
THE IMPACT OF GLOBAL TRENDS AND COVID-19 ON INTERNATIONAL NEW VENTURES

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Abstract: The COVID-19 pandemic has accelerated existing trends in the global business environment thus changing the conditions for performing international entrepreneurial activity. Four such trends of a key role in international business are the digitalization and active use of communication technologies, the restructuring of global supply chains, the erosion of trust in international organizations, and finally yet importantly, the integrity of international business networks and knowledge transfer. The paper explores the impact of the acceleration of these trends on the creation and the success of international new ventures.

Key words: global business environment, international entrepreneurship, international new ventures, COVID-19.

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Introduction

International economy and international economic relations have traditionally been in the focus of economic research. This is mainly due to the growth of foreign trade in the conditions of globalization and open economies. For this reason, many researchers reasonably place international entrepreneurship in the centre of their economic models because foreign trade is

logically related to the behaviour of entrepreneurs outside the borders of their national economies.

Extant literature offers a number of definitions of international entrepreneurship. As Zucchella and Magnani (Zucchella & Magnani, 2016) point out the most cited is that of McDougall & Oviatt, who define it as “a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in business organizations” (McDougall & Oviatt, 2000). Although such behaviour can be seen and analysed in various types of business ventures (Zucchella, Hagen, & Serapio, *International Entrepreneurship*, 2018), its emanation are the so-called international new ventures. It is to note that there is still no generally accepted definition for the business organizations that perform international activity from their establishment or soon thereafter. In view of this, for the sake of clarity of the analysis in this paper when we refer to those entities here we call them international new ventures.

Typically, international new ventures are highly innovative and are oriented towards growth (Eurofound, 2013). This is why, in the conditions of the crisis caused by the new coronavirus, they can play an important role in the global economic recovery. On the other hand, the COVID-19 pandemic has accelerated many processes and trends on a global scale, including those in the field of economy and business. Thus, the analysis of the impact of those changes on the creation and the development of international new ventures is particularly important and relevant. This is namely the purpose of this paper - to explore the potential impact of the acceleration of key trends pertinent to the international entrepreneurship on the processes related to the creation and the successful development of international new ventures.

The paper is structured in four main parts. The first part presents the methodological bases of the analysis of international business environment in it. The second part discusses the current changes of the trends selected using the methodology thus described. The third part outlines the possible impact of the developments in the analysed trends on the processes related to the creation and the development of international new ventures. Finally, the conclusion summarizes the major findings of the research.

I. Methodological definition of the trends in the global business environment

The COVID-19 pandemic is not the first big crisis humanity has faced. On the contrary, in its history humankind has survived much more serious health and economic challenges compared to the current ones. In other words,

from a scientific point of view and from the viewpoint of everyday practice, we have experience and knowledge of the possible economic consequences and the effects of similar challenges and crises. Thus, there is knowledge of how we may overcome the consequences of them.

At the same time, the latest crisis can be characterized as unique. The social significance of the health problem and the consequences stemming from the measures for curbing it have faced the authorities in many countries in the world with problems for the solving of which it turned out they had no working scenarios and easy solutions. At a later stage, the development of such was significantly impeded by the uncertainty regarding perspectives of coping with the health problem. As a result, global economy was put under severe internal health shock, which resulted in a decrease of economic activity. Initially, this happened in China, then it spread throughout the world (European Central Bank, 2020). This brought changes in the speed of the economic, social and political trends existing before the outbreak of the pandemic and laid the foundation of the emergence of new ones.

Changes in the global business trends because of the COVID-19 pandemic can be identified and respectively analysed in various socio-cultural, spatial and time dimensions. Quite a few of them inevitably have or will have an impact on the future international entrepreneurial activity. This forms extremely wide and multifaceted research field to be presented in such a short form as a single article. Therefore, the trends on which the analysis in this research focuses are selected following the purposive sampling strategy used by (Eisenhardt, 1989) and Patton (Patton, 1990) and recommended by leading authors in the field of methodology for carrying out qualitative research such as Yin (Yin., 2014) and Seawright and Gerring (Seawright, 2008). In other words, the elements of the international business environment are selected on the basis of their significance and relevance to the economic phenomena discussed in the article. Based on these criteria, we can highlight the following trends:

First. Acceleration of the rate of digitalization and the use of communication technologies. The use of novel and innovative technologies is very often a core characteristic of international new ventures. In fact, some researchers believe even today, that they are only high-tech companies because many of them operate in high technology and knowledge-intensive sectors. International new ventures often gain their competitive advantage owing to the unique characteristics of their products. Because their products are highly differentiated, the customers of these enterprises are usually spatially dispersed. Thus, the acceleration of the processes of digital transformation and the wider use of information technologies is very important for the activity of international new ventures.

Second. Restructuring of global supply chains. As a whole, international new ventures turn to exploiting and creating many specific and small global niches. It is in them that they can enjoy low competition to start their activity and later grow. The possibilities to exploit such niches are directly dependent on the existing global supply chains. This is why the impact of the current pandemic on the future development of those chains becomes one of the most significant factors that will influence the processes of creation and development of international new ventures.

Third. The erosion of trust in international organizations. International organizations provide directions on fair trade and the mechanisms for the settlement of disputes. They encourage the liberalization of national economies and open them to foreign enterprises. Their stability and efficiency are of utmost significance to international entrepreneurship activity and mostly to the creation and the successful development of international new ventures.

Fourth. The integrity of international business networks and the realization of knowledge transfer. In the context of company internationalization, the networks of contacts and the relationships of the economic players are extremely important. Through them business enterprises gain access to resources and skills by which they can identify existing opportunities for activity abroad and how to exploit those opportunities. The importance of belonging to a network is even higher for international new ventures as because being young and small they typically suffer from resource scarcity. Very often, the participation in an international business network or the possibility to join one is a critical factor for their creation, survival and successful development.

The research dedicated to the issues of early internationalization accepts external conditions characteristic of international environment as one of the three major variables explaining that phenomenon (Głodowska, 2016). On this background, the changes in the speed of the described trends will inevitably lead to changes in the global business environment in which international new ventures are established and develop. In this respect, it is important to analyse how the acceleration of the processes characterized above will reflect on the future of international entrepreneurial activity. The results from the conducted analysis can be presented by the theoretically defined and considered categories and depending on whether the analysed effect is a challenge or provides an opportunity for the development of international entrepreneurial activity, which we chose to do here.

II. System analysis of the relevant trends in the global business environment

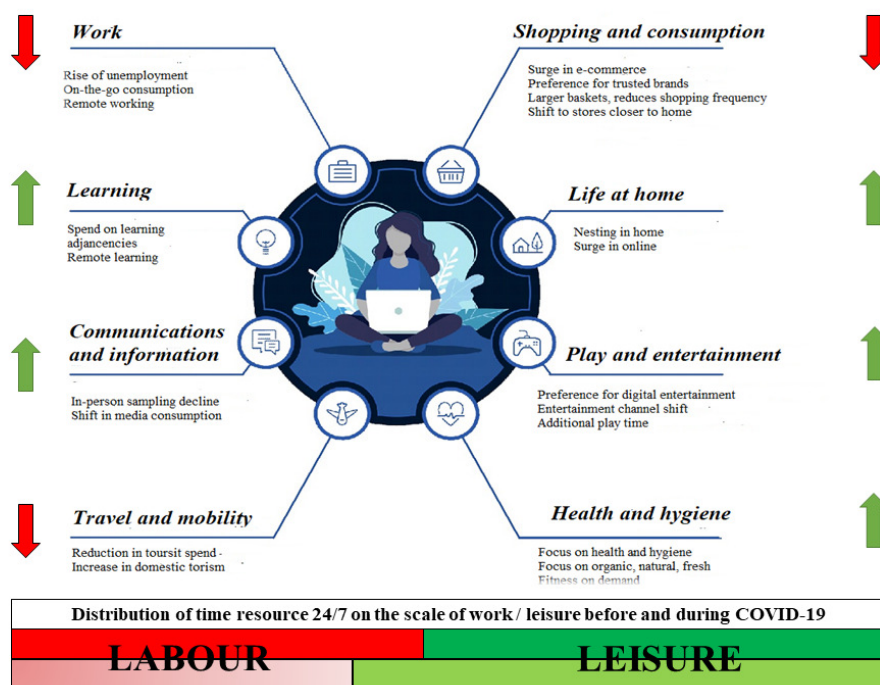
As it has already been pointed out, the acceleration of digitalization and the use of communication technologies is the first major trend of change in the global business environment. The rapid development of digitalization and the increasing influence of communication technologies had created favourable environment for digital transformation of the business world long before the outbreak of the COVID-19 pandemic. According to online research carried out by McKinsey & Co, in July 2020 and encompassing 899 managers that constitute a representative sample by regions, industries, size of venture and functional specialization, this process has significantly accelerated. The analysis of the collected data points out that in the matter of a few months, the respondents' ventures have made progress in the digitalization of their relationship with customers and suppliers of the order of 3-4 years, whereas with the increase of the share of the digital and the digitally activated products, this progress is of seven years (McKinsey, 2020).

According to the authors of the research, one of the main reasons for this boom is the fundamental changes in the consumer behaviour that can be identified in almost all spheres of life – work, education, training, leisure, etc. These changes respectively lead to significant corrections in the model “labour – leisure” within the time weekly budget 24/7 represented in Figure 1. Following the turning of the home into a workplace and practically an online shopping portal, the changes in the weekly model “labour – leisure” have logically undergone correction and change resulting from the health recommendations for social distancing.

With no doubt, not all of these changes will become permanent. Some of them will be temporary, which will certainly be valid for the changes related to bad experience. However, we may expect that online shopping, digital entertainment, telemedicine, cashless transactions and the focus on health and wellbeing will be sustainable in the long run (Puttaiah, 2020).

The second major trend in the development of global business environment is the restructuring of global supply chains. By the moment of the outbreak of the pandemic there had already been a trend of increasing the trade protectionism and relocation of productions. Because of the trade war between the USA and China, many enterprises had started to relocate their purchasing orders, their production capacities and operations out of the Asian country. In other words, the need to bring back outsourced productions in the borders of the national economies had already become part of the agenda of the governments of many developed countries. On this background, the abrupt stop in the flow of deliveries due to the measures for limiting the spread of the coronavirus

introduced first in China and then in the neighbouring countries: South Korea and Japan at the end of January 2020, resulted in production disruptions in a number of factories in Europe, North America and Asia. This has illustrated in practice the reasons for the worries about the dependency on certain countries as production hubs.



Source: (Kohli, 2020) with changes

Figure 1. Changes in the consumer behaviour and the time budget 24/7 following the measures for limiting the spread of COVID-19

The failure to provide sufficient protection equipment, respirators and medicines for intensive care of severe COVID-19 cases, and later of vaccines for timely immunization of the population, has included medical consumables in the group of industries that are critical for national security. Thus, the issue of the necessity of diversification and shortening of the supply chains for many key goods was not only brought to the foreground, but has also become an important part of the social discourse on a global scale. This has found expression in particular steps by a number of national governments. For instance, in 2020 the Japanese government announced plans to subsidize enterprises, which invest in factories in Japan (Akiyama, 2020) and South-East

Asia (Takeuchi, 2020). The European Commission discussed the necessity of an open strategic autonomy of the European Union (Commission, 2021), whereas US president Joe Biden pleaded for a large increase in domestic orders for purchasing local products and returning key industries from China back to the USA (joebiden.com, 2020).

In this aspect, part of the economic researchers expects cardinal restructuring of global supply chains (Zahra, 2021), in which reshoring, diversification and regionalization will play a leading role (Barbieri, et al., 2020). Other scholars claim that the idea that relocation of industries increases the supply chains' sustainability has not yet been unambiguously supported by academic research (Strange, 2020) and such predictions are premature (Miroudot, 2020).

We can find reasons in support of both opinions cited above. Undoubtedly, the acceleration of certain trends, which had existed before the outbreak of the pandemic such as digitalization, the increasing protectionist sentiments and the changes in the consumer preferences as well as the implementation of adequate regulatory and support measures by governments can facilitate a more drastic shortening of global supply chains. However, if we look back to the past, we can see that in previous similar crises, enterprises did not take radical measures in order to relocate industries or shorten supply chains. One of the reasons may be that the relocation of productions is related to significant costs and structural changes, which business organizations are to perform. Thus, in the conditions of a crisis, as the ongoing one, a large number of international enterprises will undoubtedly consider diversification of their supply chains, but they will probably be reluctant to make substantial changes unless the circumstances and the economic realities make it unavoidable.

The next analysed trend in the development of the global business environment is the erosion of the trust in the international organizations. When there is a crisis of the rank of the ongoing world pandemic, international enterprises shall provide for the optimal contribution of their member countries to the common effort for overcoming it and mitigating its devastating consequences. In this respect, the COVID-19 crisis served as a stress test to the intergovernmental organisations. The results of this test were visible as early as the beginning of the coronavirus crisis and found expression in three trends – transferring the blame to international organizations (especially to WHO), putting short-term interests before long-term ones and divided reaction towards experts (Johnson, 2020).

The three trends presented above undoubtedly indicate erosion of the trust in the ability of the international organizations to serve the international relations towards achieving the two basic aims of these relations – namely, peace and prosperity (Charpentier, 2009). What is indicative in this case is that unlike previous health crises when the countries managed to overcome their

differences in order to cooperate in fighting the common threat, this time the reaction was primarily confrontational. This undoubtedly signals a weakening of the power of international organizations and a necessity of taking measures for improving their efficiency, respectively the trust in them. The contrary could additionally exacerbate protectionism and mistrust in multilateralism and give rise to national and populist sentiments and respectively lead to the lack of appropriate mechanisms for global response when conflicts arise (Ilieva, 2021). It is to note, of course that the trends towards increasing protectionism and retreat from the principles of multilateralism shall not be entirely related to the COVID-19 crisis. On the contrary, they had existed and were gaining speed long before the outbreak of the pandemic of the new coronavirus; it has only deepened them.

The last trend analysed in this paper is the disruption in the integrity of international business networks and the flow of knowledge. Business networks are a channel for transfer of valuable, rare and costly to imitate resources, which can provide the venture with a sustainable competitive advantage (Barney, 2001). For this reason, the members of those networks are particularly sensitive about their security. In this respect, the physical distancing measures imposed in order to limit the spread of the coronavirus to a high extent threatened the integrity of international business networks. Strengthening the relationships and the exchange of resources were impeded by some other problems related to the health crisis such as eroded influence of international institutions and growing nationalistic and populist sentiments, logistic and operative problems in carrying out international activities, etc.

Both the internationalisation process theory (Johanson, 1977) and the theory of international new ventures (Oviatt & McDougall, 2005) highlight the key role of knowledge (De Clercq, Sapienza, Yavuz, & Zhou, 2012). Theoretically, this view is also supported by the knowledge-based approach (Grant, 1996a) which considers knowledge to be the most important strategic resource of the enterprise thus allowing it to acquire and maintain sustainable competitive advantage and efficiently build and develop internationalization strategies (Chang & Rhee, 2011). As indicated by Grant, this is especially valid in the conditions of dynamic economic environment (Grant, 1996b). Thus, disruptions in the international business networks can seriously affect the transfer of the ideas and the resources which international new ventures need for their innovations, adaptation and growth.

III. The impact of the trends in the global business environment on the creation and the development of international new ventures

Based on what said so far, we can expect that the processes and the trends related to the creation and the success of international new ventures can be classified in several groups. In the first place, most international new ventures are enterprises, which are knowledge-intensive and provide spatially dispersed customers with differentiated products, at low communication, transport and adaptation costs (Hennart, 2014). For them, the change in consumers' preferences can provide numerous opportunities for entrepreneurial action, including for ventures from the less developed economies. The increased use of digital technologies in itself will create opportunities for fast and profitable international expansion of the activity. This can lead to reaching customers and stakeholders more easily and will improve significantly the coordination and decision making for international new ventures.

The intensity of restructuring of the supply chains, at least as far as it concerns their drastic shortening and returning industries within the national economies is veiled in many uncertainties. As already pointed out, this will incur significant costs and structural changes of the activity, for which step business organizations are to be strongly motivated. On this background, radical supply chains restructuring can be observed in case of serious changes of the geopolitical relations and national policies and adaptation to the developments in digital technologies and changes in consumer preferences. This will open many niche markets and international new ventures will be provided with favourable opportunities for participation in the global trade. Because of their young age and resource scarcity, these enterprises often use indirect ways to enter foreign markets and develop or participate in regional networks. Thus eventual shortening of the supply chains will facilitate the first steps beyond the national borders of those business organizations.

The speed of the process of supply chain restructuring is also dependent on the future of international organizations and their capacity to perform the functions of a regulator of international relations. We are about to see to what extent the vulnerabilities of those organizations revealed by the coronavirus challenge will be addressed. If those institutions cannot adjust to the new conditions and do not meet the expectations, we will witness a further erosion of the trust in them. This will respectively lead to increasing the trend for raising national barriers to trade and higher unpredictability of the external economic environment, which will largely curb the range of operations performed by these business organisations and their capacity to survive and grow on foreign markets. Furthermore, they would face difficulties in attracting trans-border

investors and funding new initiatives. Starting up and developing international activity would take more time and resources in the conditions of increased unpredictability of the external environment, which would undoubtedly affect the international entrepreneurial activity. On the other hand, the problematic mobility, the decreased keeping of contacts and the increase of worries about trade secrets will impede the flow of ideas and resources necessary for the survival and growth of international new ventures. This is because very often an international business venture is created following a strategic decision of a large enterprise and/or idea, which has already been realized by other enterprises. Therefore, the impossibility or the reluctance to exchange resources and business practices will inevitably have serious negative consequences for the international entrepreneurial activity.

The erosion of international institutions and the difficulties in the realization of network relations however, will encourage international new ventures to seek means to connect and operate in the conditions of increased uncertainty of the external environment. As several scholars point out, it may open a space for the emergence of new type of international intermediaries to perform that role (Zahra, 2021).

The changes in the global business environment will force some international new ventures to terminate their activity or to withdraw from specific markets. Nonetheless, these changes will stimulate innovations worldwide. On the other hand, a large number of these entities are established to implement new technologies. Thus, the accelerated digital transformation can open new opportunities, from which the entrepreneurs with global thinking and global approach shall definitely benefit.

Conclusion

The COVID-19 pandemic has given significant boost to digitalization and the active use of communication technologies. It has intensified some existing geopolitical trends and has catalysed the interest in environmental responsibility, social solidarity, managerial sustainability and higher concern about personal health. The crisis caused by the new coronavirus has formed new behaviour and way of thinking of consumers, which has resulted in a change in their preferences and expectations. On the other hand, the future international entrepreneurial activity will inevitably be influenced by the changes pertaining to the future of the global supply chains, the international organizations, the business networks, the knowledge transfer and the trends in consumer preferences. In many aspects, those transformations will influence the future economic growth and can even question the survival of some

entrepreneurial organizations. This is especially true for international new ventures, which usually have scarce and limited resources. Despite the potential negative effects, however, the world after COVID-19 will probably offer these business organisations a wide range of opportunities for rapid and successful international expansion by efficiently using economic resources in an innovative manner. In order to do this they will need public support. Therefore, politicians shall consider regulations and measures directed towards providing various stimuli to innovative start-ups and prospective entrepreneurs, decreasing the barriers international entrepreneurship faces, reducing the administrative burden, providing funds, increasing the awareness of their existence, etc.

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