STRATEGIES FOR THE INTERNATIONALIZATION OF COMPANIES IN PANDEMIC TIMES

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ABSTRACT

After the Covid-19 outbreak, which had its origins back in late 2019, companies underwent many changes in how they operated and kept their business running. Specifically, the way these companies are using to start a process of internationalization or to keep their business in other countries is also changed, to keep in sync with how the world was changing throughout the pandemic. This paper aims to analyze and comprehend which strategies companies adopted to keep internationalizing their operations. To reach this goal, exploratory and qualitative research was adopted with bibliographic and documentary research to obtain the data and information. Based on this exploration, it was possible to state that the international market has gone through many transformations just as companies that underwent the process of internationalization during the pandemic. It was also possible to conclude that this process of internationalization was restructured, and different strategies had to and have to be used nowadays.

Keywords: Internationalization. Pandemic. Changes. International Business. Strategies

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INTRODUCTION

In the reality of the 21st century, corporations increasingly seek to take part in a global and interconnected market. International business and the great navigation and exploration to find new products are part of human history, however, it is the impact of the economic forces from the last decades that led to companies seeking internationalization and globalization. Together with the information and technology age, a company’s internationalization process was made easier, making the operation of these corporations more connected and part of a globalized world. However, in the past two years, the world was taken by the Covid-19 pandemic, which modified every structure, business model, and behavior in the companies. Due to the new virus SARS-CoV-2, the process of internationalization of a company became slower and more challenging. Many restrictions were imposed and sudden adaptations from the industry and the market were made. Borders were closed, companies adopted the home office model, and many have closed their operations, not to mention the reduction of expenses that involve adaptation of tasks, objectives, and new planning. Pandemic effects still haven’t stopped emerging, and new strategies emerge. In this scenario, internationalization has been planned and applied based on the digital and technological world.

The reasons that lead a company to internationalize its process are many. Among them, as previously mentioned, the need to expand their business, the search for different know-how, corporative insertion in more places around the globe, and several market advantages. That is, if a company no longer finds space to expand within its national territory, internationalization becomes a viable option if it wants to continue growing. Based on this argument, it can be defined as the following problem/objective of this research.

It is known that due to the Covid-19 outbreak, the process of internationalization went through some changes, these changes are the objective of the study of this paper. It will analyze the impacts the pandemic has had on the process of internationalization in companies, just as which strategies were adopted to manage it during this time. Along with that, it is intended to analyze the concept of internationalization and its possible change of concept after the pandemic. A qualitative study, based on bibliographic and documental research, is expected to be able to conclude what were the effects of the pandemic on the application of internationalization and its concept.
1 METHODOLOGY

The form of study is exploratory, as it seeks to provide new insight or understanding of the problem and make it more explicit. It enhances ideas about the subject, searches for more clues to fill knowledge gaps, and explores the problem in search of discoveries (GIL, 1999). It also intends to establish relationships among variables from the description of the characteristics of a certain phenomenon or population. It looks for to extrapolate the objective of describing the relationships between the variables involved, intending to understand the nature of these relationships (GIL, 2002).

The research strategy is qualitative because it involves obtaining descriptive data about people, places, and interactive processes through the researcher's direct contact with the studied situation, looking to understand the phenomena from the perspective of the participants of the situation under study (GODOY, 1995). This approach has the natural environment as a direct source of data and the researcher as a fundamental instrument since the inductive approach is used in the analysis of the results obtained.

Concerning data collection procedures, bibliographic and documentary research will be used to obtain information that satisfactorily meets the objectives and research questions and to seek confirmation of the theoretical assumptions. These two procedures are very similar, the only difference between them consists in the fact that bibliographical research makes use fundamentally of the contributions of several authors on a given subject, while documentary research makes use of materials that have not yet received an analytical treatment, or that can still be reworked according to the research objectives (GIL, 1999).

2 RESEARCH

The internationalization process of a company can be understood as a growing and ongoing process of acting in another country, other than your country of origin so that your revenue comes from abroad (PASIN, 2003). Almeida (2007) highlights that this process has become a necessity for companies, so that they can maintain their competitiveness in conditions of facing global competition, leading to significant growth in the investments of organizations in their international activities.

According to Stefanini (2020), companies need to define long-term goals. “Conquering international markets takes time, so it is essential to have a well-defined strategy, as well as investment and perseverance”. For him, companies need to develop their brand in a foreign country. It is also necessary to know the client at the end, to develop maturity from the point of view of thinking globally and not locally.
2.1 CONSECRATED CONCEPTS OF INTERNATIONALIZATION OF COMPANIES

The main concepts of internationalization analyzed in the references were summarized and listed below:

- Process where companies gradually increase their involvement in international business (JOHANSON; VAHLNE, 1977);
- Process of growing involvement in international operations, in the sense of the domestic context to foreign markets and vice versa (WELCH; LUOSTARINEN, 1988);
- Process by which firms both increase their awareness of direct and indirect investment in international transactions about their future, establish and conduct transactions with other countries (BEAMISH, 1990);
- Process of increasing the firm’s involvement in international operations (CALOF; BEAMISH, 1995);
- Process of adapting the modality of commercial exchange to international markets (ANDERSEN, 1997);
- Cumulative process, where relations are continually established, maintained, developed, broken, and dissolved to achieve the firm’s objectives (JOHANSON; MATTSSON, 1988);
- Development of business relationship networks in other countries by expansion, penetration, and integration (JOHANSON; VAHLNE, 1992);
- Geographic expansion of economic activities of a company beyond their national borders and origin country (RUZZIER; HISRICH; ANTONCIC; 2006).

Bilkey and Tesar (1977) concluded, using a survey made with small and medium companies, that the evolution of the internationalization process is also composed of different stages and that different factors affect the decisions in each one of these stages. Reid (1981) conceptualized international expansion as a process composed of five hierarchically sequenced stages: knowledge, intent, trial, evaluation, and adoption.

Becoming an international company is an intricate process that demands market knowledge, engagement, courage, culture, and, above all, a visionary and inspiring leader. The search for new revenue sources and the exploration of new markets are strong motivators, but they can imply radical changes throughout the organization, to adapt to a global context. This process requires, in most cases, a large contribution of financial and material resources, and the return on the investment does not always occur in the expected time. Thus, the strategy and the development of competencies assume a fundamental role in the internationalization process to contribute to organizational success.
The concept of internationalization was defined by many different authors throughout the years, nowadays not all definitions can be considered updates. Due to technological advances and global demand, new concepts are being developed or adapted. Internationalizing a company means growing and operating in another country than the original one. In addition, to fit in as an internationalized company, part of the revenue must come from activities carried out abroad (PASIN, 2003). Increasing their involvement in international business, corporations must be attuned to the domestic context of foreign markets and vice versa. After all, it is a necessity today to maintain competitiveness and position in the global economy, together with leading to significant growth in international investments.

When dealing with investments, Beamish (1990, p.77) defines internationalization as the “Process by which firms both increase their awareness of direct and indirect investment in international transactions about their future, and establish and conduct transactions with other countries”. Through the extension, penetration, and integration of processes and businesses, it is possible to expand geographically, intellectually, and economically an organization.

In an approach focused on International Business, there is Vernon’s model (1966, 1979), which is based on the comparison of production and marketing costs. It approaches the potential of the consumer market, thus being able to explain internationalization based on market opportunities and demands in the country of origin and in the potential countries to open operations.

As mentioned before, drastic behavioral and environmental changes have been taking place. In this sense, corporations must follow the trends and adapt to the new socioeconomic scenarios. This directly impacts the internationalization process. And when analyzing an even more recent context, the SARS-Cov 2 Pandemic has been impacting these processes and requiring new strategies.

Consequently, a possible internationalization 2.0 is identified. This would be a traditional internationalization model, like those presented above, but with the need to increase a series of additional competencies, such as the adoption of Just-in-Case logistics, technology adapted to behavioral changes, and, most importantly, the understanding of possible limitations and opportunities in a context of new communication, export, and import methods and new ways of prospecting customers in global markets.

Within the internationalization strategies and models, Vernon (1966, 1979) was responsible for creating his model. This model is defined by the comparison of production and marketing costs, that is, it uses the consumer market potential to explain
internationalization. By obtaining this information and understanding the opportunities and demands of the company’s country of origin, it would start to export to others, starting the product’s life cycle all over again. This model focuses on the product innovation cycle with an effect on economies of scale.

Another study within internationalization was on top of Dunning’s eclectic paradigm. This model has as its principles the theory of transaction costs. This theory, according to Williamson (1983), consists of a company’s decision to operate abroad depending on the analysis of the costs of coordinating the activity and creating a subsidiary abroad, so that the transaction costs of the operation are via exports or brand licensing. Within this paradigm, the cost theory would be used for internationalization decisions and which strategies could be adopted in the market where the company is located. Based on this model, it is necessary to analyze some advantages of the choice of operating abroad, which are: the advantages of ownership, location, and internalization.

Together with the other models presented, there is another very relevant one for the study of internationalization: the Uppsala Model. It is based on the principle of internationalization as a process composed of several phases that can be sequential or not. These phases are:

1. Organizations are limited to commercial transactions involving exports and imports;
2. Fixed representation abroad;
3. Direct investments abroad: multinational company;
4. Creation of subsidiaries in different countries.

One concept of the Uppsala Model is that of “psychic distance”. It is directly related to the perception of proximity or not of the culture, values, managerial practices, and education of the countries in which one wants to internationalize.

2.2 EFFECTS OF COVID-19

The year 2019 was marked by the beginning of the Covid-19 pandemic. In December of this year, in the city of Wuhan, Hubei province in China, the SARS-Cov-2 virus was identified, this virus causes the severe and acute respiratory syndrome. As a result of the new existing disease, a health and economic crisis has ravaged the entire world (PAHO, 2019).

Covid-19 presents a clinical condition with symptoms that can range from mild to acute, causing pneumonia that can lead to fatality. Coming from the family of enveloped
RNA viruses, measures have been adopted, such as wearing masks, social distancing, quarantine, in some countries lockdowns, and general preventive measures such as washing hands, avoiding touching eyes, mouth, and nose, sanitizing and disinfecting surfaces and objects, etc. Recently, the vaccine is also a measure to prevent the virus.

The chronology of the pandemic began in China on January 30, 2020, when it was declared an international public health emergency by the World Health Organization (WHO, 2020). On March 11, 2020, a pandemic was formally declared. According to the World Health Organization (WHO, 2020), by March 18, 2020, confirmed cases of Covid-19 had exceeded 214,000 worldwide.

The lack of personal protective equipment (PPE) and collective health services, in addition to the large volume of cases, contributed to this picture. In Brazil, the orientation for symptomatic individuals (with coryza, fever, and cough) to seek primary health care units may trigger high rates of incidence in professionals of this network, due to the lack of structure and PPE, already observed by public agencies. To overcome this challenge, several countries have proposed the creation of specific units for clinical evaluation of people of medium severity, enabling the concentration of investments in equipment and the release of flows in units of greater complexity, necessary for the most severe cases.

Despite the relevance of the findings, it is necessary to consider the heterogeneity of the indicators between different regions with the transmission, since they vary according to actions, routines, availability of supplies, the structure of health and surveillance services, and cultural and political issues. It was verified that the policies and actions of contamination prevention and harm reduction cannot reach the peripheral communities of the cities. In these communities, the high population density per square meter and the poor sanitary conditions facilitate the rapid contamination by COVID-19.

2.3 EFFECTS OF COVID-19 ON COUNTRIES AND COMPANIES

Due to the alarming and pandemic situation that the world finds itself in because of COVID-19, several countries have been affected in various ways, including sectors responsible for moving their economies, and companies. Besides counting the millions of deaths caused by the virus around the world, in countries like the United States measures such as the restriction of imports of healthcare materials have been imposed. As an example, the Federal Emergency Management Agency (FEMA), which is subordinated to the U.S. Department of Homeland Security is responsible for controlling emergencies, banned the export of items crucial to the control of the pandemic in the country as
N95 masks and respirators, for example. The agency argued that these items should be kept in stock for national emergency control and the American citizen’s use in this time of crisis, avoiding shortages of the items. This example shows how the Coronavirus pandemic affected countries in such a way that they had to take measures that would also directly affect companies (FIESP, 2022).

Another example to be discussed is the measures taken by the European Union, a political and economic union of more than 20 European countries, where the lack of control of the pandemic in European countries led to the decision to reduce tariffs on the import of medical equipment such as respirators. This example shows the opposite of the American example, where here we can see facilitation for the import of such equipment, while in the measure taken by FEMA we can see a difficulty for the export of these products. However, both examples again show how the pandemic led countries to make decisions that affect the population in general, and in this case, companies in specific (FIESP, 2022).

In Brazil, the reality is different. Over the years, its sectors have been dependent on imports, such as medical equipment, pharmaceuticals, electronics, automobiles, and auto parts. In addition, it has always relied on minimum stocks to reduce costs and have flexible production. However, with the arrival of the new virus, this way of producing and importing has been challenged and put in check.

At the beginning of the pandemic here in Brazil, between March 1 and March 25, a collection of data and information conducted by the Getúlio Vargas Foundation (FGV) showed that even in its early stages, 30% of companies from all sectors in Brazil felt an impact by the pandemic. Whether this impact was financial or administrative, the situation tended to worsen as the pandemic dominated the country (TOBLER; BITTENCOURT, 2022). In 2020 when compared with data from 2019 about 600,000 companies closed their doors amid the pandemic due to the problems brought by the crisis, according to the Brazilian Institute of Geography and Statistics (IBGE), responsible for the National Household Sample Survey (PNAD), in 2019 Brazil had 4.369 million employers, and in 2020 it went to 3.788 million (NADER, 2021).

Furthermore, the outbreak of the new Coronavirus on a global scale has directly affected companies that have developed their strategies today. Due to sanitary measures to protect the health of the population, such as social isolation and the closing of borders between countries, the supply, and demand for products and services have become limited. With this drastic change, companies were forced to restructure their sales, administration, and marketing strategies, among others. Companies that were focused on face-to-face sales had to adapt to online sales, creating websites or using sales applications such as the free market (REZENDE; MARCELINO; MIYAJI, 2020).
When compared to 2019, digital commerce, also called e-commerce, grew by more than 50% in 2020, with its expansion rated at 73.88% growth, according to the E-Commerce Brazil website. One can justify this exaggerated growth with the outbreak of the new coronavirus around the world, and specifically in Brazil, where people saw digital commerce as a way to continue making their purchases since they were restricted to staying at home only, reinforcing the need for companies to adapt to this new commerce again (MATTIUZZI; BRAGATO, 2021). One can bring as an example the company Magazine Luiza, which at the height of the pandemic adapted its digital platforms and invested in digital sales to accommodate its customers who were isolated at home due to the virus. The company demonstrated in the third quarter of 2020 a 148% growth in digital sales (MARTUCCI, 2021).

Therefore, with several areas of companies adapting to the digital environment and revolutionizing themselves as a way to adapt to the new needs of the world in pandemic reality, internationalization could not be left out, and it had to adapt to these new needs so that companies can expand their business in today’s international market.

2.4 MODIFICATION OF THE CONCEPT OF INTERNATIONALIZATION IN THE POST-PANDEMIC

Since the internationalization scenario had to adapt to the governmental measures derived from the new Coronavirus pandemic, the concept of internationalization 2.0 emerged. Just as marketing had to adapt to new demands and new social interests, internationalization had to adapt to this new reality. This concept determines nothing more than the new strategies that companies must take to complete their internationalization process and remain competitive in the post-pandemic international scenario.

Internationalization, as previously stated, is a series of additional competencies that companies will need to have to initiate, or complete their internationalization process and be competitive in the post-pandemic world. Within this new concept, three characteristics stand out for its complete understanding. These are Logistics and storage, Technology adapted to behavioral changes, and new consumer habits.

When dealing with logistics and storage, the idea that must be developed is the change in thinking from Just in Time to Just in Case. The Just in Time system (CORRÊA;
GIANESI, 2009), adopted over decades by companies around the world, works with minimum stocks, and flexible production, and always seeks to reduce costs. Originating in Japan and credited to Toyota Motor Company, this model is present in companies today. However, with the pandemic scenario along with the rivalry between the United States and China, for example, this logistics chain has been questioned. Many companies started to adopt large inventories and new logistics strategies. The adoption of large inventories may be the solution in cases of logistical failures and to ensure operational continuity. However, in addition to inventories, financial availability and storage are necessary. The companies that manage to have low costs will have a differential, as well as those that offer this service, and those that don’t at a competitive price will have a business opportunity. And so, the new business model would be Just in case.

Therefore, another important factor for the new concept of internationalization is technology and behaviors. With the pandemic routine change, home office, and new ways of working, people were forced to enter the world of the internet, artificial intelligence, and e-commerce, among other things. Regardless of their preferences, behaviors, and cultures, there was a need for change. Not only workers, but consumers also had to adapt, and started using the internet to obtain their services and products. When looking at internationalized companies, overseas travel, corporate missions, and trade shows were all extended, being adrift from technological transformations (ALABY, 2022). Lives were new ways to hold events, position their brands to the public, and follow in the marketplace. Fairs and exhibitions adopted this format while it was not yet possible to hold large events safely. According to reports from Youtube, in Brazil only during the first year of the pandemic in 2020, there was a 4900% increase in searches for lives. Virtual shows of artists like Marília Mendonça gathered a total of 3.3 million simultaneous accesses watching the show live on platforms like YouTube. Only on this platform, there was a 32% increase in live broadcasts when compared to the previous year, 2019 (AGRELA; CURY; VITORIO, 2021).

The organizations that understand this new scenario and comprehend the new behaviors that have emerged among the population and companies will have a competitive differential. These new customs have great potential, especially when thinking about communication between people, exporting and importing, searching and qualifying new suppliers, and even opening new markets and attracting customers.

Finally, the new consumer habits must be taken into consideration in this new internationalization. Even before the pandemic, in-depth knowledge of the consumers
was necessary for good market competition. In the last few years, this need has been accentuated. Research shows that the new post-pandemic consumers are those who have lost income or are afraid of losing it, have increased their online purchases, have become less loyal to the brands they consumed before, and are looking for affordable options. In addition, consumers have focused more on brands that have an established purpose, especially those that are socially engaged, ethical, transparent, and have good governance, as well as environmental sustainability. By consuming brands that position themselves in front of these issues, consumers feel linked to the causes also with pride (ALABY, 2020).

The Covid 19 pandemic, therefore, brought with it a change in the concept of internationalization, making this strategy adapted to the social and economic changes generated by the pandemic. With this, it was found the need to innovate this concept, as well as innovate the entire structure of companies (REZENDE; MARCELINO; MIYAJI, 2022). Internationalization 2.0 requires that the company that wants to internationalize be prepared to adapt to the use of technology, and know-how to attract and connect with the customer and review its logistics and management models.

2.5 STUDY ANALYSIS AND CONCEPT APPLICATION

Based on field research conducted by Domingues and Buena (2011), groups of companies were analyzed, thus creating schemes with the internationalization process of each group.

Group 1 comprises companies that have been in the market for more than forty years and are considered large, operating in several sectors of the economy with a high turnover rate. Moreover, they have been internationalized for more than ten years. This graphic is illustrated in Figure 1.

It can be seen that the internationalization process of these companies does not go through phases, that is, there is no gradualism with phases of exporting, setting up offices, etc. As soon as the market saturates and opportunities abroad arise, the company promptly migrates abroad. Furthermore, it can be seen that the internationalization strategies of the companies in this group are stimulated by the perspective of market saturation in the long term, as well as the arising of opportunities abroad. It is mainly based on Vernon’s internationalization model (1966;1979), Dunning’s Eclectic Paradigm (1980 and 1988), and the Uppsala Model (1977; 1990 and 2009).
FIGURE 1 – Elements of Group I’s Internationalization Strategy (Adapted)

However, following the focus of the research, which is to analyze the change in the internationalization process after the pandemic, this mode of internationalization presented in the graph, should be changed. The fact of not having phases is a point that in a pandemic scenario becomes more difficult. With the pandemic, several countries closed their borders and adopted lockdown measures, and home offices, among others. Therefore, internationalizing by acquiring units in foreign countries would not be possible.

Then, the authors analyzed a second group, made up of large companies that have been internationalizing for ten to fifteen years and operate in different sectors of the economy, but which have grown significantly in recent decades in the logistics and information technology sectors. The strategies adopted by this group were according to the economic theory of the Eclectic Paradigm of 12 Dunning (1980, 1988, and 2008).
and also by the search for the lowest psychic distance, according to the Uppsala model (VAHLNE and JOHANSON, 1977, 2009).

FIGURE 2 – Elements of the Group II Internationalization Strategy (Adapted)

Source: Domingues and Buena (2011)

Group 2’s internationalization process was based on a market and strategic perception by the owners of the companies. In the same way that for Group I, the post-pandemic internationalization process would change, this second strategy is necessary to adapt to the new world scenario. The initial step of internationalization in these cases is to set up an office and gradually expand the structure. However, arriving in other countries by opening offices is no longer viable, especially with the closing of borders and the establishment of lockdowns. In other words, it is necessary to adopt measures that make these face-to-face and materialistic processes become online and with a larger network of contacts between people from different countries so that they can facilitate the processes in their countries. With the SARS-CoV-2 virus circulating worldwide, new
variants are emerging, and the restrictive measures to prevent and contain the virus are tightening again. The consequence of this is a change in the way of doing business, a change in the economic scenario, the demands, and the relationships between countries. Therefore, the problem of the internationalization process inserting an office right away is also that it is noted that the changing scenario is no longer of extreme importance to a physical place. The Home Office is an adopted alternative that makes it possible to work from different places, reducing the companies’ structure costs.

Analyzing Figure 3, in this group are found companies that have been internationalized for less than five years. These are considered to be large companies, both in terms of turnover and number of employees. They operate in the civil construction and oil sectors. Both have family management and are controlled by their founding partners. Another group that has its internationalization process based on market analysis followed by procedural phases with the company’s insertion abroad physically.

FIGURE 3 – Elements of Group III’s Internationalization Strategy (Adapted)
By analyzing the 3 groups presented together, it is noted that by understanding the internationalization process of each sector, based on an Uppsala model, which is composed of phases, with the pandemic this process changes. The phases that were stipulated for each company in a pre-pandemic scenario could be efficient. However, with economic, governmental, and behavioral changes, some measures need to be made more flexible. Making the stages of the internationalization process flexible and even excluding some of them may make it more viable for companies of different sizes to go abroad. In other words, none of the phases presented, especially that of setting up offices and physically occupying a foreign country, in a pandemic reality would need to be required and followed to consider an international business.

**FINAL CONSIDERATIONS**

Given the objective of the research conducted on the internationalization of companies during the pandemic and its concepts, it was possible to identify conceptual changes and impacts suffered by companies when carrying out the process. Moreover, new administrative strategies were discovered; such as home office, online transactions, events, more specific care with workers, etc.; adopted by companies during the pandemic and after, which directly impacted internationalization. With this study, it is possible to find the changes in social, political, and economic areas, such as changes in the behavior of consumers and market employees, alarming concern with health, public policies, and social responsibility, as well as the adaptation to the unstable pandemic scenario that caused political conflicts and changes in regulations and laws that directly affected companies and society in general. Thus, new skills and processes had to be developed to keep up with the emerging market reality. Among these skills, multidisciplinary competencies were required, as well as a Just in Case production and an advanced technology capable of interconnecting everyone at any time, making face-to-face processes online as well.

Given the above, it can be seen that the world scenario is constantly changing, further aggravated by the pandemic of COVID-19. During this research, the pandemic was still in effect. The data and information gathered may change as companies, organizations, and countries make updates available. This may be considered the main limiting factor for this study.

The in-depth study of internationalization in the digital age, as well as of new human and corporate behaviors in the post-pandemic period may bring many benefits in the future since companies will have more qualified and effective resources to face challenges and adversities inherent to their growth. Based on this, it is suggested that future research on this topic consider the ongoing effects of the post-pandemic scenario and analyze more deeply how these changes impacted companies in this scenario.
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