

Russian-Ukrainian War, Innovation, Creative Imitation & Sustainable Development

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Abstract

The Russian-Ukrainian war shows a rapidly (and a long-term, probably) worsening outlook for the world economy, that will change specifically the European sustainable development.

In addition to COVID-19's tremendous impact on global economies, the Russian-Ukrainian war is producing a new major economic shock, pushing the biggest global corporations towards an outburst of the basic drivers of global capitalism: Health; Energy; Food; Communication.

In the current state of play of market globalisation (Network Globalisation), a company's profit and development objectives are induced to target R&D spending on innovation policies in which the boundaries between imitation and innovation are fluid, and anyway dominated by shortage management policies.

Keywords: Russian-Ukrainian War; Sustainability; Network Globalisation; Global Capitalism; Innovation; Creative Imitation; Global Markets

1. Global Capitalism, Shortage Management and Sustainable Competition

Russia's invasion of Ukraine will change drastically the world, and in Europe, these changes are set to reshape the entire nature of the European sustainable development.

However, in the immediate future this shift presents enormous risks. The impact of Russian-Ukrainian war on trade and development shows a rapidly (and a long-term, probably) worsening outlook for the world economy, and also shows emerging issues for financial volatility, sustainable development divestment, complex global supply chain reconfigurations and mounting trade costs for global corporations.

Short-term measures, such as finding alternative fossil fuel suppliers and products that can fulfil immediate energy needs, might create detrimental lock-in effects (Lambin, E., 2003).

The vulnerability of EU energy system could signal a shift in the traditional divide between East and West on energy issues. It is now becoming clear that national energy policies are no longer a mere domestic issue, and that a greater unity around

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Europe's energy strategy is just a dream (Lambin, 2009). The unequal and differentiated impact that a cut-off from Russian oil supplies will have on states and on the price of essential goods and services, it will produce new competitive landscapes for the biggest global corporations. The risk of a global recession induced by stagflation is not impossible, particularly given the fragile state of the global economy and the developing world due to the COVID-19 pandemic.

Global markets motivate firms to deal with the exclusive needs of customers while competing with successful products of their competitors, thus pursuing innovation as an entrepreneurial necessity.

□ *America's troubles trace back, ironically, to the triumph of Western capitalism over traditional communism in the 1980s. Scores of countries that previously had closed economies, weak property rights, rampant corruption, unstable governments, and decrepit physical infrastructure quickly opened for business. Many of them pursued ambitious economic strategies to boost macro and micro competitiveness. Growing prosperity turned these countries into desirable markets, attracting foreign investment.*

□ *At the same time, technological improvements in communication, logistics, and IT made it possible to integrate more and more countries into global supply chains. Today it is feasible, and often profitable, to do business from anywhere to anywhere. To a large extent, the proliferation of possible locations for company activities boosts global prosperity, allowing more effective specialization of resources and wider diffusion of innovation... However, as companies have become increasingly global, their connections to the communities where they operate, in America or elsewhere, have weakened (Porter & Rivkin, 2012).*

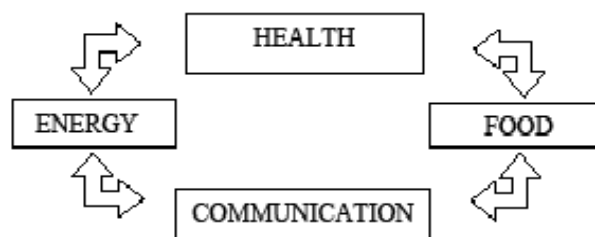
Without global rules, the global capitalism produces positive and negative consequences as social disparities and economic differences (Scholte, 1997). In recent years, the Greek economic crisis of 2009 showed the new basic drivers of global capitalism (Figure 1).

The new drivers of capitalism are made up of business areas of defensible innovations that concentrate the long-term investments of worldwide corporations. The basic drivers of global capitalism define an interconnected system of corporate business with very high-expected profits and that specifically regard: Health; Energy; Food; Communication (Brondoni, 2014).

People around the world have been impacted by the coronavirus pandemic. Since 1980, the industrial production of the largest global corporations depends on network production systems with components produced in numerous countries by a complex of companies. A production system that has proved to be very vulnerable in the face of activity blockades caused by the Pandemic.

In addition to COVID-19's tremendous impact on global health, the Russian-Ukrainian war it producing a new major economic shock, pushing the biggest corporations towards an outburst of the basic drivers of global capitalism.

Figure 1: *Global Capitalism. Basic Drivers*



The global capitalism thus demands the application of proper governance principles for a clear focus of global corporations on sustainable growth as the basis for risk minimization in order to ensure long-term firm success (Salvioni, 2003; Lambin, 2009)

2. Firm Competitiveness, Innovation, Creative Imitation and Sustainability

Since the beginning of the '80s, the biggest Corporations focused on tasks of over-supply economy, to fight a growing turbulence of the environment, characterised by the markets globalisation, the shortening of product life cycles, and global demand for products with better quality and lower prices (Brondoni, 2019).

□ Even as managers' geographic horizons have broadened, their time horizons appear to have shortened. Shareholder activism, stock-based incentives, and declining managerial tenure surely injected new, needed discipline into American business and had some positive effects. However, financial markets and executive compensation practices that reward quick fixes and focus attention on "this quarter's numbers" can tempt managers to move business activities to whatever location offers the best deal today rather than make the sustained, location-specific investments required to boost long-run productivity (Porter & Rivkin, 2012).

The business model based on excess supply (i.e., over-supply model, in which rivals face volatile production and progressively falling prices) is now inadequate for aggressive global corporate policies. Producing more and wasting less require today a new global business model based on the progressive disappearance of marginal global companies (oversize economy, characterized by lower production and sales costs, and by large company size) (Brondoni & Bosetti, 2018).

In the nowadays global management phase (competitive globalisation), the global business model based on the progressive disappearance of marginal global companies (oversize economy, characterized by lower production and sales costs, and by large company size) is now inadequate for aggressive global corporate policies focused on *global management shortage* (Brondoni, 2019 2).

Marketing capability not only positively strengthens the effect of R&D capability on innovation performance, but critically also further strengthens the impact of internationalization on innovation performance (Ren, et al., 2015).

In open markets where competition is strong, innovation loses its role of ‘ideological hierarchy’ over creative imitation; both have the common goal of maximising company profitability, with the constraint of optimising performance results in the very short term. With these objectives and result constraints, the success of research and development activities is measured by the real improvement in the competitive supply potential, expressed by indicators such as time-to-market or long-term competitive landscape (Brondoni, 2012).

□ *Short-termism refers to an excessive focus on short-term results at the expense of long-term interests. Conventional capitalism, in Europe and in the USA, has privileged short-termism by boosting the quarterly reporting by companies at the expenses of long term value creation... Businesses need to shoulder greater responsibility which requires a longer time-horizon and mindset. It is time to reassess the relationship between shareholder and societal value and reconnect companies with the long term (Lambin, 2014).*

In the current state of play of market globalisation (*competitive shortage management*), a company’s profit and development objectives are increasingly at odds with the objectives and constraints of the global growth. To overcome this dualism, firms are induced to target R&D spending on open innovation policies in which: the boundaries between imitation and innovation are fluid and less marked; the profit level of the innovation/imitation initiatives is an absolute priority and conditions the implementation of individual projects.

□ *Global sourcing strategy generally refers to management of (1) logistics identifying which production units will serve which particular markets and how components will be supplied for production and (2) the interfaces among R&D, manufacturing, and marketing on a global basis. The ultimate objective of global sourcing strategy is for the company to exploit both its own, its suppliers’ competitive advantages, and the comparative locational advantages of various countries in global competition (Kotabe & Murray, 2004).*

The Russian-Ukrainian war determines the transition to new production structures (smart factories) characterized by digital and interconnected processes and production systems able to make the best use of available resources (*global shortage management*). The shortage management imposes a competitive business model focused on:

- higher production flexibility through creating small lots at large-scale costs;
- greater competitiveness of the offer by virtue of the greater functionality deriving from the Internet of Things (IoT);
- much more efficient productivity by reducing errors and reducing set-up times (zero defect production) (Brondoni & Zaninotto 2018).

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