

Digital entrepreneurship vs. Traditional entrepreneurship : the setting up of a global conceptual model

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Abstract: A review of the contemporary literature on entrepreneurship suggests that, in general, entrepreneurship in the digital sphere is more or less different from " traditional " entrepreneurship. Nevertheless, faced with this assertion, the question that remains slightly discussed is to determine which are foremost the main variables that allow us to compare these two phenomena in order to be able to distinguish them? Based on an in-depth study of variables used in the literature to describe entrepreneurs and their businesses, this paper attempts to introduce a global conceptual model that opens new tracks research to compare, in an empirical way, digital entrepreneurship and traditional entrepreneurship. This framework takes into account three main elements: The entrepreneur profile, the entrepreneurial process and finally the measurement of the venture performance and outcomes. This work also provides useful informations on digital entrepreneurship while demonstrating that it is a complex and multifactorial phenomenon.

Keywords: Entrepreneurship ; Digital Entrepreneurship ; Traditional Entrepreneurship ; Conceptual Model.

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1. Introduction

Entrepreneurial activities, using exclusively the internet and digital technologies for their implementation, have developed considerably over the last two decades. Indeed, more and more young and innovative entrepreneurs are starting to enter this new sphere, which allows them to enter an important market in which business opportunities are innumerable. Nevertheless, this type of initiative remains subject to a higher risk of failure than other forms of entrepreneurship. In some ways, this is due to the difficulties associated with this nascent digital environment, characterised by a lack of proper studies and guidelines. Indeed, the theoretical foundations of entrepreneurship in the digital sphere have not been sufficiently explored, and the need to contribute to both theory and practice is pressing.

That said, digital entrepreneurship is on its way to becoming a well-developed academic research field. Therefore, in order to better understand this new field, knowledge from its elder brother 'traditional entrepreneurship' can serve as a basis for a better understanding of the former. An analogical review of the literature suggests that, in general, entrepreneurship in the digital sphere is more or less different from so-called 'traditional entrepreneurship'. Nevertheless, this assertion remains hypothetical and has not been the subject of theoretical or empirical work, dealing with the subject as a whole, to attest to its veracity. To do this, the first question that arises is to determine what are the main variables that make it possible to compare these two phenomena in order to be able to distinguish them? Based on an in-depth analysis of the literature on entrepreneurs and their businesses in these two fields of study, the aim of this work is to set up a global conceptual framework that will allow the research, on the one hand, to empirically compare digital entrepreneurship and traditional entrepreneurship and, on the other hand, to clearly and precisely identify the new requirements for entrepreneurship in the digital sphere.

In the following section, we will present the theoretical framework of this work and the three key components that will guide our comparison. These elements will then be discussed in depth in order to propose the conceptual model that is the subject of our paper. This paper concludes by presenting some research perspectives on digital entrepreneurship.

2. Theoretical framework

It seems that digital entrepreneurship is a guarantee for those who want to exploit the potential of new information and communication technologies. Web advances offer customers quick and easy access to new services, data and information, as well as efficiency benefits (Sawyer et al, 2003). Kollmann (2006) equates these benefits with 'e-value added' that digital businesses provide to customers. He thus defines digital entrepreneurship as the process of developing new companies with innovative ideas, which, using an electronic platform in data networks, offer products and/or services based on purely electronic value creation.

In contrast to digital entrepreneurship, traditional entrepreneurship has been examined from different research perspectives (Jelonek, 2015). Given this potential, the latter provides a good basis for bridging the significant gap in our understanding of entrepreneurship in the digital age while measuring the differences or similarities between these two concepts.

In order to address the comparative analysis more specifically, we propose to guide our comparison on the basis of three different variables: The profile of the entrepreneur, the entrepreneurial process and the measure of business performance and outcomes. Indeed, of the many different approaches that have been used to describe and analyse entrepreneurship, Stevenson and Jarillo's (1990) approach classifies them into the three broad categories mentioned above. Gartner (1985) examined the psychological and sociological perspective of entrepreneurs that makes them more entrepreneurial. A second category of

researchers such as Burgelman et al (2008) focused on the entrepreneurial management process and how to bring innovation into established firms. The third line of study led by economists such as Schumpeter (1951) focused on the impact and outcomes of entrepreneurship and argued that entrepreneurship is the key process by which the whole economy is developed.

3. A conceptual model for comparing digital and traditional entrepreneurship

In general, the existing documentation scatteredly acknowledges the existence of some marked differences between digital and traditional entrepreneurship. Nevertheless, it lacks an integrated conceptual framework to capture the distinctions between these two phenomena. We fill this gap by developing a comprehensive conceptual framework (Figure 1) based on a comparative approach to the literature on traditional and digital entrepreneurship with respect to the three variables mentioned above.

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3.1 The profile of the entrepreneur

The characteristics of the new business starter have been extensively studied in the conventional entrepreneurship literature. Nevertheless, these characteristics generally apply to an entrepreneur who starts a business in a more traditional way. In order to approach the nature of the profiles of digital entrepreneurs, and based on a review of similar or related literature on this type of entrepreneur, Hafezieh et al. (2011) proposed a comparison of six main characteristics that concern age, experience, personal characteristics of the entrepreneur, previous experiences, education, perception of market needs and motivation. The results of this comparison show that certain requirements are no longer relevant, such as age, education or work experience. Indeed, Colombo and Delmastro (2001) argue that this new category of entrepreneurs is generally younger and less educated (especially in technical fields). They are often at their first professional experience and when these entrepreneurs have previous experience, it is usually in sectors of activity unrelated to the ICT field. Thus, in order to set up a digital company, an individual needs to have, for example, specific skills such as the ability to delegate and to build a good team, and to have good creative and marketing skills (Serarols-Tarrés et al, 2006).

In the same spirit, it is known that most of the giants in this field, such as Google, Skype or Facebook, were started by students whose only resources were their intellect and their work (Kiskis, 2011). According to Leung (2018), digital entrepreneurs are mostly university-educated Generation Y millennials who want to participate in the high-tech economy (McRobbie, 2016), inspired by the rhetoric of disruption (Scholz, 2014) and attracted by the utopian idea of 'changing the world'. Indeed, according to Balachandran and Sakthivelan (2013), these individuals represent privileged members of the community insofar as they provide services to the community and add wealth to it.

In this respect, the difference between the digital entrepreneur and the traditional entrepreneur becomes clear. The digital entrepreneur is the one who offers agile technological solutions to disrupt the existing industry. He shows that he can use his thought leadership to change the conditions of human existence. He starts with a good idea to develop business using the potential of the Internet, and then deploys the necessary means to create change on a global scale.

3.2 The entrepreneurial process

Entrepreneurship, whether digital or traditional, is always explained as a process. Indeed, the entrepreneurial process usually involves analytically distinct elements, namely the emergence of the idea, the identification of business opportunities, the feasibility study, the search for and exploitation of financial resources and the construction of an organisational structure. In general, these stages do not follow each other in a linear fashion but overlap and feed into each other (Gartner, 1985; Carrier et al, 2004; Dorado, 2006). At the level of digital entrepreneurship and although the containers remain relatively the same, the basic elements mentioned above are undergoing significant changes in their substance (Carrier et al, 2004).

Regarding the identification of opportunities, it is well documented that the online community is a breeding ground for entrepreneurial actions as users of digital technologies are motivated by the attention they receive from the community to develop new products for other users (Autio et al, 2013). Thus and in the context of intense interactions with their community, a large proportion of users of these technologies accidentally develop new products or services and become accidental entrepreneurs (Shah and Tripsas, 2007). This was explained by Fischer and Reuber (2011) who took the effect perspective and examined how social interactions, in particular social media interactions, effectively influence the formation of entrepreneurial opportunities. Carrier et al (2004) also argue that compared to more traditional entrepreneurial processes, digital entrepreneurs place significant emphasis on user needs analysis. Schmohl (2001) argues that digital companies are born with a desire to create value for both customers and shareholders. Digitalisation has thus limited the centralisation of the development and collection of entrepreneurial ideas to specific places or people, as it involves and engages a range of actors. This also finds continuity in other elements of the entrepreneurial process. Indeed, crowdfunding systems have been used, for example, to provide an organisational structure for diverse entities to come together and socially construct business opportunities (Mollick and Kuppuswamy, 2014).

Furthermore, new digital infrastructures also influence the feasibility study stage. These allow, on the one hand, the rapid formation and implementation of product and business model ideas, and on the other hand, the modification and replication of these elements in repeated cycles of experimentation (Ries, 2011). This level of fluidity or variability in entrepreneurial processes simplifies a non-linear deployment in time and space of such projects (Brynjolfsson and Saunders, 2009).

In terms of financial modelling, and in comparison with traditional entrepreneurship, the need for high initial investments at start-up for digital businesses is generally driven by the cost of customer acquisition and technology investments. Although these firms will tend to limit these investments by applying a phased approach to the most important elements, substantial budgets for communication, product development, technology and infrastructure are still needed even after this phase, resulting in disruption periods of several years (Schmohl, 2001). However, it should also be pointed out that the digital space also makes it possible to start an entrepreneurial project at little or no cost. Existing global digital platforms, such as Ebay or Amazon, make it possible to set up e-shops within minutes and with virtually no fixed costs (Kiskis, 2011).

3.3 Measuring performance and results

Unlike traditional entrepreneurship, entrepreneurial success in the digital sphere may no longer be about the execution of a predefined value proposition. Indeed, traditional models and frameworks of entrepreneurship have, by and large, assumed relatively stable and fixed boundaries around a business opportunity, where success is often defined in terms of how the entrepreneur executes a well-defined business plan (Brinckmann et al, 2010; Gruber, 2007; Honig and Karlsson, 2004). As a result, studies in this area have limited insight into the actions, behaviours and successes of entrepreneurs in the digital world. Nevertheless, a more emerging stream in entrepreneurship research has offered alternative

perspectives, which reflect more fluid limitations, in terms of assessing business outcomes and performance since the digital entrepreneurial process as already presented is based on uncertainty about continuous adaptation (Alvarez et al., 2013). When opportunities are created through an evolutionary implementation process, entrepreneurs rarely have sufficient information to know the alternative outcomes associated with their decisions and the likelihood of these different outcomes. Instead, they start with the resources they have, without long-term, actionable goals (Bazenet and Houy, 2015). As a result, the latest wave of millionaire digital companies has adopted a rather new approach to evaluating their performance and outcomes.

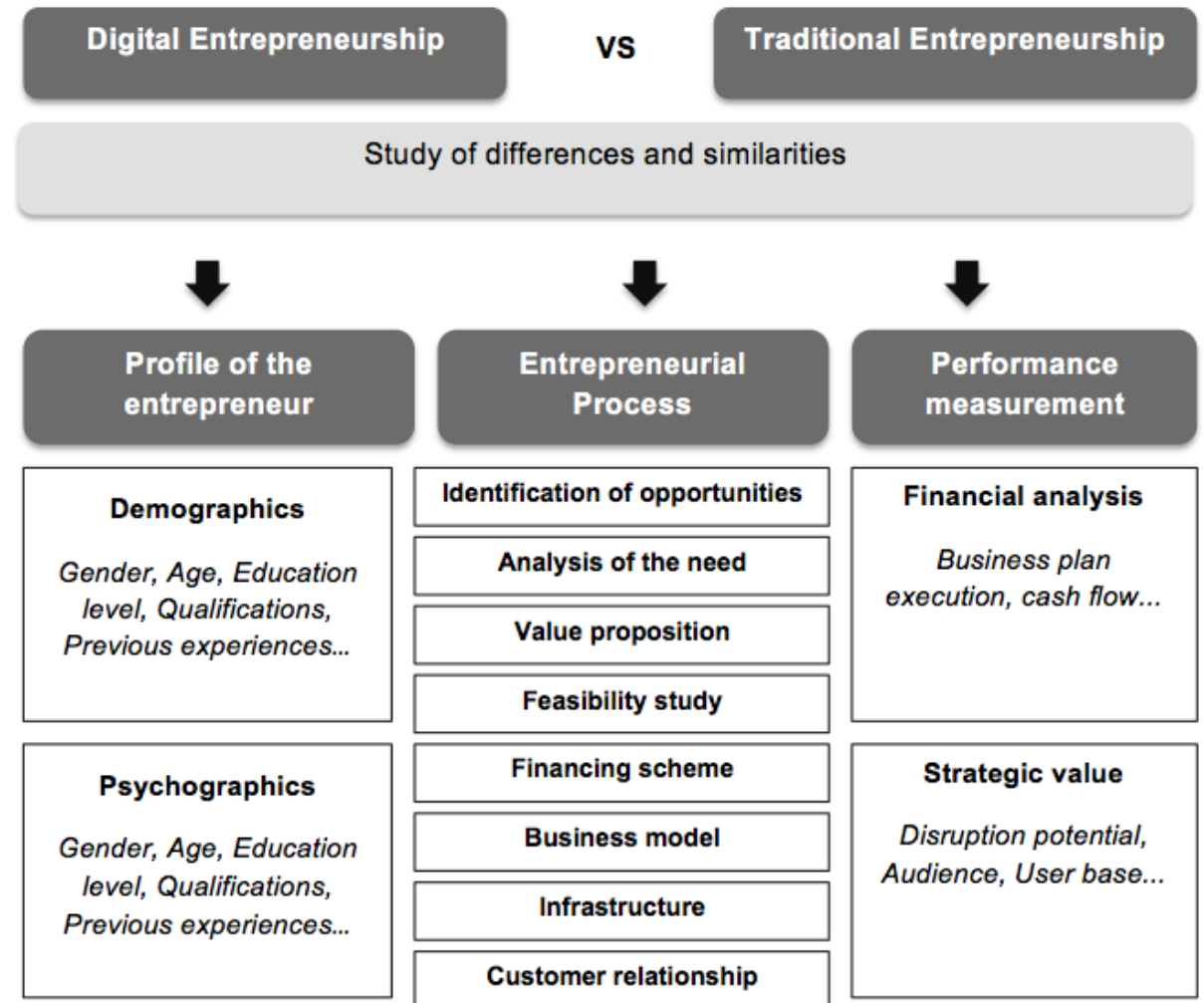


Figure 1 : Conceptual model "Digital entrepreneurship vs. traditional entrepreneurship"

While traditionally dependent on discounted cash flow and other financing methods, these new entrepreneurs have largely abandoned them. Instead, the measurement of performance and results of digital businesses is now based on a strategic assessment of the user base or audience and the disruptive potential of the business to those in place. Indeed, in this new digital space, the most common key measure is 'active members' or audience (Kiskis, 2011). Facebook's sale of shares to Microsoft in 2007, valued on its audience, when it had negative cash flows, is formal proof of this. Therefore, in this digital sphere, markets and advertisers pay for the attention of the company's user base, which attests to its performance.

4. Conclusion

Digital technologies have enabled the development of a new way of entrepreneurship in which traditional methods and forms of seeking and implementing entrepreneurial opportunities are increasingly being reshaped and challenged. In order to better understand the underlying issues of this new phenomenon, a juxtaposition of the concepts related to this new phenomenon with those of the classical theories of traditional entrepreneurship was necessary.

In general, our discussion shows that the digitalisation of entrepreneurial initiatives implies, on the one hand, new requirements for the profile of the entrepreneur and, on the other hand, multiple direct effects on the entrepreneurial process as well as on the methods of evaluating the performance and results of digital enterprises. Therefore, the analysis of these main aspects of entrepreneurship in the digital space suggests that it differs significantly from the fundamentals of traditional entrepreneurship and therefore deserves separate and further scientific studies. To this end, the conceptual model presented opens up a pathway for practical application embedded in rigorous empirical work to validate the differences found between the two concepts. Furthermore, further studies on more specific notions associated with digital entrepreneurship are also needed to fully understand this phenomenon, to accelerate its deployment in an efficient way, as well as to design specific public policies to address and facilitate this type of entrepreneurship.

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