Griffith UNIVERSITY
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Strategic responses to COVID-19: An investigation of Australian firms

Lili Mi, Heather Stewart and Harsha Sarvaiya

STRATEGIC RESPONSES TO COVID-19: AN INVESTIGATION OF AUSTRALIAN FIRMS

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This project is funded by Griffith University under the Griffith Business School ECR Research Support Scheme. The report is developed with the support of Griffith Asia Institute. This project aims to investigate Australian firms' strategic responses to the current pandemic with a focus on identifying firms' strategic changes in international markets, their perceptions of the external environment and firm performance to date.

'Strategic responses to COVID-19: An investigation of Australian firms'

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EXECUTIVE SUMMARY

The COVID-19 pandemic has had severe repercussions on world trade. 2020 had a precipitous decline in the volume of international trade, while 2021 saw a significant rebound. Despite the fact that global trade flows are now higher than pre-pandemic levels, the impacts of trade vary widely across different goods, services, and trading partners. In this report, we surveyed 361 Australian international firms in 2021. The focus was on the firms' strategic responses to identifying the firms' strategic changes in international markets, their perceptions of the external environment and firm performance to date. Data from these surveys enabled the analysis of the changes in the number of foreign subsidiaries, employees, assets, research and development (R&D) expenditure and product innovation pre and during the pandemic as indicators of different strategic responses to crises. To analyse the external environment, firms were asked to evaluate the level of competition and dynamism within their industry, the support they received from the government and the economic freedom in Australia.

The results of the investigation showed changes in the number of foreign subsidiaries, employee numbers, assets, number of products, and R%D expenditure. It can be observed that 21.6% of the firms increased the number of foreign subsidiaries while 46.5% reduced the number of employees. In terms of assets, the majority of the businesses did not change the assets (39.6%) and 25.1% increased them. The R&D expenditure did not change in 42.4% of the firms surveyed; however, 33.9% of them decreased their R&D outlay. It is interesting to observe that 26.9% of the firms developed new products in contrast to 34% of the firms reducing the number of products while 39.1% of the firms maintained the same number of products. 82% of the firms surveyed decided to exit a foreign country due to unfavourable policies in that country even though it was a strategically significant location before the pandemic. The analysis of the survey data concluded that firms in different sectors responded through four broad strategies: 1) retrenchment, 2) persevering, 3) innovating, 4) exit.

Based on this research, the following report provides recommendations for policymakers and industry practitioners.

The key recommendations for policymakers include:

- Providing financial support to help with business continuity, but more importantly funding of opportunities for innovation with:
    - product/service innovation,
    - process innovation and
    - business model innovation.
- Creating a scheme of different grants for businesses in certain industries, or tax breaks related to research and innovation.

The key recommendations for businesses are:

- Exploring options related to innovation by forming alliances with partners and stakeholders in new markets.
- Seizing the opportunity to make strategies changes, create new products, services or business models, or enter new markets while others exit.
- Being flexible and ready to adapt quickly to changes in the competitive and volatile market environment.

INTRODUCTION

In this report, there will be valuable insights into the strategic responses of Australian firms across different industries during the pandemic. We surveyed 361 international firms in Australia in 2021. The project investigated Australian firms' strategic responses to the current pandemic with a focus on identifying firms' strategic changes in international markets, their perceptions of the external environment and firm performance to date. In terms of changes in their strategies, firms tend to respond to crises in four broad strategies:

1) retrenchment
2) perseverance
3) innovation
4) exit.

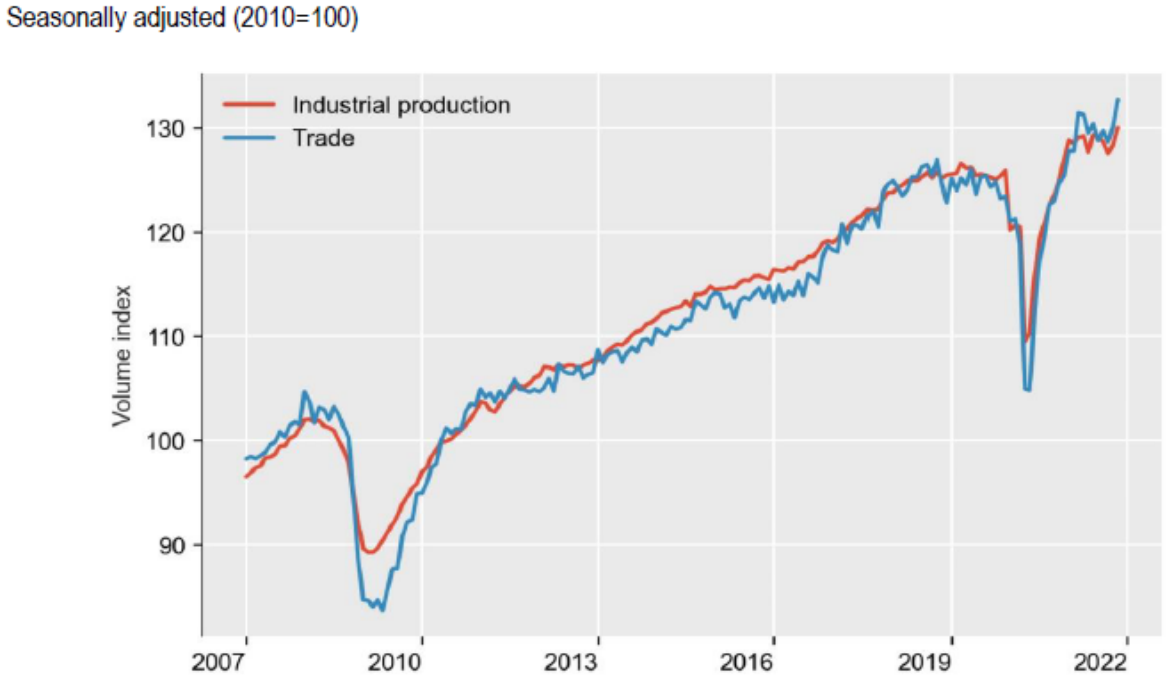
The purpose of this report is to present the findings of the investigation of 361 Australian firms' strategic responses during the pandemic in the year 2021. This report will start with an explanation of the impact of COVID-19 on world trade and then the results of the investigation will be presented: the changes in the number of foreign subsidiaries, employees, assets, R&D expenditure and product innovation pre and during COVID-19. In this report, the investigation of the changes across different industries is aimed at generating practical strategies for future operations and crises. To analyse the external environment, firms were asked to evaluate the level of competition and dynamism within their industry, the support they received from the government and the economic freedom in Australia. At the end of this paper, an assessment of the firms' performance across different industries is provided along with recommendations to policymakers and industry practitioners.

THE IMPACT OF COVID-19 ON WORLD TRADE

The COVID-19 pandemic has had severe repercussions on world trade. 2020 had a precipitous decline in the volume of international trade, while 2021 saw a significant rebound. Despite the fact that global trade flows are now higher than pre-pandemic levels, the impacts of trade vary widely across different goods, services, and trading partners. Changes in the trade structure caused by the COVID-19 pandemic in a single year were comparable to those observed over four to five years. Significant disparities between trading partners and products persisted through the end of 2021, and not all losses were recuperated. The differences in the trade impacts and changes in trade flows of diverse products, sources and destinations mean high ambiguity and modification costs, which suggests there should be an increase in incentives for consumers, business and governments to implement new—or strengthen present—risk mitigation strategies.[1]

The year 2020 showed some of the largest decreases in trade and output volumes since World War II. The declines in both world industrial production and goods trade in the first half of 2020 were comparable to those of the Global Financial Crisis (GFC). However, they disappeared faster, enabling a V-shaped rebound in 2020. Trade grew strongly in 2021 and has compensated for some of the losses of 2020. The initial pandemic-era expectations for a double-digit decline in world merchandise trade in 2020 did not occur. The volume of global trade has recuperated to the levels before the pandemic from mid-2020[2] (Figure 1).

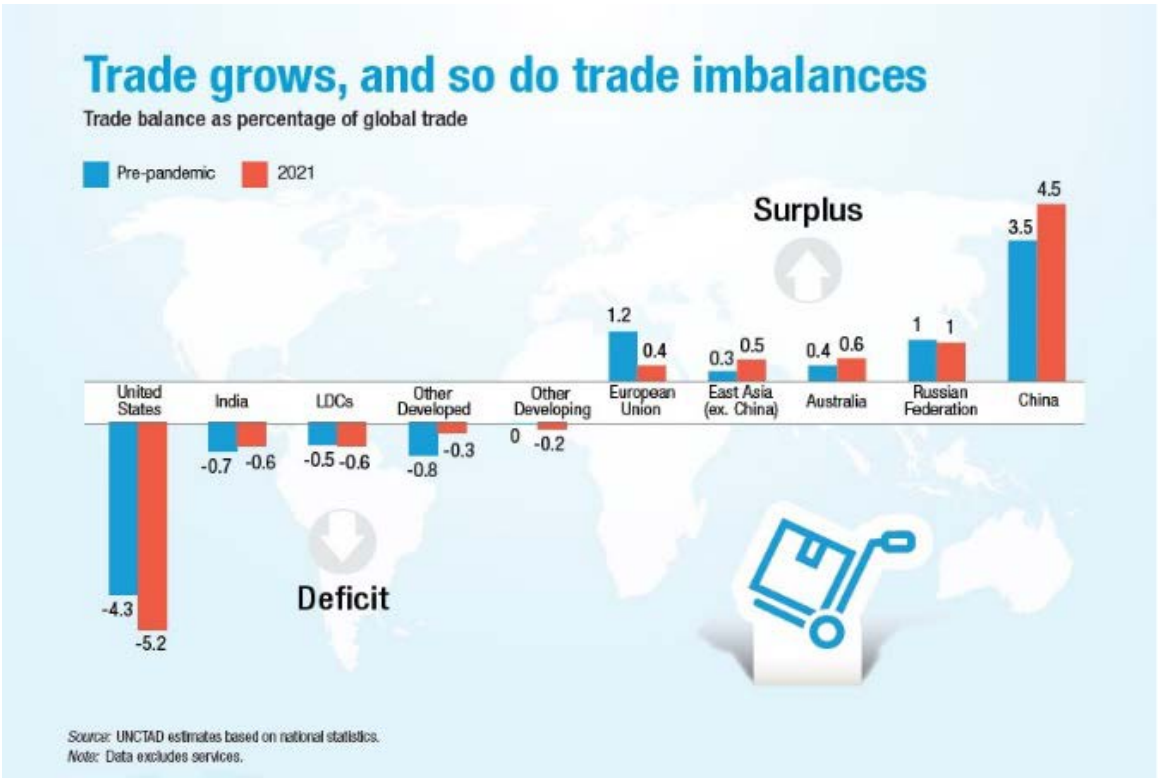
Figure 1: Volume of world trade and industrial production



Source: OECD calculations based on CPB World Trade Monitor.

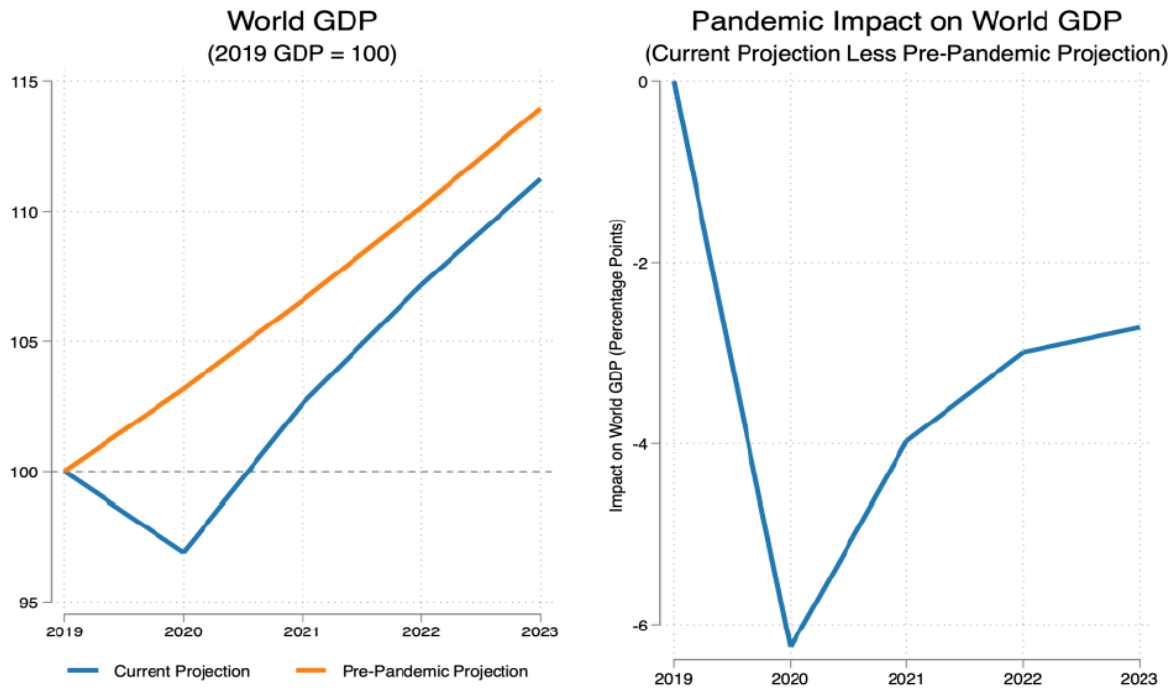
While total trade flows are now above pre-pandemic levels, this has not happened at all levels. The impact on trade has not been the same across all sectors creating pressures on specific sectors and supply chains[3] and creating trade imbalances.[4]

Figure 2: Trade growth and imbalances[5]



In 2021, both the volume and (year-on-year) growth rates of world trade reached historical highs in May and June. The reason for this was the disruption of trade in the first half of 2020, with the effect of releasing demand from 2020, as well as shifts of demand from services to goods, and releasing the excesses in international supply chains.[6] In many countries, after a period of temporary de-confinement at the end of 2020, the commencement of 2021 began with lockdowns and restrictions, which impacted demand, supply and international trade. The recovery in the first part of 2021 continued to vary across different countries[7] (Figure 2). The International Monetary Fund stated in the 2022 World Economic Outlook that in third year of the pandemic the health and economic losses continue.[8] It has forecasted that the losses due to COVID-19 through to 2024 would be about $13.8 trillion[9] (Figure 3).

Figure 3: Pandemic Impact on World GDP[10]



Source: IMF staff calculations based on World Economic Outlook vintage data.

Australia was no exception to what was happening around the world and the unforeseen impacts of COVID-19. The Department of Foreign Affairs and Trade advised what the majority of Australia's key economic indicators are in terms of GDP and trade (Figure 4). The percentage of gross domestic product in 2019-20 was reduced -0.3% in comparison to 2018-19. In 2019-20, the percentage of exports of goods and services also decreased -1.9% in comparison to the previous year. The imports of goods and services also suffered a significant reduction of 7.4% in the year 2019-20 in comparison to the previous year.[11]

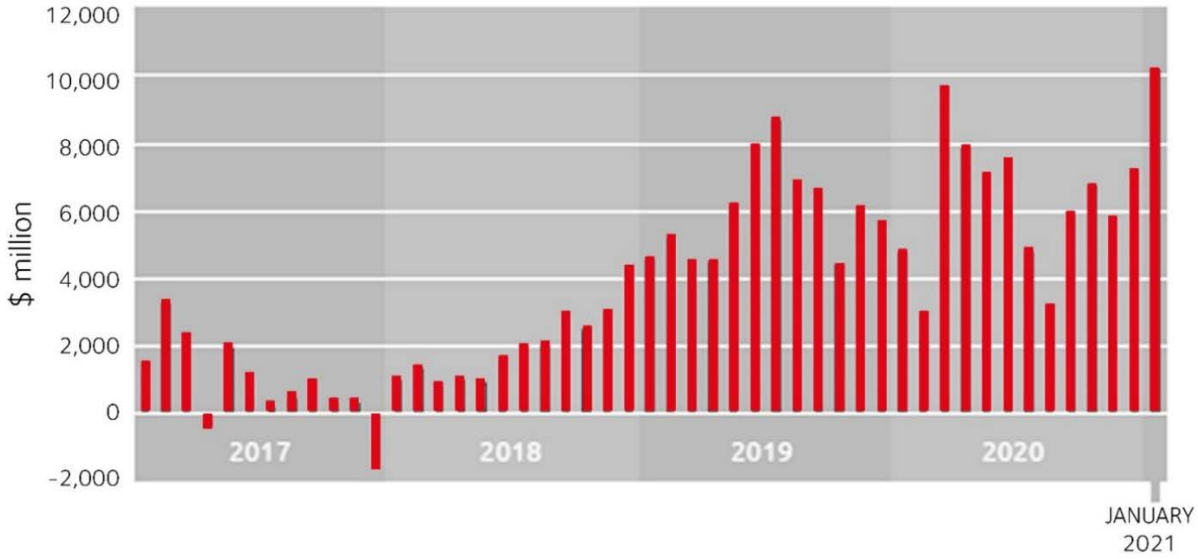
Figure 4: Australia's Key Economic Indicators 2017-18 to 2019-20[12]

		2017-18	2018-19	2019-20
GDP and trade[a]				
Gross domestic product[b]	% change	3.0	2.2	-0.3
Exports of goods and services[b]	% change	4.1	4.0	-1.9
Imports of goods and services[b]	% change	7.3	0.2	-7.4
Net exports contribution to GDP	% points	-0.6	0.9	1.1
Labour force				
Population[c]	'000	24,983	25,366	25,687
Labour force[d]	'000	13,159	13,421	13,554
Employed persons[d]	'000	12,437	12,734	12,793
- Annual growth	%	3.0	2.4	0.5
Unemployment rate[d]	%	5.5	5.1	5.6
Prices and interest rates				
Consumer prices	% change	2.1	1.6	-0.3
Interest rates – 90-day bills[d]	% pa	1.8	1.9	0.7

Source: DFAT.

Trade balance is the difference between what a country exports and what the country imports. It is calculated by deducting the value of the goods and services a country buys from abroad for the value of goods and services it sells to another country. Figure 5 below shows the variation in Australia's monthly trade balance over the past few years and reflects the minimal impact of the COVID-19 Pandemic on trade during 2020.[13]

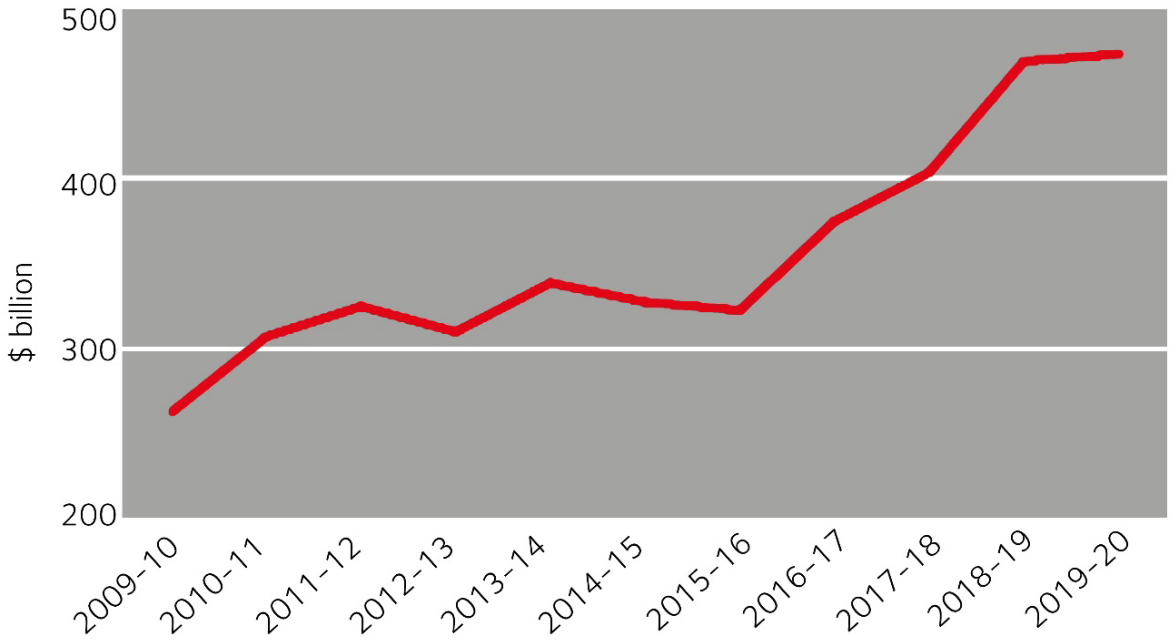
Figure 5: Australia's Trade Balance over time



Source: www.dfat.gov.au/trade/resources/trade-statistics/Pages/australias-trade-balance

In spite of the problems due to COVID-19 with supply chains, including national and international border closures along with other issues, exports remained steady. Australians exported slightly under $475 billion worth of goods and services worldwide during 2019-20, a situation that it is even better than before the pandemic[14] (Figure 6).

Figure 6: Australia's Exports[15]



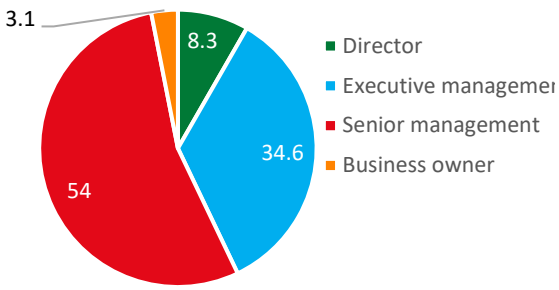
(a) Balance of payments basis.
(b) By value.
Based on ABS catalogues 5302.0 & 5368.0.

PROFILE OF RESPONDENTS

Position of respondents

We sent out 716 surveys to Australian firms who have been engaged in international business activities. Out of these, we received 361 completed surveys. Respondents to the survey hold different positions. The majority of respondents hold senior management positions (54%) in the organisations, while 34.6% have an executive management position. The third group comprises directors (8.3%) and the remainder of the respondents are business owners (3.1%).

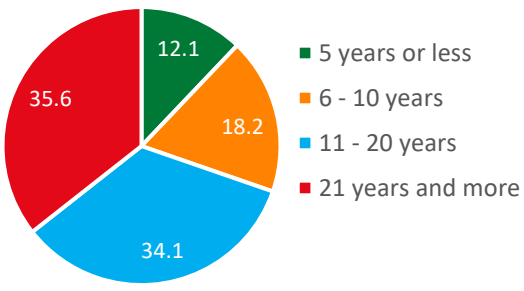
Figure 7: Position of respondents



Firms' international experience

The majority of the respondents to the survey have 21 years or more of international experience (35.6%) while 34.1% have between 11 and 20 years. The other groups are comprised of firms that have 6 to 10 years (18.2%) and 5 years or less of international experience (12.1%).

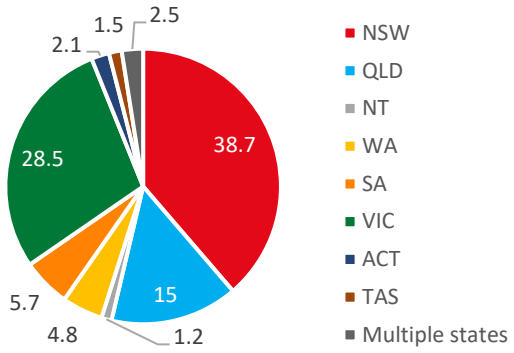
Figure 8: Firms' international experience



State location

Responses were received across all Australian states and territories. States with the most respondents to the survey were New South Wales (38.7%), Victoria (28.5%) and Queensland (15%). The remaining 17.8% of responses came from South Australia (5.7%), Western Australia (4.8%), the Australian Capital Territory (2.1%), Tasmania (1.5%) and Northern Territory (1.2%). Finally, a proportion of respondents indicated that they operated businesses in multiple states (2.5%).

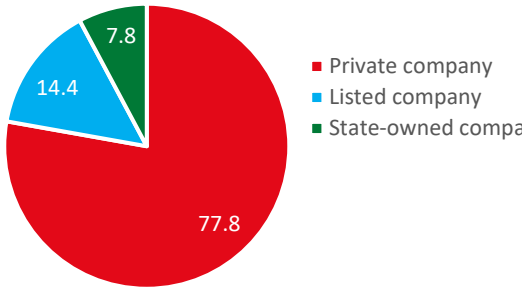
Figure 9: Location of the firm



Firm ownership

The majority of the firms surveyed are privately owned (77.8%), while 14.4% of them are listed companies and 7.8% are state-owned companies.

Figure 10: Firm ownership

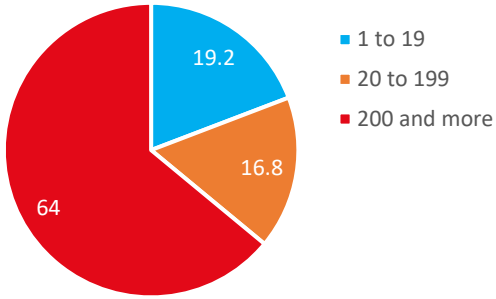


Number of employees

For statistical purposes, the Australian Bureau of Statistics (ABS) defines a **small business** as an actively trading business with 0–19 employees, a **medium business** as an actively trading business with 20–199 employees, and a **large business** as an actively trading business with 200 or more employees. Unless otherwise stated, the statistics contained in this report are based on the ABS definition of business size.

Employees from large businesses (64%), small (19.2%) and medium businesses (16.8%) were surveyed to produce this report.

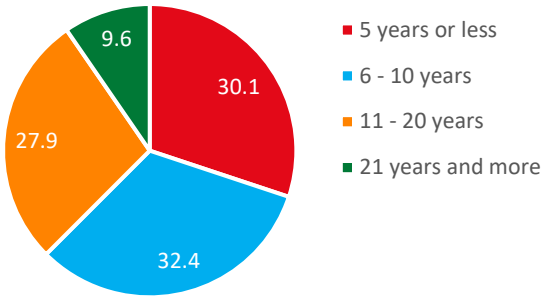
Figure 11: Number of employees



Respondents' international experience

The majority of the respondents have between 6 and 10 years of international experience (32.4%), while 30.1% of them have 5 or less years of experience. 27.9% of the respondents have 11-20 years of international experience and only 9.6% of them have more than 21 years of international experience.

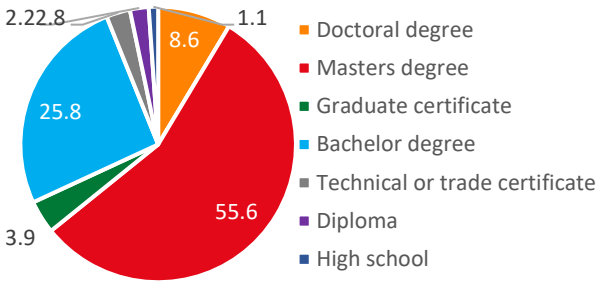
Figure 12: International experience of the respondents



Education level

Respondents were asked to indicate the highest level of education they have completed. The dominant response was a Masters Degree (55.6%), followed by a Bachelors Degree (25.8%). Other educational levels reported were a Doctoral Degree (8.6%), Graduate Certificate (3.9%), Technical or Trade Certificate (2.8%), Diploma (2.2%) and High School (1.1%) being the lowest educational level.

Figure 13: Education level



Industry distribution

Different industry sectors were represented in our research. Out of all the respondents, the majority of them are from the services industry (38.5%), followed by finance, insurance and real estate (13%), and manufacturing (12.2%). Due to sampling constraints, we received less data from the mining (3%) and agriculture, forestry and fishing (3.6%) sectors. However, they are included in our industry comparison analysis below to understand the changes of Australia's key exporting industries. The industry distribution from the survey represents the overall distribution from ABS's data on the number of merchandise exporters.

Figure 14: Industry distribution

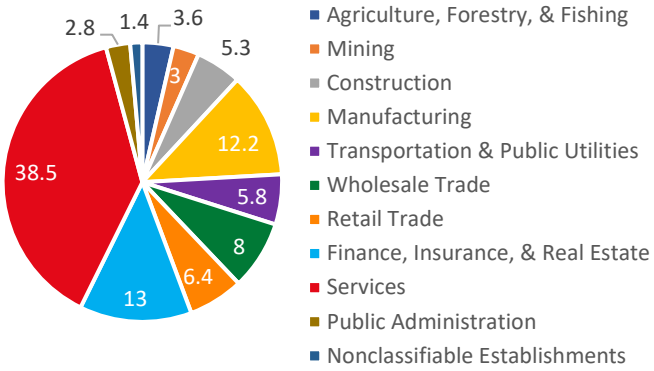
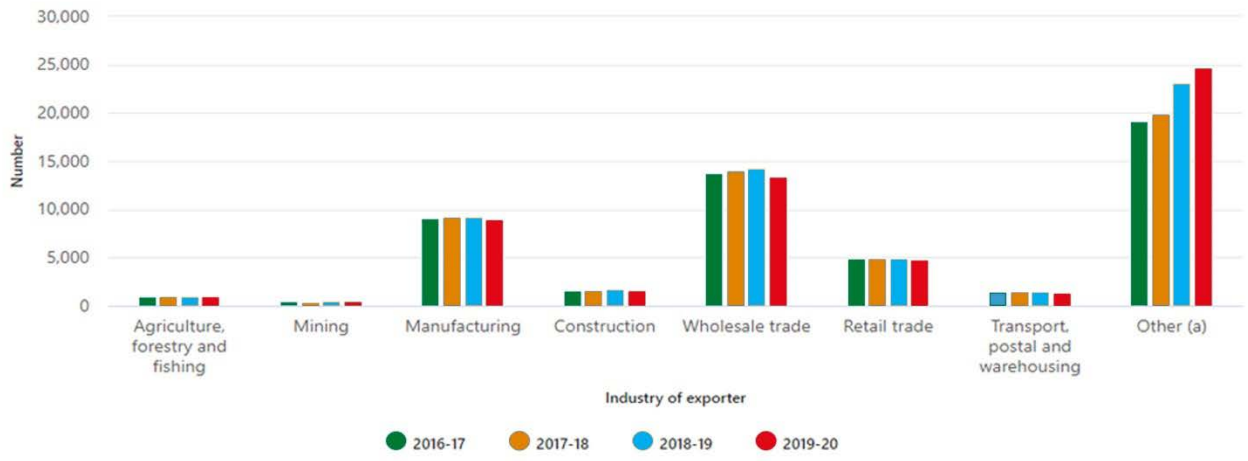


Figure 15: Number of merchandise exporters, by industry of exporter



(a) Includes goods exporters in Electricity, gas, water and waste services; Accommodation and food services; Information media and telecommunications; Financial and insurance services; Rental, hiring and real estate services; Professional, scientific and technical services; Administrative and support services; Public administration and safety; Education and training; Health, care and social assistance; Arts and recreation services; as well as businesses that lack a classification under ANZSIC 2006 and businesses yet to confirm their main industry of activity with the Australian Taxation Office.

Source: Australian Bureau of Statistics, Characteristics of Australian Exporters 2019-20 financial year.

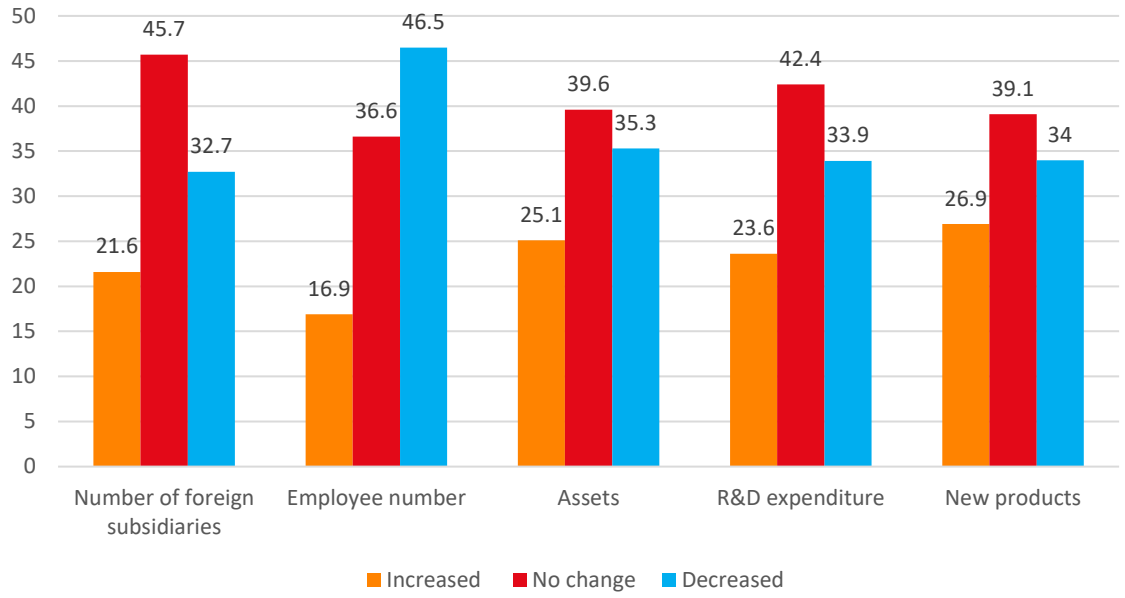
STRATEGIC RESPONSES TO COVID-19

The following section will provide the findings of the research and firms' strategic responses to the pandemic.

Overall responses

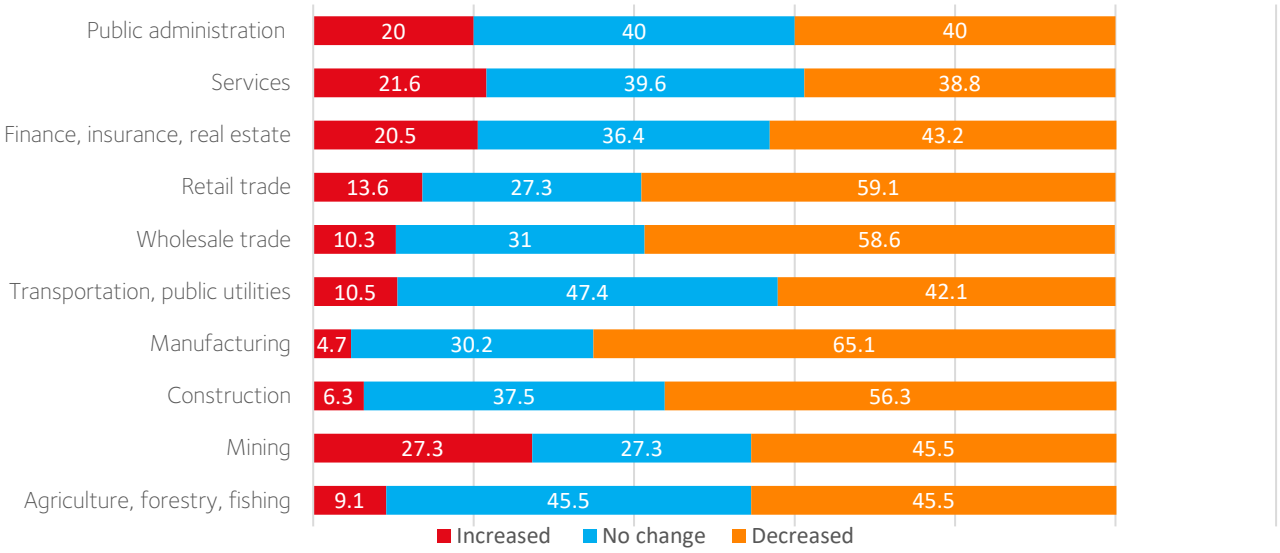
The figure below shows the number of foreign subsidiaries, number of employees, assets, R&D expenditure and number of new products before the pandemic started in 2019 and since COVID-19 for the years 2020 and 2021. It can be observed that 21.6% of the firms increased the number of foreign subsidiaries while 46.5% reduced the number of employees. In terms of assets, the majority of the businesses did not change the assets (39.6%) and 25.1% increased them. The R&D expenditure did not change in 42.4% of the firms surveyed; however, 33.9% of them decreased their R&D outlay. It is interesting to observe that 26.9% of the firms developed new products in contrast to 34% of the firms reducing the number of products while 39.1% of the firms maintained the same number of products. Overall, more than 30% of firms reduced their internationalisation scope, firm size and commitments in innovation, indicating a retrenchment strategy. The biggest reduction was in employment numbers. Less than half of firms (36.6%–45.7%) implied a persevering strategy—preserving their status quo without significant changes in their operational strategy. On the positive side, although it is not prominent, we observed 16.9% to 26.9% of firms committed to a variety of innovative activities and business expansion activities including in the international markets—an example of the innovation strategy.

Figure 16: Strategic Responses to COVID-19



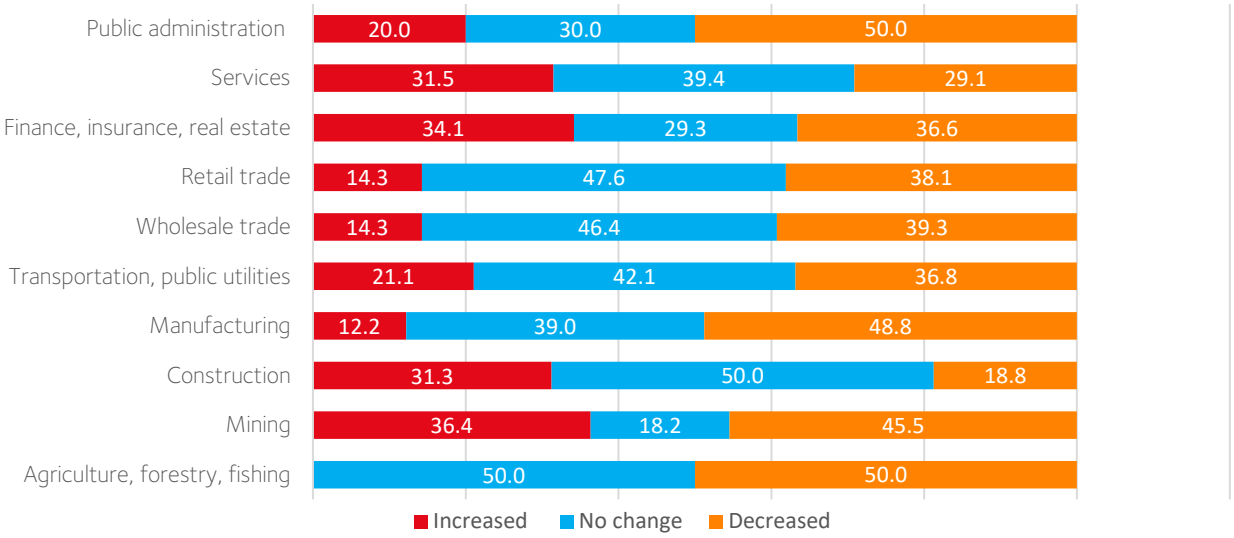
Below is presented the findings of the research in the changes by industry.

Figure 17: Changes in employee number by industry



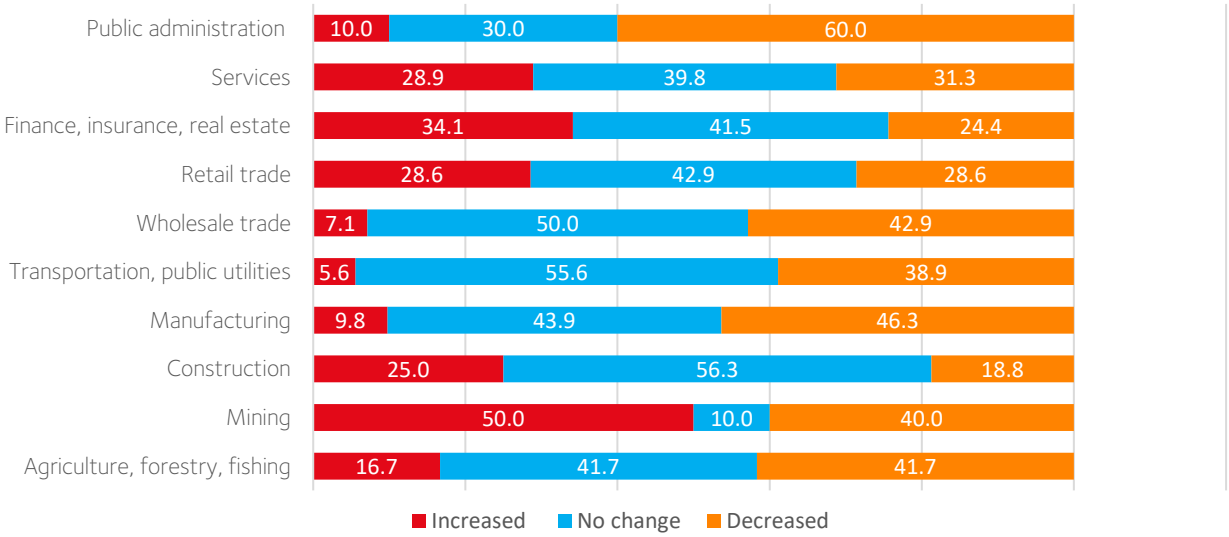
Overall, all the industries suffered a large reduction in employee numbers ranging from 38.8% to 65.1%. The four industries that suffered the most reduction of employees were manufacturing (65.1%), retail trade (59.1%), wholesale trade (58.6%) and construction (56.3%). In contrast, the industry that hired the most people (27.3 %) were mining firms surveyed, augmenting the number of employees. Public administration (20%), services (21.6%) and finance, insurance, real estate (20.5%) industries also witnessed a relatively significant increase in employee numbers comparing to other industries.

Figure 18: Changes in assets by industry



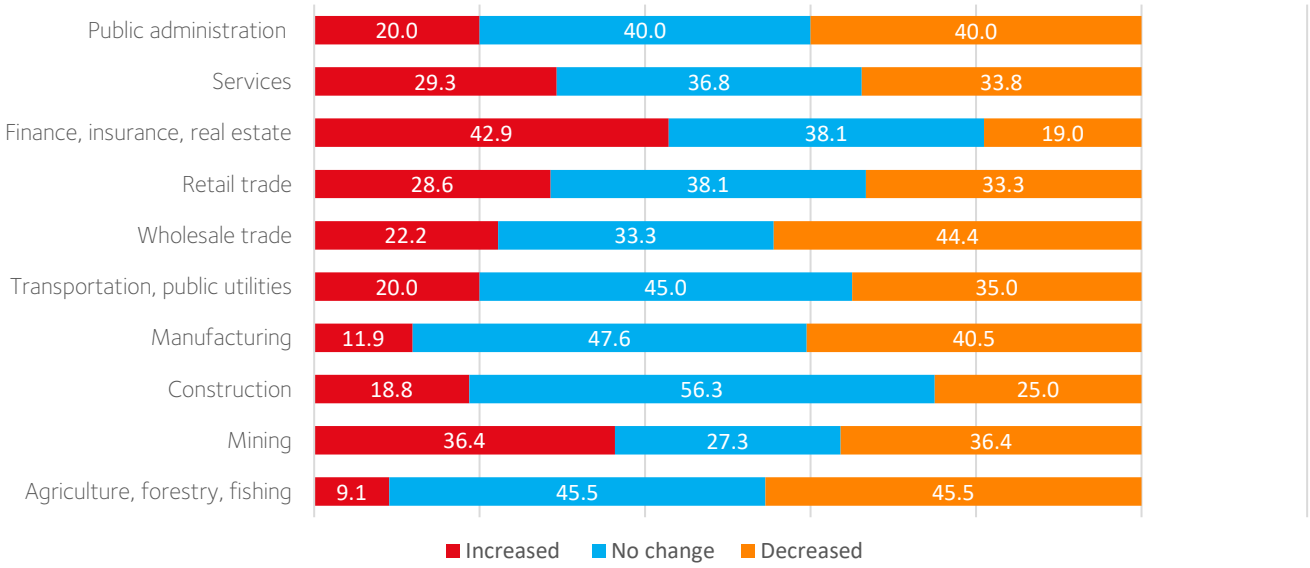
The percentage of firms increasing their assets is very low with respondents from the agriculture, forestry and fishing industry having no increase in their assets. Mining (36.4%), finance, insurance, and real state (34.1%) and services (31.5%) are the industries who augmented more their assets. The public administration and the agriculture, forestry and fishing industry are the two industries that significantly reduced their assets (50% each) in the years 2020 and 2021, followed by the manufacturing industry (48.8%) and the mining industry (45.5%). The percentages are very high and alarming, especially when an average is drawn across all industries. If we analyse all the industries together, it could be observed that there is an overall 39.2% decrease of assets. It is worth noting that half of the respondents from the agriculture, forestry and fishing industry maintained their business without many changes. The other half reduced their assets, while 0% increased their assets. Nearly 50% of retail trade (47.6%), wholesale trade (46.4) and construction industries (50%) are persevering without obvious changes in assets. Similar to the increase in employee numbers, the mining industry has the most firms (36.4%) with increased assets, followed by finance, insurance, real estate (34.1%), services (31.5%) and construction (31.3%).

Figure 19: Changes in R&D expenditure by industry



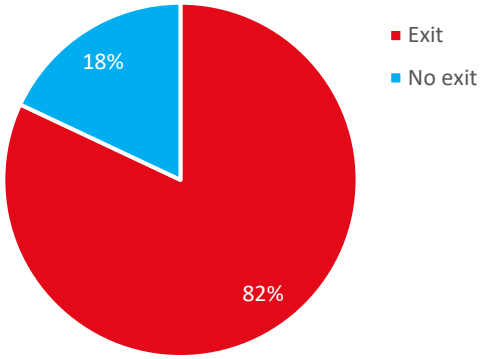
With 60%, the public administration is the industry that reduced more expenditure in R&D. It is important to notice that other industries like agriculture, forestry and fishing, mining, manufacturing and wholesale trade reduced 40% or more in R&D expenditure. Only three industries, transportation and public utilities (55.6%), construction (56.3%) and wholesale trade (50%) did not make significant changes in R&D expenditure. Interestingly, mining has the highest expenditure in R&D with an increase of 50%. The remaining industries increased their R&D by less than 35%. The lack of R&D expenditure leads to a lack of innovation. Innovation is essential in the current business world so as to be competitive across different markets. This lack of innovation is in line with a strategy of retrenchment, cutting costs and reducing the scope of business activities.

Figure 20: Changes in number of products by industry



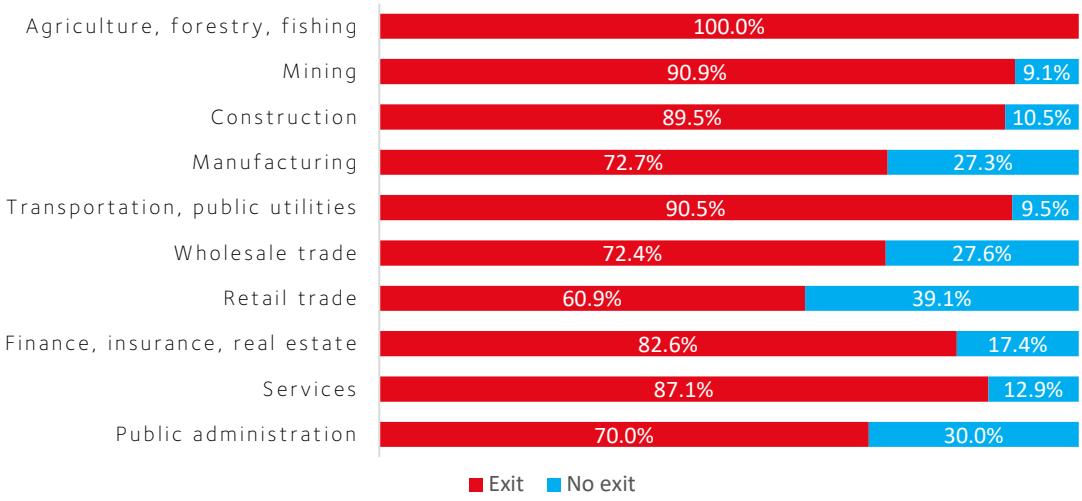
It is also disturbing to see that less than 43% of industries created new products, being finance, insurance, real state (42.9%) and mining (36.9%) as the ones who created more new products. The rest of the industries only increased their production below 30%. All the industries with the exception of agriculture, forestry and fishing industry (45.5%) decreased their product numbers by less than 45% and many industries decided not to make major changes in their products. To break this down, the construction industry having the highest percentage of no changes (56.3%) and mining the lowest (27.3%). The high number of firms making no changes and decreasing the number of products shows the lack of innovation with the decision of the majority of the firms to follow a strategy of persevering as they attempt to maintain the current state of the business activities from before the crises.

Figure 21: Firms who exit the host country due to a country's policies



Since COVID-19, 82% of our respondents exited a foreign country due to unfaverable policies from that country even though it was a strategically significant location before the pandemic. The exit strategy clearly indicated a large portion of firms employing the exit strategy due to a crisis.

Figure 22: Percentage of market exit by industry



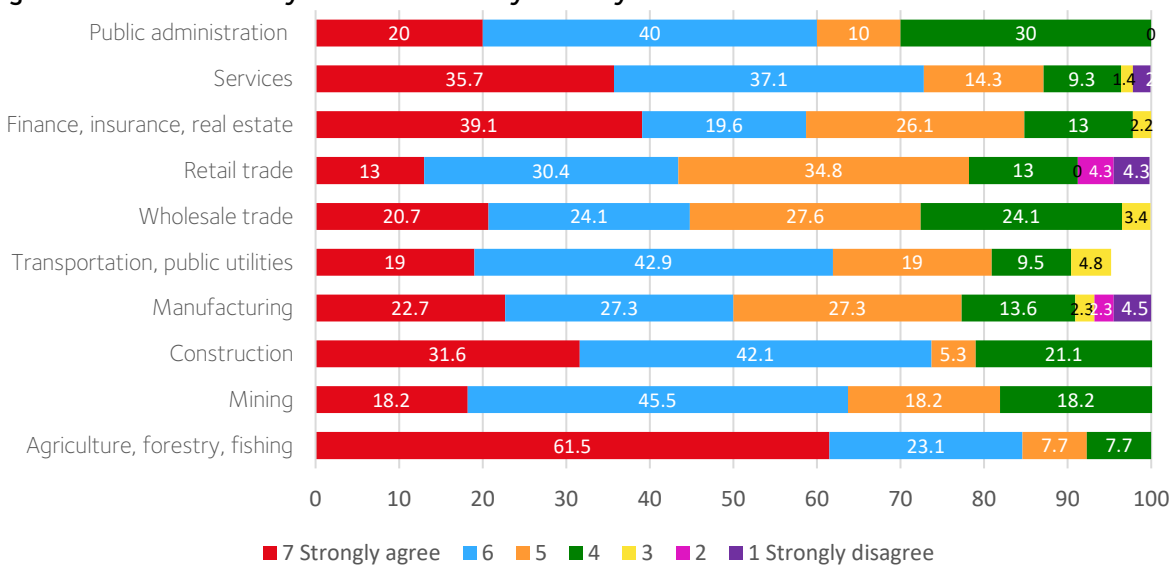
Although expected, it is alarming to note that a 100% of the surveyed firms in the agriculture, forestry and fishing industry exit the market due to the foreign country's policies since the start of COVID-19. Several industries such as mining (90.9%), construction (89.5%) and services (87.1%) were also impacted greatly from foreign policies and had to exit from the market. In comparison, the retail and trade industry has the highest percentage of firms staying in the host country (39.1%), followed by public administration (30%), wholesale trade (27.6%) and manufacturing (27.3%).

THE EXTERNAL ENVIRONMENT

Environment dynamism

Firms were asked about the external environment and the dynamism of the environment in 2021. To gauge the degree of environment dynamism, we asked firms to evaluate the extent of the changes in the external environment in their respective industry. We calculated the percentage of firms that answered strongly agree or agree to the level of environment dynamism in the industry as well as those that answered strongly disagree or disagree.

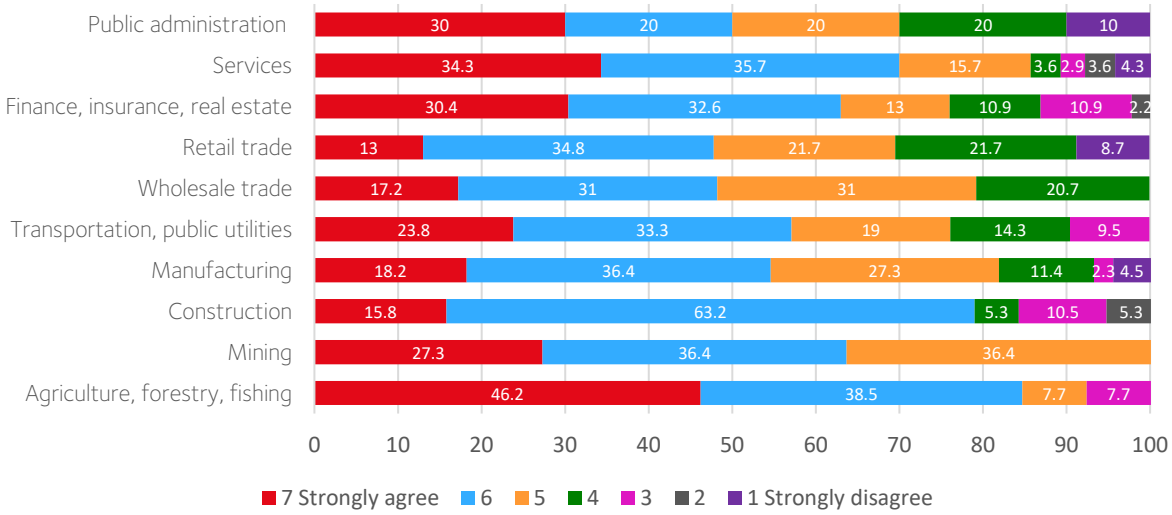
Figure 23: Environment dynamism in 2021 by industry



Overall, all the respondents mentioned that they are facing a dynamic environment in their industries ranging from 43.4% of firms in the retail industry to 84.6% of firms from the agriculture, forestry and fishing industry, followed by the construction industry (73.7%) and services industry (72.8%). A low number of firms disagree or strongly disagree that the dynamism of their industry environment has been impacted due to COVID-19. For example, 8.6% of firms in the retail trade industry, 6.8% from manufacturing, 4.8% from the transportation and public utilities industry and 2.1% from the service industry. Other than these industries, none of the other industries showed disagreement in the environment dynamism of their industry.

Environment competition

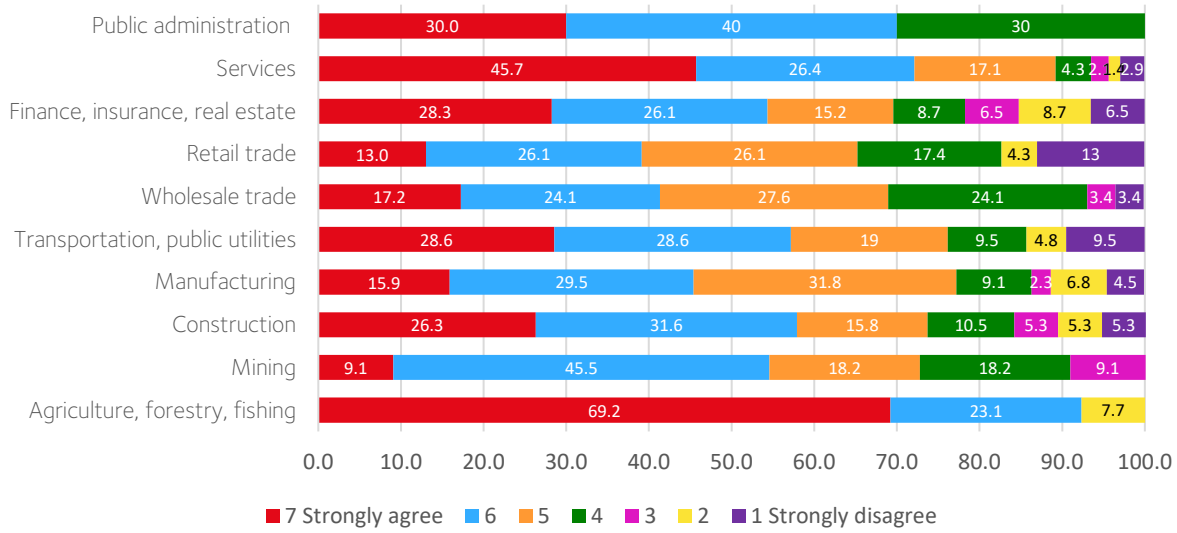
Figure 24: Environment competition in 2021 by industry



Firms were asked about the competitive environment of their industry. Respondents were asked if their clients usually purchase from multiple suppliers and if there were promotion wars. In general, all the firms responded that they are experiencing an environment of competition in their industries with 84.7% of the firms from the agriculture, forestry and fishing industry being the highest followed by construction industry (79%) and mining (63.7%). There is a low number of the firms who disagree or strongly disagree about the competitive nature of their current industry environment as shown with firms in finance, insurance, real state (2.2%), manufacturing (4.5%) and construction (5.3%). Other than these industries, none of the other industries showed disagreement in the competition of the environment in their industry.

Government support

Figure 25: Government support



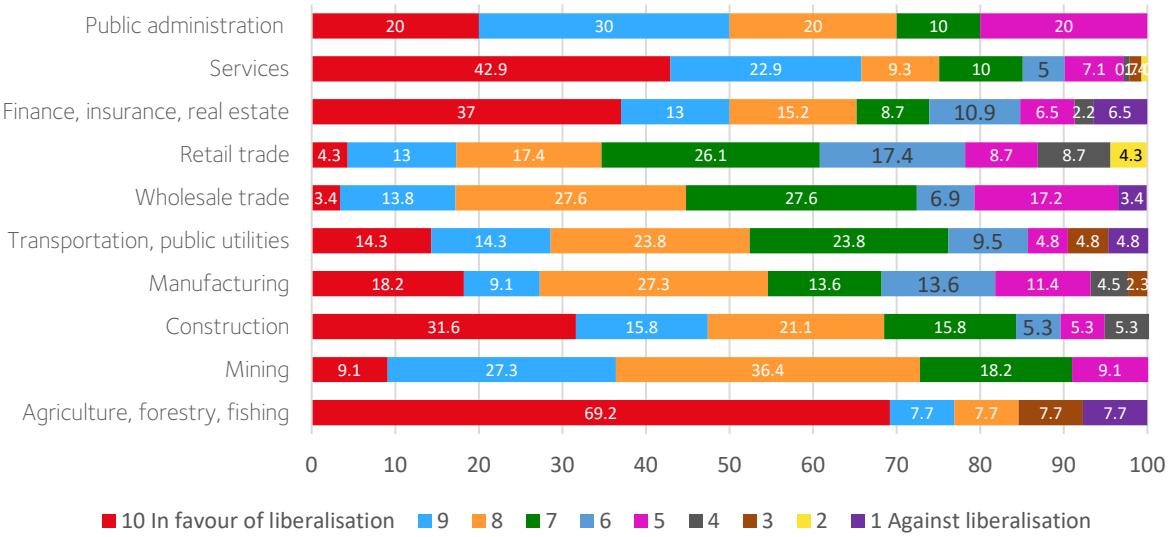
Firms were asked if they received financial support from the Australian government. In all the industries, they strongly agreed and agreed that they had received government support. It was observed that not all the industries received the same financial support from the government. The highest percentage of industries that received government support were agriculture, forestry and fishing industry (92.3%), services (72.1%) and public administration (70%). In summary, more than 40% of businesses in all industries with the exception of the retail industry (39.1%) responded that they strongly agreed and agreed they received government support. There is also a number of firms who disagreed or strongly disagreed with government support, for example, 17.3% of retail trade, 15.2% of finance, insurance, real estate, 14.3% of transportation, public utilities, 11.3% of manufacturing, and 10.6% of construction, indicating a lack of government support in these industries.

Perceptions on business environment in Australia

Firms were asked about their perception of the current and future business environment in Australia in terms of the rule of law, regulatory efficiency and open markets since COVID-19 for the period 2020-2021.

Perceptions on rule of law

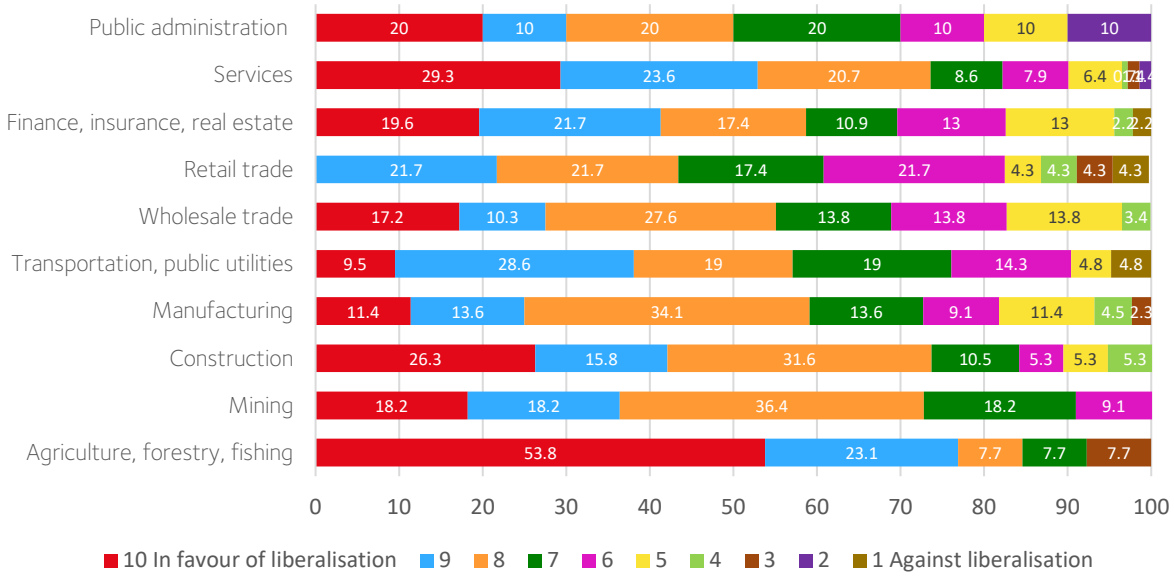
Figure 26: Perception of rule of law



Respondents were asked about their perception of the rule of law (e.g. property rights, freedom from corruption) in Australia since COVID-19 and if there is freedom in the regulatory environment. Respondents' perceptions vary across industries: more than half of agriculture, forestry and fishing (76.9%), services (65.8%), finance, insurance, real estate (50%) and public administration (50%) industries agreed they operate in good regulatory environment where their rights are protected and businesses are free from corruption. On the other hand, although the percentage is relatively low, it is alarming to see 15.4% of agriculture, forestry, fishing, 9.6% of transportation, public unities, and 6.5% of finance, insurance, real estate industries experienced less freedom in the regulatory environment in their respective industries. It is worth noting that the agriculture, forestry and fishing industry has the highest percentage of firms enjoying their operations in the regulatory environment and the highest percentage of firms experiencing less freedom, possibly indicating inconsistencies in law enforcement.

Perceptions of business, labour and monetary freedom

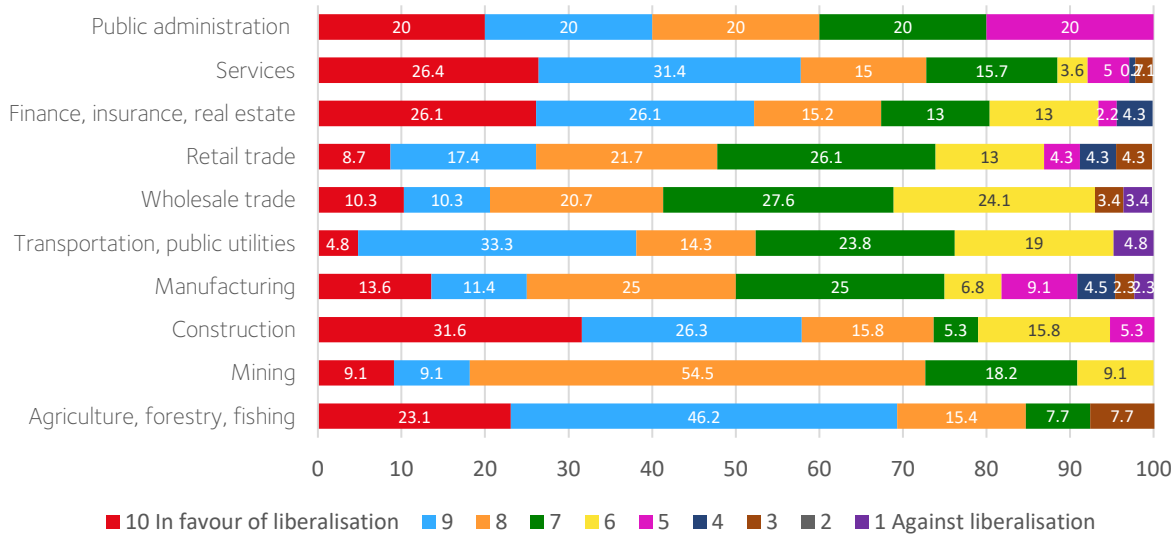
Figure 27: Business, labour and monetary freedom



Firms were asked about their perceptions in terms of regulatory efficiency, for example, business, labour and monetary freedoms. With the exception of the retail industry (21.7% agreed) all the other industries strongly agreed in favour of liberalisation. The agriculture, forestry and fishing industry respondents showed the highest percentage of strong agreement and agreement (76.9%) in favour of liberalisation. Other industries that show a high number of firms in favour of liberalisations are services (52.9%) and construction (42.1%). The perception against liberalisation is very low and in some industries such as agriculture, forestry, fishing, mining, construction and wholesale trade, there are not even firms experiencing less liberalisation, clearly showing positive views on current policies in the respective industries.

Perceptions on open markets

Figure 28: Perceptions on open markets



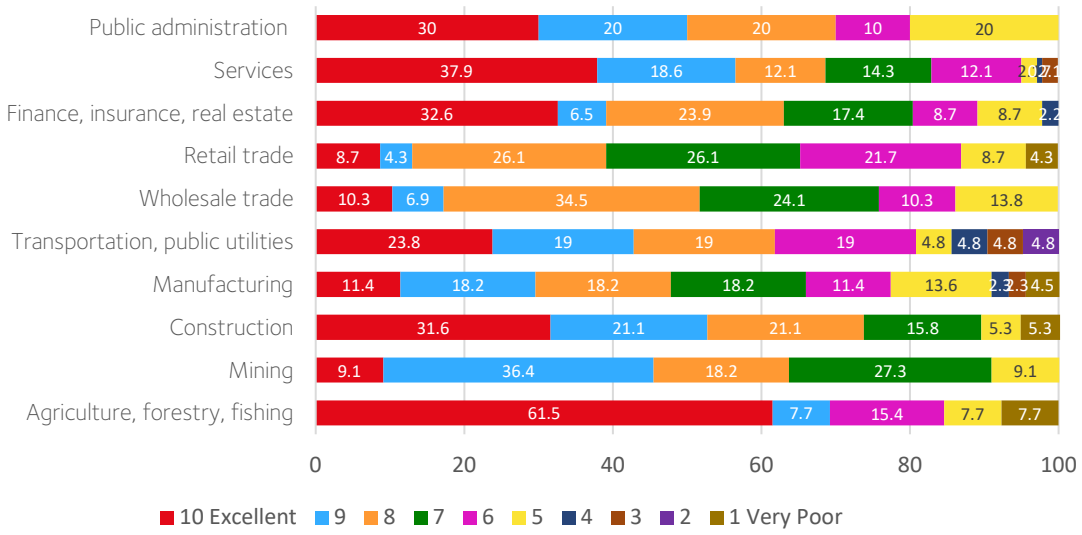
Firms were asked about their perceptions on open markets such as trade, investment and financial freedoms. Again, respondents' perceptions vary across industries: agriculture, forestry and fishing industry (69.3%), construction (57.9%) and services (57.8%) showing the highest percentage of companies that strongly agree or agree with the perception that businesses are operating in an open market in Australia. A small percentage of firms that think Australia is not an open market are from agriculture, forestry, fishing (7.7%), wholesale (6.8%), transportation, public utilities (4.8%), manufacturing (4.6%), and retail trade (4.3%). Again, the agriculture, forestry and fishing industry has the highest percentage in both perceptions: firms enjoying an open market, and firms experiencing less freedoms.

FIRM PERFORMANCE BY INDUSTRY

Firms were surveyed on the current performance in comparison to the competitors in the year 2021 regarding: cash flow, financial success, technological competitiveness. We calculated the percentage of firms answered from the range of 10 as excellent (highest) and 1 as very poor (lowest).

Cash flow performance by Industry

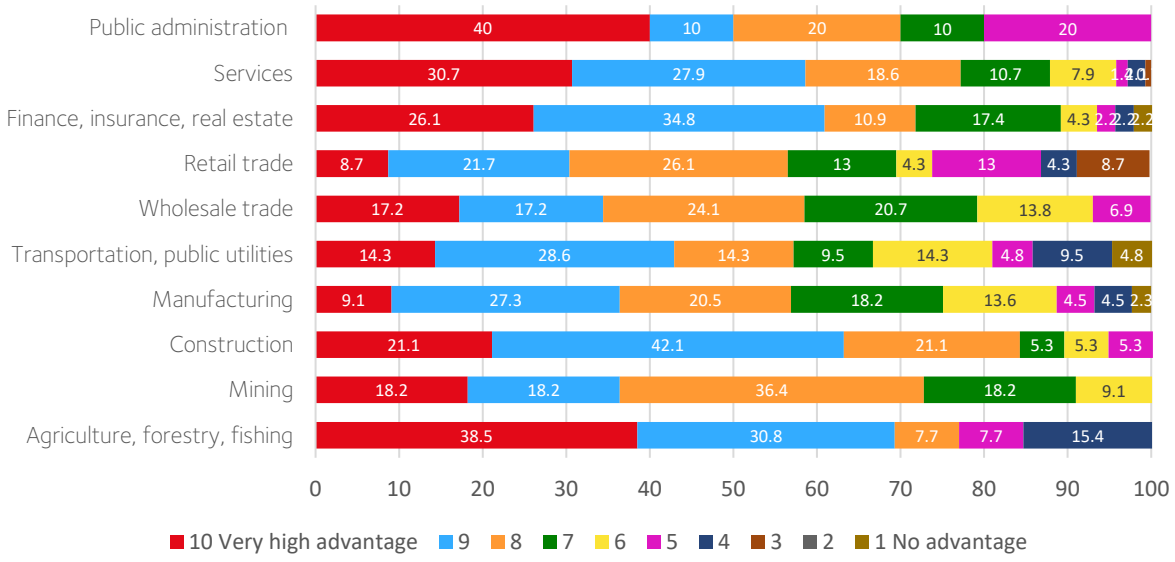
Figure 29: Cash flow performance by Industry



Firms were asked about their cash flow performance in the year 2021. It is noteworthy that all the industries responded with some degree of an excellent performance. Agriculture, forestry and fishing industry did extremely well with 69.2% of the firms responding that their performance was excellent and very well. More than half of the firms in the service (56.5%) and construction (52.7%) industries also had a very good cash flow performance. Firms that performed relatively poorly are from the transportation, public utilities (9.6%), agriculture, forestry, fishing (7.7%), manufacturing (6.8%), and construction (5.3%) industries. This is consistent with the findings that the majority industries received financial support from the government.

Financial success by industry

Figure 30: Financial success by industry

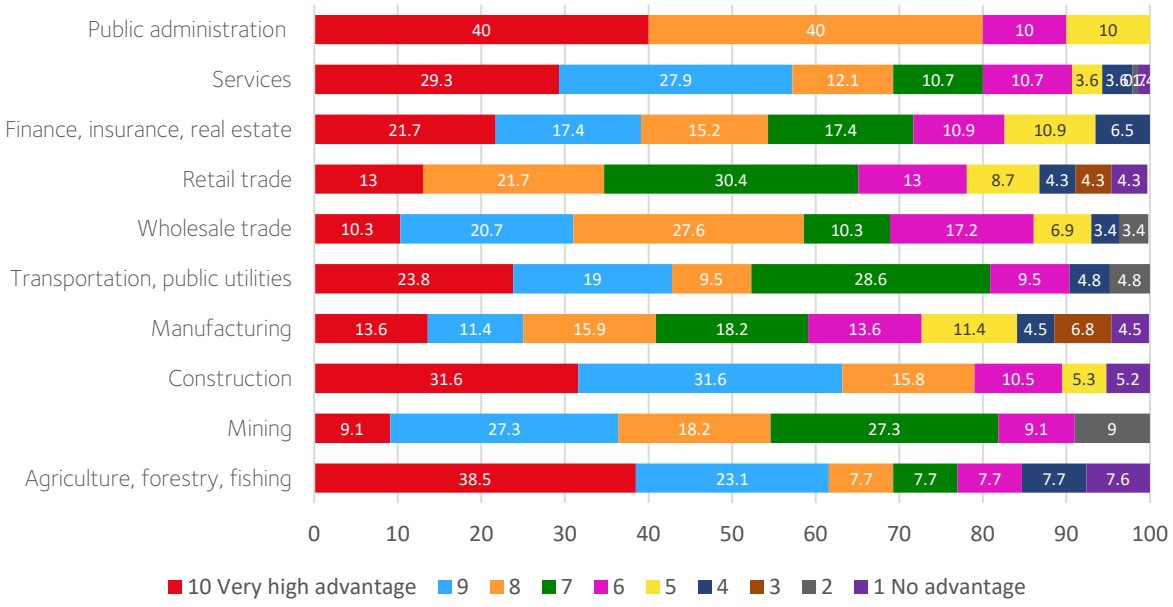


Firms were surveyed about their financial success in comparison to their competitors. We calculated the percentage of firms that answered 10 as very high advantage (highest) and 1 as no advantage (lowest). In all the industries it can be observed that the firms that responded with 10 or 9 indicating how well they did during the year 2021. The industries who reported higher in their financial success were agriculture, forestry, fishing (69.3%), finance, insurance, real estate (60.9%) and services (58.6%). On the other hand, there are four industries: retail trade (8.7%), transportation, public utilities (4.8%), manufacturing (2.3%), and finance, insurance, real estate (2.2%), where firms responded they had relatively no advantage regarding their financial success in comparison to their competitors. It is interesting to notice for some firms in the finance, insurance and real estate industry they had a very high percentage of firms (second highest) who are advantageous in comparison to their competitors, but some firms mentioned that they had no advantage at all.

Technological capacity by industry

Firms were asked to evaluate their technological capacity compared to their competitors. We calculated the percentage of firms that answered 10 as very high advantage (highest) and 1 as no advantage (lowest).

Figure 31: Technological capacity by industry



It is significant to note that no industry had more than 40% responses at a very high advantage (10 out of 10). This shows a need for improvement in technological capacities across different industries. The industries showing the highest percentage of firms with advantages in technological capacity compared to their competitors are construction (63.2%), agriculture, forestry and fishing industry (61.6%) and services (57.2%). The lowest percentage of firms with perceived technological advantages are manufacturing (25%) and retail trade (13%). Conversely, industries that reported they had relatively less advantages included manufacturing (11.3%), mining (9%), retail trade (8.6%), agriculture, forestry and fishing (7.6%), and construction (5.2%). From this comparison, manufacturing firms require more attention regarding improvement in their technological capacity.

CONCLUSION AND RECOMMENDATIONS

International trade plunged in 2020 but witnessed a quick recovery in 2021. While total trade flows are now over pre-pandemic levels, trade impact differs across different goods, services and trade partners, generating pressures on some sectors and supply chains. This report presents valuable insights into the strategic responses of 361 Australian firms surveyed across a variety of industries. In this report, the findings of the investigation included the changes to the number of foreign subsidiaries where it is observed that 45.7% of the firms did not change the number of subsidiaries, 46.5% of the organisations decreased the number of employees and only 39.6% of them did not make any changes in their assets while 25% increased it. In addition, 42.4% of the firms did not make any changes in R&D expenditure, but 35.3% decreased it. Moreover, 39.1% of the firms did not change any products and only 26.9% were involved in creating new products.

From the analysis of the data, it is concluded that there are four broad strategies:

1) retrenchment,
2) persevering,
3) innovating,
4) exit.

Retrenchment is the most commonly used strategy to cut costs and reduce the scope of business activities. This strategy helps firms focus on the core of their businesses and focus on business survival.

Persevering relates to maintaining the current state of the business activities as they were pre-COVID, and mitigating the adverse impacts of the crisis. Firms taking this strategy are likely to use slack resources for strategic renewal and maintain a higher rate of firm survival than competitors. Innovating refers to conducting strategic transformations. It is believed that actively seeking new ways of doing business or seizing new investment opportunities can be effective strategic responses to crises. Exit means the discontinuation of a firm's business activities in a foreign market. Although it indicates an decrease in scope and scale, it does not necessarily lead to failures. On the contrary, it may free up critical resources to pursue new business opportunities elsewhere.

The retrenchment strategy is observed in the reduction of the number of employees and the number of foreign subsidiaries, firm assets, products, and the expenditure in R&D. Some firms decided to maintain a persevering strategy, observed from the fact that many of them did not make any changes. There are also firms undertaking the innovation strategy. For example, 26.9% of the firms surveyed created new products and 23.6% of firms invested more in R&D. Finally, 82% of the firms surveyed mentioned that they decided to exit a foreign country due to unfaverable policies from that country even though it was a strategically significant location prior to the pandemic. As detailed in the report, the use of different strategies vary across different industries.

Based on this research, the report provides the following recommendations for policy makers and industry practitioners:

Government

Issue / opportunity	Recommendation
More firms are using a retrenchment strategy compared to firms that are taking the opportunities to expand their business and innovate.	Government needs to provide financial support to help with business continuity, but more importantly fund opportunities for innovation such as product/service innovation, process innovation and business model innovation.
Different industries suffered various levels of loss. A one-size-fits-all policy doesn't give enough assistance where it is needed most.	Government support such as job seeker and job keeper schemes could be expanded into a targeted scheme for industries who lost the most staff, especially the manufacturing industries where there is a strong expectation of bringing manufacturing firms back to Australia. A talent pool of workers needs to be maintained to make this long-term strategy possible.
It is alarming to see that nearly half of the manufacturing, mining and agriculture firms are selling their assets.	For industries that are related to national security, more scrutiny is required in the merger and acquisition process.
None of the firms from the agribusinesses industry are expanding.	More financial support should go to agribusinesses to help farmers experiencing financial hardship. Tax benefits could be provided for the firms in the agriculture, forestry and fishing industry to buy new machinery and equipment that will help the farmers to produce more with the latest technology hence producing at a lower cost.

Issue / opportunity	Recommendation
The percentage of firms spending in R&D is low.	Creating a scheme of different grants for businesses in the needed industries, or tax breaks related to research and innovation is important. This will help to find new markets, create new jobs and businesses hence more revenue for the businesses and more income for the government.
There is a very high number of firms who exited the foreign markets and 100% of the agribusinesses surveyed exited from overseas markets due to unfavorable policies from the the host country.	The government could negoticate better foreign policies and provide more assistance to firms doing business overseas especially the agribusiness. More support could go to Australian firms establishing partnerships with local businesses in the countries that they exsited. Stonger ties will help them maintain their businesses or re-enter those markets at a better position than when they left.
A very high percentage of firms consider there is high competition in their industry and that the enviroment is very dynamic.	The government should assist the firms in a dynamic and changing environment by providing the tools necessary to succeed. For example, by providing workshops and training sessions to firms so that they can quickly adapt to the changes in their industries.
The agriculture, forestry and fishing industry experienced the biggest discrepancy in perceptions of the business environment in Australia, particularly with regard to how much their rights are protected and how much freedom they enjoy in business operations.	Governments could investigate if there are inconsistencies in law enforcement in this industry.
In some industries, firms responded that they had a poor financial performance.	The government could pay more attention to the industries that showed a poor or very poor cash flow. It is a good idea to understand why they performed so badly so that the government can learn and find a way to support them. The government could provide tax incentives for the firms who did not do well to hire government or external consultants in their industry to assist them.
There is a need for improvement in technological capacities across different industries.	The government should support business in the use of new technologies by giving grants or tax breaks especially for manufacturing, mining, retail trade, agriculture, forestry, fishing industries that reported more firms with less advantages in technological capacities.

Industry practictioners

Issue / opportunity	Recommendation
More businesses are using the retrenchment and persevering strategies than innovation strategies.	Although layoffs are often unavoidable, businesses could rethink ways of maintaining the workforce if possible. For example, reduced hours, or sharing employees with others in the same industry. While it might not be a bad strategic choice, options of an innovation strategy could also be explored. If a firm on its own is not feasible to undertake major innovation initatives, think about forming alliance partners, open innovation with stakeholders, and looking into their business models for an innovative ways of value creation.
When crises happen, it is an opportunity and great timing to make some strategic changes. If competitors are spending less on R&D, it is a good opportunity for businesses to catch up with their competitors.	These strategic changes include more merger and acquisitions opportunities when some firms are forced to sell assets, expanding to related industries both upstream or downstream of their value chains, consolidating its supply chains and making radical changes in its management or business models such as digital transformation.
While firms are exiting foreign markets, the competition in that market reduces.	It is a great opportunity to enter new markets where competitors are forced to exit.
Competitors from other countries have not recovered as quickly as Australian firms.	Businesses could take this as an opportunity to increase their global presence through diversifying trade and investment profiles, reach to more customers through digital transformation, and work with local partners in the market who have the knowledge and expertise.
The market environment is competitive and volatile. Businesses should already have a plan, start the transition and understand that the positive government support will not be there in the future and plan ahead.	Businesses need to be flexible and ready to adapt quickly to changes. The best way for a business to outperform their competitors in a competitive environment is by employing creative strategies. People tend to think of creativity and strategy as opposites. They are far more similar than we might expect. More than this, actively aligning creative and strategic thinking in any enterprise can enable more effective innovation, entrepreneurship, leadership, and organising for the future.

NOTES AND REFERENCES

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