond state borders, there are far more consequences and requirements for the company seeking it [39].

The increasing globalization, weak demand, and excess capacities in the EU due to the economic crisis push companies (enterprises) to relocate to stay competitive. However, overall productivity indicators are key to moving and staying in the long-term perspective [40].

This means an increased focus on the relocation in the EU of companies (enterprises) that move part or all of their business to another EU region or come to the EU from outside.

The EU cohesion policy, aimed at developing regions, can influence decisions regarding business relocation. Member States have well-established structures for attracting companies (enterprises) to relocate, especially to poorer regions that can receive state aid. The definition of state aid (EU State Aid) is contained in Article 107(1) TFEU.

EU countries can provide state aid, which can encourage, among other things, relocation to regions within their country. However, such state support must comply with EU rules on state aid. It cannot be provided if it entails restrictions on competition in the internal market, although exceptions may be allowed. Any form of state aid that may distort trade between EU member states is prohibited, but it does not apply where there are only internal consequences for the member states. Such aid must benefit certain companies (enterprises) or the production of certain goods, i.e., it must be “selective” [41].

The legal basis is Articles 107–109 of the Treaty on the Functioning of the European Union [42].

In Case No. C-337/19P, it was established that since 2005, a system of exemption from tax on excess profits of Belgian companies, part of multinational corporate groups, has been in effect in Belgium. These companies could obtain a tax ruling from the Belgian tax authorities if they could demonstrate the presence of a new situation, such as a reorganization leading to the relocation of the central business to Belgium, job creation, or investments. In this context, profit considered “excess,” because it exceeds the profit that would have been earned by comparable independent enterprises operating in similar circumstances, was exempted from corporate income tax. In its decision, the Court notes that in order for a state measure to be classified as an aid scheme, all cumulative conditions must be met [43].

Overall, the EC considers national regional aid as contributing to the economic, social, and territorial cohesion of the EU as a whole, and thus, it is justified from the perspective of successful competition. Specific projects implemented by these funds should encourage businesses to invest and relocate to these regions [41].

Planning relocation is one of the main conditions for a successful move. The planning process begins when the search for a location and site is almost complete [4].

There are several specialized planning methods used in relation to relocation

projects. Generally, common methods such as sales forecasting, scheduling, and capital assessment play a significant role in a relocation project.

In practice, a company should use planning methods such as Project Evaluation and Review Techniques (PERT), use of project management software for scaling building models, and planning of control centers for visualizing project management throughout the relocation process [44].

Haines V.G. points out that poorly organized and planned relocation, with a lack of financial support, can destroy a business. The degree of preliminary planning necessary for successful development at a new location is usually underestimated, even by large firms. Relocation typically involves a major reassessment of existing business, technology, commercial arrangements, and internal reorganization [5].

Sithipolvanichgul J. proposes a conceptual framework for internal control in the business relocation process in the form of eight stages: technical-economic justification of relocation; site selection; relocation planning; financial analysis for relocation project planning; personnel policy; local community and public relations; translation process; and evaluation of relocation outcomes. He believes that while business relocation has many advantages, its associated disadvantages should not be forgotten. If the move is not conducted efficiently, it can lead to serious consequences. Business relocation may be limited by the constraints of the existing location, necessitating the relocation of the entire business. A well-organized relocation project plan is essential for the business to operate smoothly during the move [12].

The process of business relocation can be accompanied by numerous problems, such as construction delays, delays in delivery promises, and schedule delays [45], as well as staffing issues, such as skilled personnel not wanting to move to a new location, leading to premature departures from the company [8].

Thus, the elements that hinder relocation, which can be identified as drawbacks of relocation, may include economic, transport,



political, linguistic, and cultural differences between regions. Accordingly, failure to relocate a company (enterprise) can lead to risks such as cessation of operations, reduced demand for the company's (enterprise's) goods/services, and loss of both domestic and external markets, large-scale staff reductions, and so on.

MacCarthy B. L. and Atthirawong W. [34] noted in their study the dominant motives and factors influencing companies (enterprises) in making decisions about placing production facilities abroad.

Companies (enterprises) are driven by various motives in deciding to locate production abroad, such as the opportunity to access low production costs, market access, tax incentives, and government benefits in the host country (J.H. Dunning [46]). The motivation depends on the type of business and the nature of the business environment. Pongpanich C. [47] emphasizes that market access is a key reason for the disparity in location between the consumer and commodity goods sectors.

The actual procedure for relocating a company (enterprise) to the EU depends on the country where your company (enterprise) is registered and where you want to relocate it. Without any specific applicable European or international rules, a company (enterprise) wishing to relocate must comply with the national laws and regulations of both the country of origin and the destination. In the EU, most member states do not have special laws about this procedure, and certainly none of them have rules regarding the procedure for cross-border relocation with a change of legal form.

In case C-106/16, the European Court (EC) on October 25, 2017, [48] ruled on the admissibility of relocation within the EU, establishing that cross-border residence is protected by the general principle of freedom of establishment according to Articles 49 and 54 of the Treaty on the Functioning of the European Union (TFEU) [42].

There is no special EU or international regulation regarding the cross-border relocation of a company (enterprise). The only supranational legal act is the Council

Regulation (EC) No 2157/2001 on the Statute for a European company (SE), which applies only to a certain type of SE companies (these are supranational companies). However, there are EU member states that have their own national laws regulating the issue of relocation.

Here is a set of non-uniform procedures for cross-border relocation of a company (enterprise) at the EU level:

1. Transformation Plan: The board of directors of the transferring company must organize an extraordinary general meeting to inform about the transfer project, and the transfer agreement must be notarized in the country of departure;

2. Minimum requirements of the transfer contract:

- Information about the receiving country and confirmation of the existence of the transfer process to ensure continuity of the legal entity;

- Information about the address, name, and corporate form to be adopted in the destination country;

- Specific details of the operation;

- New statutes and by-laws that must comply with the norms of the destination country;

- A prerequisite is the double entry for the cancellation of the transferring company's registration in the country of departure and registration in the country of residence. This is usually done by appointing a responsible person.

3. Registration in the country of residence according to national law;

4. Cancellation of the registration of the company in the country of origin provided that a notarial transfer and registration documents in the destination country have been previously submitted, for which local legislation of the country of residence must be complied with [39].

*Inter-Municipal, Inter-Provincial, and Inter-Regional Relocation of a Company (Enterprise)*. Business location is significant as it affects where assets are stored and income is generated. This is highlighted in a study on the economic activity of firms in the province of Quebec by R.C. Graham, C.K.J. Morrill, and J.B. Morrill [49, p.185].

Recent studies have found evidence of inter-provincial differences in firm valuation in Canada. Dogan T., Harjeet B. S., and Ugur L. [50] indicated that firms announcing the relocation of their corporate headquarters from Quebec outward have a positive effect and receive positive abnormal stock market returns.

Similarly, Graham R.C., Morrill C.K.J., and Morrill J.B. [51] found that firms with headquarters in Quebec have a lower balance sheet value and lower stock market profitability. In Quebec, companies have lower balance sheets and profit multipliers than companies of comparable size and industries with headquarters in other parts of Canada. These results suggest some form of disclosure about the Quebec segment.

The study by Weterings A. and Knoblen J. suggests that short-distance relocations (within municipalities and labor markets) are driven by growth and the consequent need for more space, while longer-distance moves are mainly influenced by regional characteristics. The spatial concentration of similar or related firms, higher levels of urbanization, and research and development intensity prevent firms from leaving their labor market region. However, firms are more likely to leave regions with a higher share of innovative firms [14].

Kronenberg K. believes that firms' relocation decisions depend on the sector, and the migration behavior of firms in knowledge-intensive sectors differs significantly from that in less knowledge-intensive sectors. Predominantly, low-tech and medium-low-tech manufacturing and less knowledge-intensive service firms, which pay high average wages, are more likely to relocate from their current location [9].

Since the large-scale invasion of Ukraine by the Russian Federation, Belarus, and territories of Ukraine not controlled by the Ukrainian Government (24.02.2022), significant areas of Ukrainian territory are now zones of armed conflict, leaving many enterprises behind.

Due to the full-scale invasion by Russian aggressors, regions of the country find themselves in different social and

economic conditions. These characteristics will be taken into account in supporting and developing Ukraine's territories. However, due to the hostilities, different regions of Ukraine find themselves in different conditions, and this is a priority factor for planning further support and development of each region of Ukraine.

Restarting the economy during wartime is one of the most important tasks of the Ukrainian Government. Therefore, it is now very important for Ukrainian enterprises in active combat zones to continue operating and recover more quickly. Thus, businesses can receive assistance in relocating their equipment to safe areas, finding production premises, and settling workers.

To help Ukrainian enterprises resume operations so that they can continue to pay taxes and provide jobs, the Government launched a single digital interaction platform to assist in business relocation.

In mid-March 2022, the Cabinet of Ministers adopted the resolution "On the Peculiarities of the Work of the Joint-Stock Company 'Ukrposhta' Under Martial Law" dated 17.03.2022 № 305, regarding the free transportation of assets of domestic business entities according to a list compiled by the Ministry of Economy and transferred to the Ministry of Infrastructure. Additionally, the CMU order "On the Approval of the Plan of Urgent Measures to Relocate Production Capacities of Business Entities from Territories Where Combat Operations Are Conducted and/or There Is a Threat of Combat Operations to a Safe Territory," dated 25.03.2022 № 246-r, was adopted, providing a plan for the urgent relocation of production capacities from areas where combat operations are occurring or at risk of occurring to safer territories.

A platform to support business relocation was launched by the State Enterprise "Prozorro. Sales" at the initiative of the Ministry of Economy, with support from the Ministry of Digital Transformation and Diia. Business. This platform enables digital interaction to assist with business relocation.

Thus, business relocation in Ukraine is the relocation of companies (enterprises) to safer regions within the country.

Relocating businesses to parts of Ukraine where active hostilities are not taking place or to nearby foreign countries is a new measure to preserve assets and restore production. This relocation can take place for free, i.e., at the expense of the state, or at the business's own expense, which requires additional costs (expenses for moving personnel and assets, expenses for purchasing or renting premises, areas, or other territories as a production platform), organizational actions (registration of the legal stay of the business and personnel abroad, recruitment of new personnel, searching for new raw material supply channels due to the destruction of usual logistics channels), etc.

Since the relocation of business and main assets requires a certain period of time for their launch (1-2 months or more), it is important to reduce the number of inactive/unused equipment and/or its conservation. Changing the location of business and production equipment (and other main assets) will reduce downtime, necessitate updating old assets, and require the introduction of new technology, as well as updates to the organization and management of production processes [52].

*Empirical predictions.* The process of relocating a company can contribute to the emergence of competitive advantages for the enterprise at the new location. The influence of the theory of monopolistic competition on location theory is better understood by turning to the Hotelling model: location can be considered a differentiation factor that allows firms to sell their differentiated products to specific demand. Fetter's law for market territories is present in Hotelling's system, considering that each firm has a market area that depends on its own price and the size of transport costs in a linear city.

The H. Hotelling model serves as an ideal base model to explain firm behavior regarding pricing and location decisions, as it is easy to understand, has appealing logic, and is useful for studying firm interactions. This model is based on the following

assumptions: two firms engage in a two-stage "location-price" game, where, in the first stage, they choose a location within a linear and bounded city, and in the second stage, they compete on price. The product sold by the firms is homogeneous, except for the location they selected in the first stage [54].

As noted, Ukrainian companies (enterprises) in wartime conditions have the opportunity to receive assistance in relocating their equipment to safe areas, finding production premises, and settling workers, including within industrial parks.

Note that despite the economic prospects, innovation is a capital investment with a high level of risk, as the expected effects from the implementation of innovations in production may not always materialize. As a result, entities involved in innovative activity are interested in forms of implementation that minimize the potential risks of losses during investment in technological developments.

As of today, there is a need to bring all of them to a common denominator, i.e., to develop uniform legal approaches to the regulation of those subjects of innovative activity that are endowed with the status of a legal entity. It is important to note that the aforementioned problem is beginning to find its solution at the level of draft laws. In particular, Articles 14 and 17 of the draft Law of Ukraine "On Support and Development of Innovative Activity" introduce the "generic" concept of an innovation park.

To ensure the functioning of relocated enterprises during the period of martial law, deregulation and acceleration of the process of connecting to engineering networks in industrial parks, which require rapid engineering and infrastructure development, are especially important [15].

Thus, the processes of relocation and the launch of industrial capacities will be significantly facilitated by the development of industrial parks. In addition, for the receiving region, this becomes a stimulus for the development of infrastructure, related industries, and the creation of new jobs [29], as well as the synergistic cooperation

of residents, the creation of joint business process chains, etc. [30].

Therefore, in deciding on the relocation of Ukrainian companies (enterprises), if we assume that the location is the territory of an industrial park where enterprises (firms) that can compete with each other in prices are located, then we can consider the territory of the industrial park as a linear and bounded city.

Thus, the main goal of creating the “Kryvbas” industrial park (located in Kryvyi Rih) is to attract investments into the city’s economy by forming mechanisms that effectively meet the demand of investors for sites prepared for the placement of facilities in the innovative sectors of industry, logistics, and related services. This will ensure economic development, increase the competitiveness of the territory, and foster the development of modern production and market infrastructure.

**Conclusions.** In summary, this article addresses the issue of company (enterprise) relocation as a mechanism that enables a company to promptly respond to changes in external socio-economic and legal factors. It also explores the prospective directions for implementing relocation and its disadvantages.

Through the results of theoretical analysis, we investigated the differences in the activities of companies (enterprises) in various situations and locations, applying comparative analysis. We assume that during the relocation process, a company (enterprise) may possess social capital that is either high (enabling it to achieve innovative efficiency and enhance the productivity of innovations) or low. These variations reflect differences in location, resource levels and orchestration, opportunities, preparation, and the effectiveness of innovations.

In the case of relocating a company (enterprise) or its separate unit, it is important to take care of the legal regulation of all possible issues that may arise from this. At the same time, not all business owners see the need to relocate the entire enterprise or its separate unit, and therefore, they consider it necessary to stop/suspend the activities of

the enterprise or its separate unit, which also occurs according to a certain procedure by law.

Using a sample of companies that have relocated through inter-provincial or inter-regional business relocation, we establish a simultaneous positive correlation between profitability and indicators of uncertainty, supply and demand risks, and competitive advantages compared to the current jurisdiction (business location), confirmed by the disparity between balance sheet value and lower profitability of enterprises.

To ensure the development conditions of a company (enterprise) after relocation, it is necessary to consider the following principles: the principle of priority, which emphasizes the creation of the necessary conditions for forming and stimulating effective enterprise activity; and the principle of differentiation, which involves the use of regulatory tools tailored to individual segments and will influence the socio-economic development of the enterprise. This includes the possibility of obtaining more favorable working conditions (such as work premises, modern equipment, high wages, flexible work schedules, etc.), simplified mechanisms for obtaining visas and new residence permits for employees, legal support, state financial assistance, and non-tax incentives.

The realization of the innovative potential of a company (enterprise) depends on effective enterprise management and state support to improve the economic situation in the regions and the country as a whole, which can reduce the risks to enterprise development during an economic crisis.

The results obtained indicate that international cooperation and transborder activity impact the innovations of companies (enterprises) that have relocated, as well as influence the achievement of productivity effects from these innovations.

However, the internationalization of a company (enterprise) may lead to challenges associated with the riskiness of activities (such as budget size, enterprise activity strategy, etc.) after relocation. These challenges include the need for

continuous monitoring of elements within the international cooperation process and the negative impact of geographical and cultural distances that are characteristic of international partnerships, which affect the productivity of innovations. Nevertheless, the ability to acquire resources and dynamic capabilities can enhance innovation productivity through knowledge acquisition and international cooperation.

Therefore, it should be recognized that the favorability of the region (province, municipality) for the development of entrepreneurship that has undergone relocation – through factors such as cost savings, a favorable business environment, the implementation of innovations, and the development of international connections – depends on the readiness of the region (province, municipality) to accommodate the enterprise, utilizing its potential while considering the specifics and strategy for sustainable development and competitiveness.

However, the paradigm of competitiveness for companies (enterprises) that have undergone relocation may exist only for a certain period and cannot be long-term, as the activities of the company (enterprise) are influenced by spatial, monopolistic, and regulatory competition. Accordingly, the competitive advantages of the enterprise in the territory to which it has relocated exist only for a limited time.

Despite our attempts to make a theoretical contribution and derive the implications of our conclusions, some questions regarding the relocation of companies (enterprises) remain to be addressed in subsequent studies. Therefore, future research could explore the impact of company (enterprise) relocation from the perspective of other opportunities and possibilities available to the enterprise in relation to the aforementioned process. However, given the instability of the economic crisis, the information presented in this study may be relatively limited.

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## RELOCATION OF COMPANIES (ENTERPRISES): SOCIO-ECONOMIC AND LEGAL MECHANISMS

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Relocation of companies in response to extraordinary circumstances. The relocation of companies as a response to extraordinary circumstances requires an understanding of their activities from the perspective of their innovation growth rates in Ukraine and abroad, as well as their dynamic capabilities in management, coordination, and monitoring various elements of the cooperation process. In this article, relocation is considered by the authors as an integral component of companies' (enterprises') activities within the context of global processes.

The purpose of this article is to analyze issues related to possible algorithms for a company's response to changes in the level of threats and critical risks to its functioning, as well as the socio-economic and legal aspects of relocation implementation. A comprehensive set of general scientific and specialized research methods was used. The study is based on publications by domestic and foreign scholars, as well as the norms of current legislation in Ukraine and the EU.

The authors analyzed the peculiarities of company (enterprise) relocation as a mechanism that allows a company to promptly respond to changes in external socio-economic and legal factors, prospective directions for implementing relocation, and its disadvantages. An analytical examination of relocation was conducted, which manifested in several dimensions: moving the company's production capacities both internally and across borders; relocating company personnel within diversified structural separate units; and moving the administrative management center.

It is asserted that globalization, as a priority trend in global business development, manifests in expanding companies' opportunities for cross-border relocation. Conversely, internal relocation is an effective mechanism for responding to extraordinary circumstances, such as a state of war or full-scale military invasion, while cross-border relocation is an effective mechanism in the perspective of EU inclusion and the application of relocation opportunities provided for EU member states to domestic companies.

In revealing the essence of relocation mechanisms, the authors consider a complex of social, economic, and legal factors that determine the specifics of its implementation. The comprehensiveness of exploring the studied phenomenon is ensured by considering not only the advantages and objective reasons for relocation, but also the system of risks involved in its implementation, which allows asserting the situational nature of the mechanisms applied for company (enterprise) relocation.

The authors of the article provide considerations regarding the basic toolkit, which could form the basis for developing directives and procedures that will regulate the company's immediate actions after relocation.

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