

Chapter 8

Investment Attractiveness of “Young” Companies in the Context of Global Changes Associated With the New Industrial Revolution

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ABSTRACT

Many factors act as criteria for assessing investment attractiveness, including the digitalization of business processes within companies and the introduction of innovative technologies to optimize the activities of an enterprise. The research purpose is to assess the volume of investments attracted by “young” companies through the use of advanced digital and information technologies, as well as to determine an integrated approach to activities aimed at developing the digitalization of the leading sectors of the economy. The theoretical basis of the research is the work of experts studying the impact of digitalization on attracting investment in the face of global economic uncertainty. The methodological basis of the study consists of the methods of statistical analysis of expert evaluation. As a result of the study, the authors have revealed the beneficial effect of digital technologies on the volume of attracted funding sources.

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INTRODUCTION

At each stage of its formation, humanity is developing at an ever-increasing pace. Nowadays, the global community is already on the threshold of a new industrial revolution (Industry 4.0). The changes associated with society's transition to a new stage of development are global in nature and are reflected in all areas, from everyday life to the global economy.

Many companies are already actively using new technologies to optimize business processes, which, in turn, affects the investment attractiveness of these companies. The most important trend of Industry 4.0 in the context of business processes is the development of technology platforms based on which supply and demand are combined. This approach is somewhat revolutionary and breaks down the idea of the existing structure in the economy. In today's reality, the idea of what is more valuable to the business is changing the platform for transactions or the underlying asset. Nowadays, the world's largest corporations (e.g., Facebook, Uber, Airbnb, and Amazon) are not the primary owners of the benefits they offer. For example, Uber does not own vehicles but operates thousands of transportation services, and Amazon is not a publisher but sells thousands of books daily. Thus, the activities of the largest companies are reduced to providing a virtual space in which the buyer and seller function and supply and demand meet.

A characteristic feature of companies that earn through the creation of virtual platforms is the scalability of their activities; that is, the activities of companies are not limited by production capacity or the time factor. Many offers can be placed on virtual platforms that operate 24/7. This feature of today's companies is reflected in the primary market trends. Thus, the average “life expectancy” of companies included in the S&P 500 rating for the period of the existence of the index has decreased significantly. In the 1920s, the figure reached 60 years; in 1965, the average age of companies decreased to 32 years; in 2020, the value was just over 21 years (Statista, 2021). There is a clear downward trend in the life expectancy of companies used to calculate the US stock index S&P 500; according to analysts, the indicator will continue to decline in the 2020s (Statista, 2021). Companies started to grow and multiply their capital much faster; it took Facebook six years to reach annual revenues of one billion dollars, while Google – only five years.

Considering the rapid development of “young” companies, this research will focus on such companies. A kind of indicator of the company's maturity is its entry into the stock market when it becomes an object of close attention of investors, and each of its actions can lead to the rise or fall of the shares. Thus, “young” companies are companies that launched their IPOs during the COVID-19 pandemic under global economic uncertainty. At the initial public offering stage, companies try to present themselves to potential investors in the most advantageous way. It is noteworthy

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