BLOCKCHAIN DRIVEN INTERNATIONAL BUSINESS: A NEW FRONTIER

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ABSTRACT

This paper discusses the impact blockchain technology has on international business. There are great opportunities for incorporating the blockchain within global value chain activities and cross-border trade facilitation, along with business functions across borders – i.e., blockchain driven international business (BDIB). The paper posits that while initial investments in BDIB would be higher, there would be better performance realized over the long term. It is critical, then, to better understand and research the incorporation of this technology across the various needs of multinational enterprises (MNEs) as well as international small & medium sized enterprises (SMEs). Implications are discussed.

***Keywords**: Blockchain, Global Value Chains, International Business*

1. INTRODUCTION

Multinational enterprises (MNEs), as well as many small and medium sized enterprises (SMEs), exist today within a global environment of mass digitization and rapid technological advancement. The advent of blockchain technology has been a technological advancement that may, in fact, radically change the conduct of international business. Nakamoto (2008) – in creating Bitcoin – also created the first actionable distributed ledger, calling it a "chain of blocks". This is now commonly referred to as the blockchain.

The distributed ledger is essentially a "decentralized digital database of transactions, which is maintained and updated by a network of computers that verify a transaction before it is approved and added to the ledger" (Morkunas, et al. 2019, p.2).

Much academic and corporate work has, in the last decade, focused on separating fundamental blockchain technology (often referred to as distributed ledger technology or DLT) from the financial technology (FinTech) application – cryptocurrency - for which it was introduced. This is because blockchain technology itself - given its underlying characteristics of immutability, trust and disintermediation - presents an opportunity for a radically different approach to the conduct of business functions.

There is, then, a far larger field of usage for blockchain beyond fintech or cryptocurrencies, and Morkunas, et al (2019) suggest a lasting effect on existing business models. However, its usage and adoption among the wider population of international businesses has lagged – often due to lack of technical/mathematical understanding, up-front costs, and complexity in application and inertia.

While blockchain technology has already impacted many areas within international business, the technology also brought about challenges and benefits in global governance (Hooper and Holtbrugge, 2020).

Blockchain technology will likely become more widely utilized in business management (Tapscott, et al. 2016); indeed, Gartner Research is projecting 10-20% of global economic infrastructure to be blockchain-based by 2030, with blockchain generated annual business value of $3 trillion by that year (PWC, 2021).