

## **Editorial: New times of international business on the horizon**

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### **1 Introduction**

Globalisation has changed our lives beyond recognition and, with the development of new technologies, no working practice or job will ever be quite the same again. Regardless of whether you are a plumber, construction worker, CEO, bureaucrat, athlete, logger, pilot or diplomat, the internet and ‘the app<sup>1</sup> revolution’ have had a huge impact on our daily routines (Justinek, 2018).

We live in a globalised world and in a time of previously unimaginable technological development (Sedej and Justinek, 2013; Sedej and Mumel, 2015). Yet, one of the most dramatic and significant world trends in the past two decades has been the rapid, sustained growth of international business. Markets have become truly global for most goods, many services, and especially for financial instruments of all types. International environment is changing rapidly. Changes are the only constant in our lives and how does business react to all these new circumstances? What about the traditional theories of internationalisation, globalisation, etc.?

In the special issue we wanted to present different views, from different perspectives, on new trends and new paradigms in international business. The traditional internationalisation theories were defined before the times of start-ups, ICOs, block chain, crowdfunding, etc. Today, all of these are all very much involved in international business.

### **2 New era of international business**

In today’s economies not only multinational enterprises have the opportunity to enter international markets, but we see also small and medium-sized enterprises (SMEs) more frequently on the global market (Justinek, 2012; Sternad et al., 2016). Among these new

companies that are 'riding the new environment and new trends with the new technology and the global community', we often talk about the so-called 'born globals'.

Born globals have been defined by many researchers incorporating the most important characteristics of this special type of firm according to their approach. The starting point in every definition is that these firms internationalise right after, or near their start. Knight and Cavusgil (2004) added that they use knowledge-based resources in order to do so, while McDougall and Oviatt (1994) emphasised the competitive advantage that these companies seek in multiple countries. Knight and Cavusgil (2004) also set out a three-year period from the founding, in which born globals start exporting.

The 'older' theories are talking about internationalisation in a more systematic longer-term way. Following Strandskov's (1995) framework the perspectives are categorised based on two dimensions: drivers and nature of decision. Drivers are the factors that initiated the internationalisation process at the firm, the reason for entering international markets. Drivers can be internal (e.g., achieving economies of scale) or external (e.g., foreign market opportunities). The other dimension of the framework is the nature of the decision, which indicates whether the decision for internationalisation was planned or emergent. Based on Mintzberg's (1994) strategy theory about deliberate and emergent strategies, this dimension shows what kind of decision-making process resulted in the internationalisation of the firm. The starting point for the Uppsala model is that the uncertainty in the internationalisation comes from the lack of market knowledge (Johanson and Vahlne, 1977). Therefore, the commitment to foreign operations depends on the level of knowledge the company has about a particular market. As a learning process, companies acquire more knowledge through the lower stages of foreign operations keeping the risk at an acceptable level, and they increase resource commitment when their market knowledge gets higher.

It is a natural trait for a start-up to lack financial resources, and it makes young companies operate in a different way compared with MNEs or more mature SMEs. Born globals lack not only financial resources but also knowledge of the international markets. Most of them overcome this problem by having close relationships and strategic alliances and reach markets through their networks (Freeman et al., 2006).

### **3 The papers**

In this special issue, we have gathered four papers addressing these questions. The first paper, entitled 'Greenfield investment vs. merger and acquisition as an entry strategy in Mexico – the case of Austrian companies', which was written by Manuela Sandler et al. describes how Mexico has, over recent decades, become a very attractive destination for FDIs. When opening a wholly-owned subsidiary, firms can establish a local presence either through greenfield investment or by merger and acquisition. An empirical study in the form of qualitative semi-structured interviews was conducted in order to learn from the experiences of Austrian firms that have already taken the step into the Latin American nation. The size and the location of the Mexican market are the main motivations for Austrian companies to establish a local presence; hence, Austrian investors can be defined as market-seekers.

The second paper describes another interesting market. It tackles the financial constraints of capital structure theories and dividend policy in India. The paper was prepared by Nenavath Sreenu. The study examines the relation between the financing, investments, capital budget and dividend decisions, where the effect of financial constraints on the firm's investment decision is investigated. The study focuses on how financial constraints affect different firms by investigating the extent to which the dependence on internal cash flow is affected by firm characteristics, such as size, age, dividend pay-out ratio, and market listing. This implies that firms retain earnings in order to ensure that they have sufficient capital to invest, confirming the initial result that Indian firms are financially constrained.

Yet, as mentioned in the introduction, the methods in international business are changing. With new technological developments, new tools are being used in our everyday business. One area that is the focus of almost daily rapid development is the social media phenomenon. It took off just after the millennium and so could be defined, in entrepreneurial terms, as a 'gazelle' among other media. Social media tools are therefore no longer used just for fun and recreation, nor do they merely serve as useful kit to reach customers and the rest of the external audience (Sedej and Justinek, 2013).

The next paper addresses this question, since it deals with the role of video marketing in a modern business environment. The paper, prepared by Tanja Sedej states that in the 21st century modern business environment, video marketing has become a centre of attention of strategic marketing planning and the trend is still on the rise. In order to plan and execute video marketing effectively, companies need to follow trends and be aware of new effective marketing options that will provide maximal business results. The article tackles those issues and provides fresh empirical data on video marketing and its role in a modern business environment. It also provides insight into video marketing trends and possibilities that are considered crucial for the near future.

The fourth paper talks about international franchising in the fashion industry. The paper is prepared by Anita Maček et al. Over the years, fashion retail franchising in emerging markets has seen a significant growth. Nevertheless, when a fashion brand decides to franchise its business, it also affects the control level over franchise store operations, which may influence a brand's image and overall success. This paper investigates how international fashion companies can implement and assure brand standards and qualities among their franchise network in emerging markets. With exploratory qualitative research authors give more insight into the general motives for fashion companies franchising their businesses in emerging markets and the implementation of brand standards, assuring quality and control, and challenges in operating franchise stores. The research shows that the implementation process and assurance of brand standards and qualities involve high management and control skills, in which a solid, lasting relation between franchisor and franchisee is required. With relationship marketing, the brand standards implementation can be strategically planned and managed. Since follow up and control of brand standards and qualities are often inconsistent, the procedures must get standardised.

#### 4 Conclusions

As stated in the introduction, the times are changing rapidly and an often-used phrase among business people 'that the only constant these days is change' is often true. This can be observed in all spheres of our lives and of course also business. Not just international business, but also all over the whole of business.

Nevertheless, international business is sometimes even more influenced by these changes, since its operations are on a global scale and the effects of it have also global externalities. This has been the case during the last financial and economic crisis in the year 2008/2009 when financial issues in the USA started the domino effect all over the world and especially Europe. This was the first time in the history that the world was so interconnected economically and especially financially.

Since then the trend has been going on. More and more companies, as presented in the papers of this issue, are turning global, some already immediately after being established. Some already have the global outlook implemented in their founding idea. Thus, a potential for another global recession, which usually comes around every ten years on a global scale, could have even more severe results as the last one. Having in mind that since the last global recession it is just about ten years back, we should be prepared for a potential new downturn in the following period.

Nevertheless, the papers presented in this special issue are tackling different views and perceptions of international business in the newly defined environment. Companies and businesses will have to adapt even faster and be ready to react to different impulses from all around the world, with new technologies and new markets that are still about to be created. The businesses that will be able to adapt to all these new views, concepts and activities, will be successful also in the future.

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## Notes

- 1 Applications for smart devices.