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ОСОБЛИВОСТІ РОЗВИТКУ СВІТОВОГО ГОСПОДАРСТВА ТА МЕВ
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STRATEGIC FORECASTING OF MERGERS AND ACQUISITIONS IN THE INTERNATIONAL IT SERVICES MARKET: WAVE LOGIC OF CONSOLIDATION AND ANALYTICAL FRAMEWORK FOR INVESTOR BEHAVIOUR

СТРАТЕГІЧНЕ ПРОГНОЗУВАННЯ ЗЛИТТІВ І ПОГЛИНАНЬ НА МІЖНАРОДНОМУ РИНКУ ІТ-ПОСЛУГ: ХВИЛЬОВА ЛОГІКА КОНСОЛІДАЦІЇ ТА АНАЛІТИЧНА РАМКА ПОВЕДІНКИ ІНВЕСТОРІВ

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Abstract. *The article develops an analytical framework for the strategic forecasting of mergers and acquisitions in the international IT services market, treating the wave logic of consolidation as a manifestation of structural regularities that can be operationalised for predictive purposes. The IT services market is characterised by cyclical M&A activity, with successive waves of consolidation triggered by technological shocks that redefine the structure of demand for digital competencies and the configuration of value chains. The article substantiates that consolidation waves in the IT services sector follow a three-phase pattern of technology emergence, consolidation, and integration, which distinguishes this sector from material-oriented industries where merger waves are driven primarily by deregulation or macroeconomic shifts. A multi-factor predictive framework is proposed that integrates target characteristics, investor strategies, sectoral context, and macroenvironmental conditions into a unified analytical system capable of generating probabilistic assessments of M&A activity at the firm, segment, and territorial-cluster levels. Attention is given to the differentiation of three predictive models: target prediction, buyer prediction, and pair matching, each addressing a distinct dimension of the forecasting task. The framework is applied to the analysis of consolidation dynamics in selected segments of the IT services market, including digital engineering, business process outsourcing, IT consulting, and managed services, and demonstrates sector-specific patterns of investor behaviour and the role of valuation multiples as leading indicators of consolidation pressure. The scientific novelty lies in the conceptualisation of technological shock as a sector-specific generator of merger waves and in the integration of behavioural typologies of investors with quantitative parameters of target firms into a single predictive architecture. The framework provides a methodological foundation for empirically verifying forecasting models using segment-level data and lays the groundwork for the development of strategic decision-support tools for participants in cross-border IT services markets.*

Key words: *international IT services market, mergers and acquisitions, strategic forecasting, waves of consolidation, technological shock, arbitration, investment funds, digital engineering, business process outsourcing, investor typology, digital value chains, strategic support, competitiveness, consolidation, integration, macroeconomic environment*

Анотація. *У статті розроблено аналітичну рамку стратегічного прогнозування злиттів і поглинань на міжнародному ринку ІТ-послуг, у якій хвильова логіка консолідації*

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трактується як прояв структурних закономірностей, придатних до операціоналізації з прогнозною метою. Ринок IT-послуг характеризується циклічною активністю злиттів і поглинань з послідовними хвилями консолідації, що зумовлюються технологічними шоками, які перевизначають структуру попиту на цифрові компетенції та конфігурацію ланцюгів вартості. Обґрунтовано, що хвилі консолідації у секторі IT-послуг розгортаються за тристадійною схемою технологічної емерджентності, консолідації та інтеграції, що відрізняє цей сектор від матеріально орієнтованих галузей, де хвилі злиттів зумовлюються переважно дерегуляцією або макроекономічними зрушеннями. Запропоновано багатофакторну прогнозну рамку, що інтегрує характеристики компаній-цілей, стратегії інвесторів, секторальний контекст і умови макроекономічного середовища в єдину аналітичну систему, здатну формувати ймовірнісні оцінки активності злиттів і поглинань на рівні фірм, сегментів і територіальних кластерів. Окрему увагу приділено диференціації трьох прогнозних моделей, а саме прогнозуванню компаній-цілей, прогнозуванню покупців і підбору пар «покупець-ціль», кожна з яких розв'язує власне завдання прогнозування. Розроблену рамку застосовано до аналізу динаміки консолідації в окремих сегментах ринку IT-послуг, зокрема в цифровому інжинірингу, аутсорсингу бізнес-процесів, IT-консалтингу і керованих сервісах, що продемонструвало секторально специфічні моделі поведінки інвесторів та роль оціночних мультиплікаторів як випереджальних індикаторів консолідаційного тиску. Наукова новизна полягає у концептуалізації технологічного шоку як специфічного для сектору IT-послуг генератора хвиль злиттів та в інтеграції поведінкових типологій інвесторів з кількісними параметрами компаній-цілей у єдину прогнозну архітектуру. Рамка створює методологічну основу для емпіричної верифікації прогнозних моделей на сегментних даних і формує передумови для розроблення інструментів стратегічної підтримки рішень для учасників транскордонних ринків IT-послуг.

Ключові слова: *міжнародний ринок IT-послуг, злиття і поглинання, стратегічне прогнозування, хвилі консолідації, технологічний шок, арбітраж, інвестиційні фонди, цифровий інжиніринг, аутсорсинг бізнес-процесів, типологія інвесторів, цифрові ланцюги вартості, стратегічна підтримка, конкурентоспроможність, консолідація, інтеграція, макроекономічне середовище*

Introduction. The international IT services market has entered a phase of structural transformation in which mergers and acquisitions have ceased to be episodic events and have become a permanent mechanism for the redistribution of technological competencies and the reconfiguration of value chains. The global volume of the IT services sector in 2024 is estimated at approximately 1.5 trillion USD, while the annual volume of M&A activity in the information technology segment in North America exceeded 417 billion USD across more than 2,300 transactions *(Livingstone, 2025)*. These parameters indicate that investment dynamics in IT services can no longer be treated as derivative of general macroeconomic conditions and require an independent analytical approach that accounts for the specificity of intangible assets, the cyclicality of technological adoption, and the behavioural regularities of distinct investor types. The current state of the sector displays pronounced heterogeneity. The digital engineering segment grew at an average annual rate of 18.1% between 2020 and 2024, while IT solutions providers grew at only 2.3% *(Livingstone, 2025)*. Such differentiation in growth rates is directly reflected in valuation multiples: the median EV/EBITDA in digital engineering as of December 2024 reached 23.9x, while that of distributors and value-added resellers stood at 8.6x *(Livingstone, 2025)*. The gap in multiples creates structural preconditions for the redistribution of investment capital across segments and determines varying intensities of consolidation pressure, which, in turn, demand differentiated predictive models for each segment.

The relevance of developing an analytical framework for strategic M&A forecasting in IT services is determined by several considerations. The first lies in the fact that classical predictive models built on financial indicators of material-oriented sectors have limited explanatory power in a market where value is formed by intangible assets and network effects *(Haskel and Westlake, 2018)*. The second concerns the circumstance that the wave dynamics of M&A activity in IT services has a sector-specific nature linked to technological cycles rather than to regulatory or macroeconomic disturbances *(Harford, 2005)*. The third is that the behavioral typologies of investors, including

strategic acquirers, private equity funds, and venture capital, have distinct objectives and time horizons, which require separate predictive approaches for each type *(Phillips and Zhdanov, 2013)*.

The purpose of the article is to develop an analytical framework for strategic forecasting of mergers and acquisitions in the international IT services market, integrating the wave theory of consolidation, behavioral investor typologies, and sector-specific factors of the technological cycle. The realisation of this objective entails the conceptualisation of technological shock as a sector-specific generator of consolidation waves; the development of an architecture of predictive models with the differentiation of three levels, namely the prediction of targets, the prediction of buyers, and the matching of pairs; the determination of the role of valuation multiples as leading indicators of consolidation pressure; and the application of the framework to segment-level data for the identification of sector-specific patterns of investor behaviour. The methodological basis of the research combines structural-functional analysis of IT services market segments, comparative analysis of investment logics across investor types, the resource-based view, and elements of econometric modeling of the predictive architecture.

Literature review. The theoretical foundation of M&A forecasting was laid in classical works that treat merger waves as manifestations of industrial or macroeconomic disturbances. According to the concept of Gort (1969), waves are generated by economic shocks that create divergence in asset valuations across different investor categories. Subsequent research has clarified that aggregate M&A activity is driven primarily by industry shocks in the presence of sufficient capital liquidity *(Harford, 2005)*, and that waves are amplified by informational asymmetry regarding the true value of assets *(Rhodes-Kropf and Viswanathan, 2004)*. These propositions provide a basic theoretical framework but require adaptation to the specificity of a sector in which the object of transaction is not a physical asset but a technological competence. The second line of research concerns the micro-level determinants of M&A. The work of *(Bena and Li, 2014)* empirically confirmed that technological compatibility and the potential for synergies are predictors of specific buyer-target pairs, which opens up the possibility of building matching models. It was demonstrated that R&D-intensive firms are more often acquired, which allows innovation activity to serve as a predictive indicator *(Phillips and Zhdanov, 2013).* These results provide a methodological basis for forecasting at the individual-firm level but require supplementation with sector-specific variables, in particular the technology stack structure and position within the digital value chain.

The third line of research reveals the specificity of investment behaviour in intangible-oriented sectors. In the work of *(Nocke and Yeaple, 2007)* it was shown that the intensity of intangible assets makes M&A a more efficient form of cross-border expansion than greenfield investment, which explains the dominance of acquisitions as a mode of entry into markets of technological competencies. The concept of profiting from innovation *(Teece, 1986)* explains the motivation of strategic acquirers through the category of complementary assets, while the resource-based view *(Barney, 1991)* and knowledge-based theory *(Kogut and Zander, 1993)* substantiate the idea that the object of a transaction is a unique combination of competencies. These theoretical propositions form the conceptual apparatus for interpreting investor motives but do not offer directly operational predictive instruments. The theory of internalization *(Buckley and Casson, 1976)*, the eclectic paradigm *(Dunning, 2000)*, and the theory of corporate control *(Manne, 1965)* complete the classical apparatus, while the analysis of stakeholder bargaining power *(Coff, 1999)* draws attention to the appropriability of value created in transactions involving intangible assets.

The fourth line is formed by studies of IT services evolution and technological adoption. The analysis of corporate evolution *(Aithal and Rao, 2024)* demonstrates how large IT companies pass through successive phases of technological renewal, namely from offshore services to digital transformation, AI platforms, and cloud services, which creates an empirical basis for understanding the trajectories of development of technological competencies and the corresponding investment decisions. The study *(Mastakar and Bowonder, 2005)* shows how the transformation of a service firm into a global provider is accompanied by a sequential change in investment priorities and capital structure. The conceptual development of *(Garud, et al., 2006)* introduces the notion of emergent design as a mechanism combining operational efficiency with the capacity for transformation, which has direct significance for understanding which companies become objects of strategic interest for investors.

The fifth line covers the competitive determinants of the IT sector. The analysis of strategic factors shaping international competitiveness *(Reznikova, Vovk, and Ptashchenko, 2025a) emphasizes* the role of investment attractiveness as a derivative of technological competencies and cyber resilience. The conceptualization of data and information technology markets as a space of strategic competition (Reznikova, Ptashchenko, *and Ptashchenko, 2025)* defines a framework in which investment transactions function as a mechanism for redistributing positions in digital leadership. The competitive determinants in the digital age *(Reznikova, Vovk, and Ptashchenko, 2025b)* shape the context in which M&A becomes an instrument of strategic positioning. Studies of the competitive advantages of the Ukrainian IT sector *(Melnyk and Zavhorodnia, 2023a)*, methodologies for assessing international competitiveness *(Melnyk and Zavhorodnia, 2023b)*, theoretical foundations of competition *(Zavhorodnia and Melnyk, 2023)*, and the state of the IT sector in 2022 *(Melnyk and Zavhorodnia, 2022)* form an empirical base for understanding the investment attractiveness of territorial clusters.

The sixth line concerns the broader context of transformations of the world economy. The geoeconomic dimension of investment processes is analyzed through the lens of civilizational frontiers *(Reznikova and Panchenko, 2023),* while the new normality of the global economy *(Reznikova and Ivashchenko, 2017)* shapes a specific environment for investment behavior in which uncertainty and the speed of technological change elevate the role of strategic forecasting. Human capital as a fundamental intangible asset *(Pryiatelchuk and Naida, 2025)* determines the value of companies and their attractiveness as transaction objects, while the socialization of state and corporate management *(Pryiatelchuk, 2017)* shapes the institutional environment of investment decisions. Digital trade *(Pryiatelchuk, 2023)* and the conceptualization of the digital media market *(Pryiatelchuk and Bekh, 2020)* reveal additional dimensions of demand for IT services that affect investment dynamics. The analysis of competencies in international business *(Vergun, 2020)*, the theory of platforms *(Kenney and Zysman, 2016)*, and data on world investment *(UNCTAD, 2024)* supplement the contextual framework.

Despite the considerable body of research, gaps remain in the literature that underpin the relevance of this article. An integrated predictive framework that would combine the wave theory of consolidation, the behavioural typologies of investors, and sector-specific factors of the technological cycle is absent. The differentiation of predictive models by level of analysis (firm, segment, cluster) has not been sufficiently developed. The role of valuation multiples as leading indicators of consolidation pressure requires systematic justification. Finally, sector-specific patterns of investor behaviour across different segments of the IT services market, from digital engineering to BPO and value-added resellers, have not received systematic comparative analysis.

Main results of the research. The conceptual basis for strategic forecasting of M&A in IT services is the proposition that wave dynamics of consolidation are not random but are subordinated to identifiable structural regularities. These regularities manifest themselves in three dimensions: the temporal (cyclicality of waves linked to technological adoption), the structural (differentiation of investor types by objective function and time horizon), and the spatial (concentration of transactions in particular territorial clusters). The combination of these three dimensions forms a three-dimensional space in which investment behaviour unfolds and within which predictive models can be constructed. In contrast to material-oriented sectors, where merger waves are driven predominantly by deregulation, trade shocks, or macroeconomic shifts, in IT services, the key generator of consolidation is technological displacement that redefines the structure of demand for digital competencies. Empirical data demonstrate a clear cyclical pattern in M&A activity: in 2021, the global volume of transactions in the North American IT sector reached 620.4 billion USD across 3,954 transactions, while in 2023 these indicators fell to 292.8 billion USD and 2,463 transactions, respectively *(Livingstone, 2025)*. Such dynamics cannot be explained by macroeconomic factors alone and reflect a distinct cycle tied to the phase of technological adoption.

Each technological wave passes through three successive phases that establish different regimes of investment behaviour. During the phase of technological emergence, a significant number of start-ups and mid-sized companies emerge, developing solutions in their respective technological niches. Venture capital actively finances these companies, the market is fragmented, and median valuation multiples are high owing to investor expectations of future growth. In 2021, at the peak of the

digitalisation cycle that accompanied the pandemic transformation, the median EV/EBITDA in digital engineering exceeded 35x *(Livingstone, 2025)*. In the consolidation phase, strategic acquirers and private equity funds actively acquire the most successful companies, consolidating competencies and market positions. The number of transactions grows, the average deal size increases, but multiples gradually decline because the focus shifts from growth potential to operational efficiency. In the phase of stabilisation and integration, acquired companies are integrated into the structures of acquirers, the market reaches a new configuration with a smaller number of larger players, and M&A activity declines until the next technological shock. The current cycle, which began in 2023, was initiated by the technological shock of generative artificial intelligence, which created new demand for competencies in AI implementation, MLOps, and the integration of large language models into corporate systems. This shock triggered a new emergence phase, already accompanied by early signals of consolidation: in 2024, the global volume of M&A in the North American IT sector recovered to 417.3 billion USD across 2,388 transactions, with a noticeable share of deals involving companies with AI competencies *(Livingstone, 2025)*. A forecast of the duration of the current cycle, based on historical data from previous waves such as cloud computing in 2010-2017 and ERP in 2000-2007, suggests that the active consolidation phase in the AI services segment will unfold in 2026-2028.

Strategic forecasting of M&A in IT services requires differentiation into three levels of analysis, each corresponding to a separate predictive task and requiring its own methodological basis. The first level is aimed at identifying companies with a high probability of being acquired. Predictive variables include the characteristics of the target company (revenue scale, growth rate, R&D intensity, gross margin, position within the technology stack), the parameters of the segment (phase of the technological cycle, level of fragmentation, dynamics of multiples), and the characteristics of capital structure (presence of venture financing, composition of shareholders, phase of the life cycle of VC and PE investments). The empirical grounds for constructing target-prediction models are provided by several regularities. R&D-intensive firms are more often acquired *(Phillips and Zhdanov, 2013),* as confirmed in IT services by data on transactions in the digital engineering segment, where the average R&D intensity of acquired companies consistently exceeds the segment median. A high growth rate combined with moderate scale is a predictor of acquisition, since companies with revenues in the range of 25-500 million USD and growth rates above 20% per annum form the core of attractive targets for PE funds and strategic acquirers. Gross margins above 35% and EBITDA margins above 15% indicate operational maturity, making a company suitable for integration into platforms. In the digital engineering segment, the average gross margin in 2024 stood at 34.3% and the EBITDA margin at 15.1%, which accounts for the high M&A activity in this segment *(Livingstone, 2025)*.

The second level is aimed at identifying companies with a high probability of becoming acquisition initiators in a particular segment. Predictive variables cover the financial state of the potential acquirer (liquid reserves, access to debt financing, level of capitalisation), its strategic position (expansion versus consolidation strategy, presence of gaps in the technology portfolio), the history of M&A activity (frequency and average size of previous transactions), and the industry position (phase of the life cycle of the core business, competitive pressure). Empirical data demonstrate a clear concentration of the acquirer function: in 2024, among public acquirers alone, Accenture conducted 33 transactions, IBM 11, NTT Data 8, and Bechtle 6 *(Livingstone, 2025)*. Such concentration provides a basis for constructing lists of the most probable acquirers in each segment. The third level combines the first two and aims to predict specific buyer-target pairs. The empirical confirmation of the link between technological compatibility and the probability of specific pairs *(Bena and Li, 2014)* provides a methodological basis for constructing matching models that assess the distance between the technology stacks of potential participants in a transaction. Additional parameters of matching include geographic complementarity (the acquirer's need for presence in markets where the target operates), client complementarity (the mutual reinforcement of client bases), and the cultural compatibility of organisational practices.

In IT services, valuation multiples serve as a leading indicator of consolidation pressure. The gap in multiples between segments creates a structural incentive for arbitrage strategies on the part of PE funds and strategic acquirers, since a company operating in a segment with low multiples (for

example, a value-added reseller with a median EV/EBITDA of 8.6x) can be acquired, repositioned, or integrated into a platform valued at multiples of a higher segment, such as digital engineering at 23.9x *(Livingstone, 2025)*. Such a multiple arbitrage strategy explains a significant share of buy-and-build activity by PE funds and enables the prediction of the direction of consolidation pressure. The dynamic analysis of multiples reveals several regularities. In the BPO segment, median multiples declined from 11-13x in 2022-2023 to 8-10x in 2024, which reflects the impact of automation and AI tools that reduce dependence on human capital and thereby erode the traditional value proposition of BPO providers *(Livingstone, 2025)*. This forecast points to continued consolidation in BPO, with a focus on companies that integrate AI capabilities into traditional outsourcing processes. In the IT solutions provider segment, the gap in multiples between American and Asian players on one side and European players on the other creates an incentive for cross-border transactions in which acquirers from higher-multiple jurisdictions acquire companies in lower-multiple jurisdictions for operational integration.

The jurisdictions for application of the framework to individual segments of the IT services market reveal distinctly different patterns of consolidation. In the digital engineering segment, strategic acquirers from the sphere of large global systems integrators (Accenture, Cognizant, Infosys) predominate, seeking to close gaps in their own portfolios through the acquisition of specialised teams. The Cognizant-Belcan transaction at 1.3 billion USD in June 2024 is a typical example of such a strategy, aimed at expanding competencies in the aerospace and automotive sectors *(Livingstone, 2025)*. In the managed services segment, consolidation under the auspices of PE platforms predominates, with Evergreen Services (led by Alpine Investors) as an illustrative example, having acquired more than 10 managed services providers in 2024 through a buy-and-build strategy. In the IT consulting segment, a mixed model is observed, with large mega-deals (Thoughtworks acquired by Apax for 1.9 billion USD, Perficient acquired by EQT for 2.7 billion USD) alongside numerous add-on acquisitions of platforms. A special place in the sectoral architecture is occupied by the corporate evolution of large IT companies, which act simultaneously as objects and subjects of consolidation. The analysis of the technological adaptation of Infosys *(Aithal and Rao, 2024)* demonstrates how large players use M&A as an instrument of strategic positioning in new technological niches: the acquisition of specialised competencies in AI, cloud services, and cybersecurity allows large integrators to reposition themselves rapidly in new demand segments. This strategy creates structural demand for target companies and shapes a stable flow of consolidation activity that partially offsets the cyclical nature of waves.

The predictive framework must account for macroenvironmental factors that modulate the intensity of consolidation waves without determining their primary nature. Such factors include the cost of capital (the level of interest rates affects the availability of debt financing for PE transactions), exchange rate dynamics (the strengthening of the dollar stimulates American acquirers to expand into Europe, which partially explains the growth of cross-border activity in 2024), regulatory conditions (antitrust scrutiny and restrictions on foreign investment in strategic sectors), and geopolitical factors (sanctions regimes, trade barriers, and restrictions on technology transfer). In 2024, the stabilization of monetary conditions and the recovery of global M&A volume to 3.7 trillion USD across 45,191 transactions created a favorable environment for a new consolidation cycle in IT services *(Livingstone, 2025)*.

Conclusions. In the course of solving the research task, which consisted in developing an analytical framework for the strategic forecasting of mergers and acquisitions in the international IT services market and presupposed the integration of the wave theory of consolidation, the behavioural typologies of investors, and sector-specific factors of the technological cycle, a number of scientific results have been obtained that allow the formulation of the following conclusions.

The wave logic of consolidation in IT services has a sector-specific nature that fundamentally distinguishes this sector from material-oriented industries. While in the classical conception *(Gort, 1969; Harford, 2005)* merger waves are generated by deregulation or macroeconomic shocks, in IT services the key generator is technological displacement that redefines the structure of demand for digital competencies. This proposition has not only theoretical but also predictive significance, as identifying the current phase of the technological cycle allows forming expectations about the intensity and structure of M&A activity in the corresponding segment. Strategic forecasting of M&A

in IT services requires differentiation into three levels: predicting targets, predicting buyers, and matching pairs, each of which corresponds to a separate predictive task and rests on its own set of predictors. The prediction of targets draws on the characteristics of the target company (scale, growth rate, R&D intensity, profitability), the prediction of buyers on the strategic position and financial state of the potential acquirer, and the matching of pairs on technological, geographic, and client complementarity. Such an architecture provides a methodological basis for constructing operational predictive instruments.

Valuation multiples in IT services serve as a leading indicator of consolidation pressure. The gap in multiples across segments creates a structural incentive for arbitrage strategies, which account for a significant share of PE funds' buy-and-build activity. The dynamic analysis of multiples enables the identification of segments with the highest consolidation potential and the prediction of directions of investment flows. Sector-specific patterns of consolidation display pronounced heterogeneity: digital engineering is characterized by the dominance of strategic acquirers, managed services by PE platforms pursuing buy-and-build strategies, and IT consulting by a mixed model of mega-deals and add-on acquisitions. Such differentiation requires segment-specific predictive models and cannot be reduced to aggregate indicators of the sector. Macroenvironmental factors, namely the cost of capital, exchange rate dynamics, and regulatory and geopolitical conditions, perform the function of modulators of the intensity of waves but do not determine their primary nature. This proposition allows the structural factors of consolidation to be separated from the cyclical ones and predictive models with different time horizons to be constructed.

The scientific novelty of the research consists in: the conceptualisation of technological shock as a sector-specific generator of consolidation waves, which distinguishes IT services from material-oriented industries; the development of an architecture of predictive models with the differentiation of three levels of analysis (targets, buyers, and matching) and the determination of specific predictors for each level; the substantiation of the role of valuation multiples as leading indicators of consolidation pressure and the identification of multiples arbitrage as a structural mechanism of capital redistribution across segments; the identification of sector-specific patterns of consolidation for digital engineering, managed services, IT consulting, and BPO, which forms a basis for differentiated forecasting; and the integration of macroenvironmental factors as modulators of cyclical dynamics into a single analytical framework.

The prospects for further research include the empirical verification of predictive models on segment-level data using machine learning methods; the development of quantitative indicators of the technological cycle for operational monitoring of the consolidation phase; the construction of matching algorithms based on the analysis of technology stacks and client portfolios; the adaptation of the framework to territorial clusters with different institutional environments; and the integration of ESG factors into predictive models in view of the growing role of sustainable development in investment decisions.

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