

## Covid-19 and Digital Enterprises: A Model for Enterprise Development with New Architecture

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### Abstract

Covid-19 has created a path to the digital transformation of entrepreneurial activities. Digitalization and enterprise development are essential for economic growth and development. New enterprises with digital architecture will make the economy ready for the 4th industrial revolution. The pandemic impacts the business, economy and the way people transact, communicate and generate income. New opportunities are being generated to foster entrepreneurial activities. Covid-19 shaped a way to convert obstacles to opportunities. The digital transformation of entrepreneurial activities is urgently required to tackle the economic downturn in the changed business horizon due to the pandemic. The study aims at developing a model which is feasible during the pandemic and post pandemic era and supportive to digitalization in the developing countries. Following the inductive reasoning method with the observation of Covid-19 pandemic, the study arrives at a model which explains and predicts how the enterprises and economy will look in future. The proposed model, if applied properly, will result in national economic development, acceleration of digitalization process and decentralization of economic activities leading to equity during a pandemic situation. The study ends with the recommendation of capital support from the financial system and government intervention to set up new enterprises.

**Keywords:** *Covid-19, New architecture, Inductive reasoning, Digitalization, Enterprise development.*

### Introduction

New opportunities are being generated to foster entrepreneurial activities. Covid-19 has shaped a way to convert obstacles to opportunities. The study has the question of how to adjust with the pandemic. In this backdrop, the study intends to propose a model to combat the adverse impacts of the pandemic through the formation of digital enterprises. The digital transformation of entrepreneurial activities is urgently required to tackle the economic downturn in the changed business horizon. Old traditional pattern of enterprise formation should be replaced by digitalized architecture. To recover uncertainty and disruptions of the pandemic, enterprises should go for digitalization process.

### Literature Review

Chudik, Mohaddes, Pesaran, Raissi and Rebucci (2020) opined that the pandemic of Covid-19 is a global shock on the supply and demand side. The macroeconomic effects of the pandemic are mixed, non-linear and doubtful across nations, industries in individual countries and on a global

scale. There are several channels by which economic growth can be influenced by intense global uncertainty. The study shows that the global slowdown will be long-lasting, applying the threshold-augmented multi-country econometric model. No nation will be spared from the pandemic's adverse effects. It concludes with the recommendation of policy collaboration among countries. The Corona virus affects adversely the demand side and supply side factors. It has led to disruptions in industrial production, international travel and customer demand so far. A global pandemic, particularly in foreign travel, production and investment, will have a severe supply-side shock. The insecurity and decrease in travel would also result in people staying off work, losing sales and causing demand to drop. The economy can quickly bounce back if it is relatively short-lived. However if it is prolonged, it could lead to everlasting loss of production, especially negatively affected by vulnerable groups of employees (Pettinger, 2020).

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Pak *et al.* (2020) argued that the global pandemic COVID-19 is a concern of public health. More to the point, it has a significant shock on the global economy and financial markets. Large income turn down, increasing unemployment, disorder in the transport, disruptions in utility and manufacturing sectors are among the implications of the pandemic. In the meanwhile, measures to control the disease have been introduced in many countries. It has become evident that the threats of speedy spread of COVID-19 have been underestimated by most governments in the world and have been largely reactive in their crisis response. Proactive international efforts are required not only to save lives but also to preserve economic growth, as epidemic outbreaks are not likely to disappear in the instantaneous future.

The impacts of the pandemic on entrepreneurial activities are devastating. The global policy makers are thinking to rearrange the structure of enterprise. Adoption of digitalization can be a solution to mitigate the negative impacts. Digitalization will also pave the way to 4<sup>th</sup> industrial revolution in the developing countries like Bangladesh.

While studying entrepreneurship, Satalkina and Steiner (2020) have argued that digital entrepreneurship is an important catalyst for the process of innovation. The digitalization of entrepreneurial practices alters the overall business system's structure, priorities, and networking processes, and eventually affects the different levels and dimensions of the innovation organism. Digital technologies can provide new business opportunities. Besides, it can also be disruptive to new vulnerabilities, bringing inevitable changes to the innovation framework. The systematic review of available literature on 52 core papers makes it possible to define the major categories of digital entrepreneurship and also to differentiate them from other forms of business functions. The research

contributes to the differentiation between the determinants of digital entrepreneurship and the three core aspects of the innovation environment, which include the entrepreneur, the entrepreneurial method and the ecosystem concerned.

With the assistance of digital transformation, traditional entrepreneurship can be modified (Swaramarinda, 2018). It brings new challenges to society in terms of reducing manufacturing and management costs across digital economy platforms, radically rising the productivity of enterprises, industries and educational institutions to address global technical, economic and social challenges (Kenney & Zysman, 2015).

### Objectives

The study has following objectives:

- to propose a model for enterprise development;
- to analyze how the model will combat the pandemic situation; and
- to examine how the model will accelerate the digitalization process.

### Methodology

The approach to the investigation of the research question is inductive reasoning in nature with the observation of Covid-19 situation. The study is asking a solution to pandemic management along with enterprise development. To date, any theoretical and methodological basis is nonexistent to the newly emerged problems for globe in general and Bangladesh in particular. Observations of changes in socio and macroeconomic phenomena due to the pandemic at micro and macro level have been conducted. To make the solution, it has arrived at a general explanation-a model. To achieve the objectives, theory of self-esteem, entrepreneurial growth, macroeconomic management and economic development, have been used. The study exemplifies as an applied research and the analysis is qualitative in nature.

**Assumptions of the Model**

The proposed model has the following assumptions.

- The citizens of the country are familiar with online communication.
- The entrepreneurs will be producing identical product in the same region.
- Utilization of local/regional resources must be ensured.
- People are following social distance
- People are maintaining health guidelines

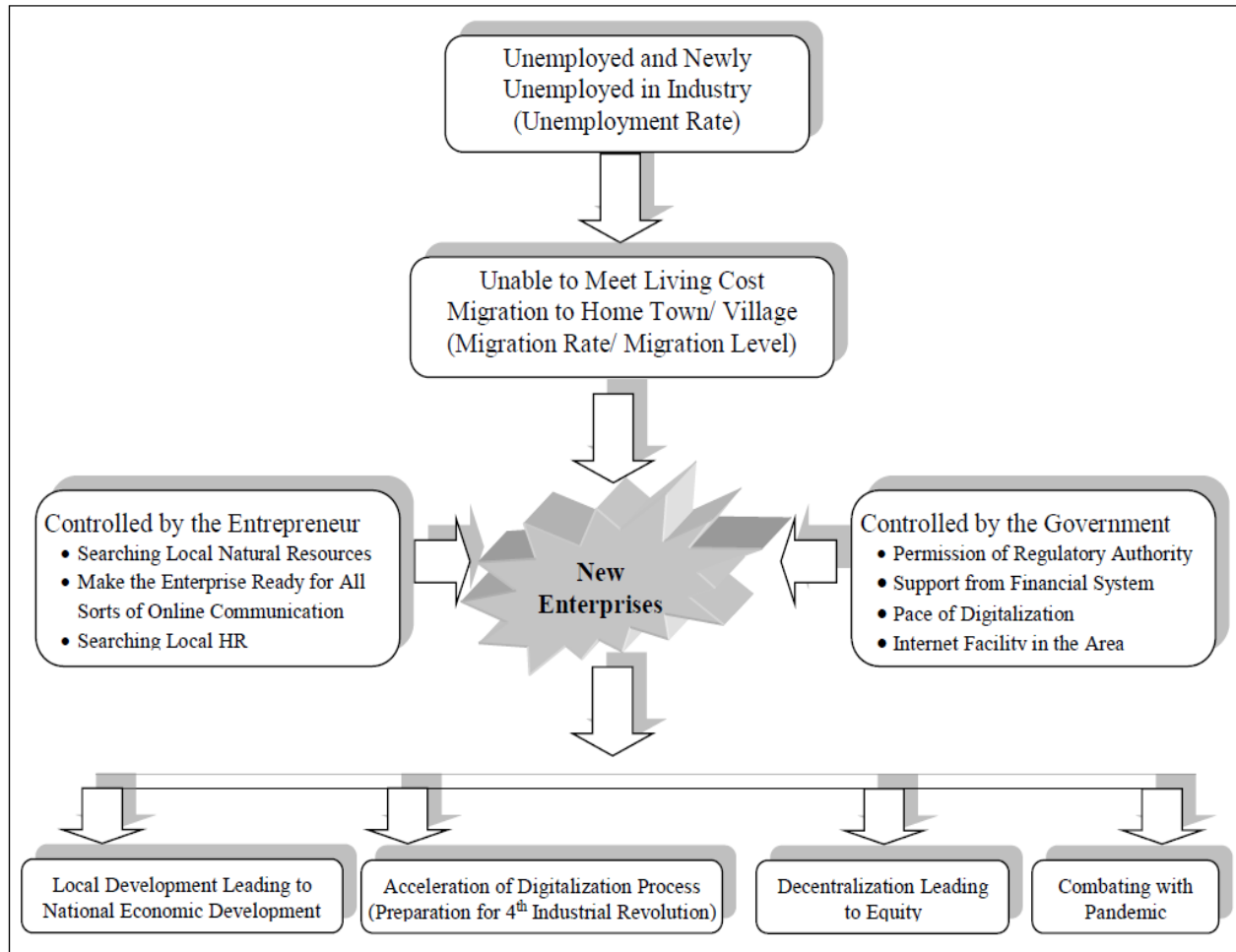
**Variables of the Model**

Enterprise development is the largest or dependent variable of the model. The unemployment rate, migration level, government interventions and entrepreneurial ability are the independent variables.

**The Model**

The model starts from the macroeconomic phenomenon unemployment. In developing countries like Bangladesh, there are unemployed people in the labor force. The pandemic has aggravated the problem with the addition of newly unemployed in urban areas. Without economic security, a portion of urban dwellers (unemployed) will have to migrate to hometown or rural areas to meet

the livelihood. After migration, they should have to engage in economic activities. Hence new enterprises will be developed based on the local natural and human resources available. To reduce the extent of corona virus infection, a few units will work in the supply chain. The number of enterprises will be numerous to maintain health guidelines and social distance. Identical product will be manufactured in the industry for the fear of losing consumers. All sorts of communication will take place virtually. The financial and non-financial supports from government are expected as the issue is national as well as global. In the long run, present unemployed people will employ others, contribute to national output and generate income. After the full fledged development of the enterprises, it is undeniable that the then successful entrepreneurs will be reluctant to come back in city in quest of a salaried job. Thereby, survival and sustainability will be certain amidst the Covid-19 pandemic. If proper implementation is possible, the model will result in regional development, decentralization along with equity, zero dead weight loss, socially optimal output and acceleration of digitalization leading to 4<sup>th</sup> industrial revolution. The model can be estimated in post Covid-19 era using cross sectional data.



**Model for Enterprise Development with New Architecture**

**Challenges of the Model**

The proposed model has posed the following challenges:

- Migration level: Reluctance to leave the urban areas though a poor standard of living may downgrade the feasibility of the model.
- Capital Support: Uncertainty of financial capital is a prime hindrance to digital enterprise development.
- Economy of Scale: An individual enterprise in the industry may be deprived of economy of scale.
- Not applicable for all type of products: The applicability is low for the manufacturing sector which requires huge labor force at the time

of production such as mining & quarrying.

- The model is feasible for developing countries only.
- Computer Literacy: The model will proceed slowly in regions with low level of computer literacy and internet coverage.

**Conclusion**

The study has tried to get an answer of pandemic management and digital enterprise development with new architecture by adopting inductive reasoning research approach. Actually, what is new in the model? It is the philosophy of maintaining

livelihood and living standard. The proposed model will work slowly due to traditional philosophy of living standard of citizens. The model implicitly requires a change in thoughts and adoption of new philosophy of 'doing myself'. However, the government should promote digitalization process and

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strengthen the financial system for new enterprise development. Encouragement of start-up with financial support can be a good recovery. Hence all the efforts will result in pandemic management and digital enterprise development.

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