Digital Entrepreneurship

Businessman and an entrepreneur

There are some differences between a businessman and an entrepreneur. A businessman starts a business as a new entrant in an existing market by using traditional methods or following a path created by other businessmen. The aim is to sell products or services for profit. Such products or services are often in high demand. Hence, businessmen often face intense competition. However, the likelihood of business failure or collapse is relatively low. This is because traditional methods always work. Being a businessman is more or less about sales and profits.

An entrepreneur is an innovator who applies a unique idea to run a startup business using unconventional methods. Since the products or services offered are quite unique, an entrepreneur will be the leader in his own market and faces less competition. Due to the uniqueness, entrepreneurs need to involve customers and communities in order for new products or services to be accepted. Such a new idea causes an entrepreneur to face a lot of risks. Those who prove to be successful in taking on the risks will be rewarded with profits, fame, and continuous growth opportunities. In other words, an entrepreneur is a high-risk and high-gain occupation.

There are similarities between businessmen and entrepreneurs. First, they both act as decision-makers. Both positions require managing skills and are forward-looking. They possess excellent time management, organizational, and monitoring skills. Good businessmen and entrepreneurs have good listening and communication skills.

New opportunities and challenges in the digital era

The digital era is changing the business world by reducing barriers to new venture creation and creating new opportunities. Imagine that you can reach thousands, millions, or billions of potential customers, anywhere in the world at almost any time with technology that is so cheap or even free.

Digital technology is transforming the process of delivering products or services to customer. Many new products or services are created on personal devices and then delivered through the internet. Digital entrepreneurs get the money much faster than conventional businesses that produce goods in factories and sell in grocery stores.

Imagine being able to generate revenue from advertising, subscriptions, or even donations and crowdfunding without any need to invest in fixed assets. The digital world offers new sources of information for entrepreneurs to take advantage of, from open archives or stock images with exponentially increased content to the online engagement of users and communities worldwide. Also, there are several new ways to integrate resources. For example, a small business can access an extensive advertising network, chatbots, or one-click translations.

Last but not least, several forms of online and digital payment allow customers to quickly pay for what they want and enable entrepreneurs to quickly manage their financial accounts. Online payment and digital assets are the sole operations of many businesses in the digital era. The digital era also creates new entrepreneurial challenges, such as competing for online attention and keeping new businesses secure.

Reducing barriers to entrepreneurship in the digital era

Digital technology is at our fingertips. The power of the cloud, big data, social media, mobile technology, and artificial intelligence have all increased exponentially while costs have plummeted. So, it is not surprising that digital technology attracts many new entrepreneurs. An online business site that can sell to thousands of customers can be launched within minutes. A growing business can use cloud-based services to scale up to millions of customers by renting software and services on a pay-per-use basis.

As of 2020, around 0.3% of the US population has become entrepreneurs every month. And the rate is even higher in some other countries. Most traditional entrepreneurs have started their own business later in life after taking years to accumulate experience, create a network, and collect enough savings. Today's youth are thinking about entrepreneurship earlier. Yet a lack of knowledge, experience, and fear of the consequences of failure keeps many from pursuing their dream.

Faster entrepreneurship

A typical timeline for starting a new business might begin with a business idea. Then start searching for a location. These processes usually take about six months. A simple digital business, such as a website supported by a shopping cart or monetized ad., can be launched within a single day.

Faster startups encourage digital entrepreneurs to experiment and learn simultaneously. New business ideas can be tested and improved while the business is formed instead of waiting for a fully developed business to launch. Faster launch allows digital entrepreneurs to test ideas in their spare time without giving up their regular careers. Digital entrepreneurs can maintain employment until their newly established business is proven profitable.

Cheaper entrepreneurship

The digital world is filled with many free or cheap digital tools for communication, storage, site building, payments, invoicing, and consumer surveys. Businesses established under an ecommerce platform or online marketplace, such as eBay, Amazon, and Alibaba, have low startup costs. The major cloud computing service providers all offer free tiers. Digital marketing through social media and online advertisements offers low startup costs. Crowdfunding sites are a cheap way to raise early funds. The cost of a digital business launch is now approaching zero, which is good for trying out new business ideas with minimal risk.

Easier entrepreneurship

Coding, data analysis, and other technical skills can be challenging to master. However, digital entrepreneurs do not need to be experienced programmers or data scientists. Many digital marketing tools are made user-friendly with a Graphics User Interface (GUI). Setting up an online store or starting an online advertising campaign requires no specific coding expertise. Sites can be built and maintained with easy-to-use software. Customer data can be collected and analyzed with web analytics. And many digital services and resources can be integrated.

New possibilities for collaboration

Customers now have opportunities to contribute new ideas or participate in the creation of new products and services. Some even become funders, suppliers, or agents. Digital

entrepreneurs can use powerful tech platforms known as 'digital entrepreneurial ecosystems' to communicate, work with, and sell or offer products or services to others. Good examples are e-commerce platforms, logistics, fulfillment, and peer-to-peer services.

More effective entrepreneurship

Digital entrepreneurship can experiment faster, learn faster, and respond or adapt more quickly. One of the biggest barriers to entrepreneurship is a lack of competency, support, and experience, leading to a fear of collapse. Increasing the probability of success or reducing the consequences of failure could be a game-changer.

Digital entrepreneurship opens the possibility of what is known as an 'effectuation.' It is about starting a business using resources in hands rather than starting from a complex business plan that needs a large amount of resource. The 'lean startup' considers the early stages of entrepreneurship as an experiment or learning.

New digital opportunities: Experimentation, data, and scale

Digital entrepreneurship makes businesses easier to try and opens up new areas of opportunity. The digital world allows entrepreneurs to experiment with new business ideas quicker and cheaper. Accessible customer data allows entrepreneurs to offer more valuable and better-targeted products and services. Digital entrepreneurs can take advantage of the internet, cloud, and personal hand-held devices and adjust the size of a new business dynamically as new opportunities arise.

Experimentation

The digital world allows an entrepreneur to start a business with a simple prototype called Minimum Viable Products or MVPs. These prototypes help entrepreneurs learn what works and what doesn't with minimal risk and startup cost. Entrepreneurs can test new assumptions, apply different variables, and see what would happen.

Digital products and services are suitable for these experiments because we can simply create, change, update, and reconstruct, compared to physical products. Simple digital MVPs allow an entrepreneur to target a small group of customers first, rather than waiting for the entire product development process to finish.

Experimentation allows digital entrepreneurs to look for disruption or change opportunities. Digital entrepreneurs might start with a simple tool like receiving orders as a comment or a simple online form. Entrepreneurs can invest in further technology development when the business concept proves itself and customer needs are known.

However, an experimental approach raises concerns for some entrepreneurs. Some people worry about launching 'low quality' products. As pointed out by the 'lean startup' movement, quality is impossible to define until customer needs are known. Most of today's famous digital startups begin with low-quality products.

Other entrepreneurs are concerned that someone else will steal their idea if it is released as an experiment. Being first or having a unique idea is not the path to success. It is all about who can learn faster and bring the idea to reality.

Data

For digital entrepreneurs, collecting and using information effectively is one of the essential skills in every business. Every action taken on a digital product or service leaves a trace called 'digital footprint. ' These data provide insights into how products and services should be developed and delivered to create more customer value.

A video-on-demand platform like Netflix knows customers' preferences from the list of videos they watched and uses such information to guide their decisions about which content to invest in. Social media platforms, such as Facebook, have detailed information about the content people like and share.

Engagement data can be used to customize what is to be shown in each user's news feed. Search engines like Google have detailed information about what customers are searching for. This information can be used to decide which resources and ads are most relevant or maximize the revenue.

Digital entrepreneurs can access this service via Google Trends. Digital entrepreneurs are always looking for unique information. Local businesses may be looking for specific information about the local people, such as the tastes of the food they love. Game and animation businesses often search for information about people's favorite characters to produce souvenirs for sale. It can be seen that data is very important for businesses in the digital era. Accessing and using information effectively is the way to success.

Scale

In a non-digital world, changing the business size can be difficult. Expanding a restaurant can take months or even years, and it needs a lot of new hires and funding. Digital entrepreneurs have the advantage of starting small but fast-growing businesses. Digital businesses can take advantage of existing platforms, such as social media and search engines, to quickly build a target audience and provide new services that are beneficial to the large community.

Digital technology also makes it easier for entrepreneurs to optimize the scale of their businesses through cloud computing. Digital business size can be easily scaled up or down in minutes. For example, businesses can purchase Facebook ads focusing on specific moments and groups and turn them off when not in use. The size of cloud servers can also be scaled up or down based on actual traffic.

New Digital Challenges: Security, Privacy, and Competing for Attention

The digital world brings new threats and challenges, as well as opportunities. Traditional entrepreneurs starting dry-cleaning or construction material businesses may not need to adjust their plans every time privacy regulations are updated. Also, they don't need to protect themselves from foreign criminals who try to break into their stores several times a day.

Digital entrepreneurs have to deal with many complexities. Many businesses work in the shadow of the world's largest and most powerful tech companies who can compete with them at any time with no hope for small businesses to conquer. Digital entrepreneurs are also in a social media environment where comments, images, or text can go viral. This could either support or ruin their businesses.

On the other hand, traditional entrepreneurs may encounter problems when certain regulations impose restrictions on running a business, such as restaurants or cinemas during an epidemic.

Security

Approximately 15-50% of all digital businesses face digital security threats each year. Big corporations are more prone to attacks. The main objective of the attacker is to gain unauthorized access. Malware is still one of the most common attacks, especially ransomware attacks that focus on data-driven businesses. Criminals can rely on errors in source code because software is basically never error-free. And people are willing to install additional systems for maximum security.

A digital business will never be completely secure. What digital entrepreneurs can do is reduce their chances of being attacked and be prepared to quickly recover if an attack does occur. Tools and strategies are widely available, but they must be used with caution and on a regular basis.

Privacy

Digital businesses can and often collect personally identifiable information. In contrast, most consumers do not agree to share their personal information. Many people have ceased to perform online transactions due to a lack of trust.

Privacy regulations are increasing in complexity and are enforced in many countries. For example, businesses are obliged to obtain explicit consent before collecting personally identifiable information and give consumers the right to remove all personal information from the business at any time. These laws require digital operators to structure their platforms to meet these requirements.

Competing for Attention

With easier access to customers in the digital world, competition for attention and visibility increases. Because digital businesses are easy to create, having multiple businesses of the same type is inevitable. The more similar businesses there are, the more they compete for consumer attention.

And keeping the consumer's attention is even more difficult, expensive, and needs constant reinforcement. Traditional entrepreneurs may have few advertising and promotional options. But it is predictable in terms of cost and expected results. Building a customer base is more manageable and straightforward in traditional ways.

Digital entrepreneurs, despite having a wide variety of options, have the complexity of creating viral content and conducting search engine optimization to attract potential customers. Building a long-term customer base is also tricky because customers have the ability to find, compare, and be ready to walk away at any time.

The Bigger Picture: Making Entrepreneurship Inclusive

Digital business has increased inclusion and equity in business operations. The digital world can help overcome barriers to entrepreneurial mechanisms such as culture and social roles. It allows underrepresented groups to connect with customers and service providers around the world.

Digital entrepreneurs can take advantage of new forms of trust-building, such as online presence and social media activities. That allows investors and clients outside of traditional networks to collaborate.

Entrepreneurship adds a great dynamic to the economy as well as diversity. Entrepreneurship is believed to have many benefits for individuals and societies. This is why many countries around the world promote entrepreneurship and entrepreneurship education.

Entrepreneurs will have to work hard to realize the potential of digital technology. Not just creating wealth but to keep the economy alive, diverse, and reflect the values of the people they serve.

Reference

Allen, J. P. (2019). *Digital entrepreneurship*. Routledge.