



# A Review of e-Entrepreneurship in the net economy and its Economic Impacts

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## Abstract

This paper introduces e-Entrepreneurship as a new concept and tries to clarify the role of e-entrepreneurship in economic growth and investigates productivity of new e-ventures that are related to this concept. Some cases like google.com, ebay.com and amazon.com have been evaluated for this paper because having international customers and giving global services make these companies as means of entrepreneurship and their founder as e-entrepreneur.

**Keywords:** Entrepreneurship; e-Entrepreneurship; Net economy; Venture-commerce

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## 1. Introduction

**E-entrepreneurship** is defined as the notion which principally uses the Internet to strategically and competitively achieve vision, business goals, and objectives. Entrepreneurs use the World Wide Web (WWW) to interact and complete virtual transactions both with other businesses and their consumers/customers.

The notion of an e-entrepreneur has recently gained recognition amongst both academics and practitioners. An e-entrepreneur has many similarities with that of an 'entrepreneur,' especially with respect to the attributes and traits required to be successful. Concurrently, the major differences between the two are primarily in the resources (such as infrastructure and setup costs) required to start the business.

### 1.1. Notion of Entrepreneurship

The *Oxford Dictionary* defines an entrepreneur as "a person who undertakes or controls a business or enterprise and bears the risk of profit or loss." for the purpose of this chapter, the authors have defined-entrepreneurship as a concept which

principally uses the Internet to strategically and competitively achieve vision, business goals, and objectives. Entrepreneurs have been defined as those individuals who use the World Wide Web (WWW) to interact and complete virtual transactions both with other businesses and customer. The entrepreneur can be viewed in at least four ways:

- (1) As the coordinator of other production resources, land, labor and capital
- (2) As the decision maker under uncertainty;
- (3) As the innovator; and
- (4) As the gap filler and input completer.

### 1.2. Characteristics of Entrepreneurship

According to Ahmadpour and Moghimi (2006), a common stereotype of the entrepreneur emphasizes such characteristics as **high need for achievement**, a **willingness to take moderate risks**, and a **strong self-confidence** [1].

- 1) **Need for achievement** – a desire to succeed, where success is measured against a personal standard of excellence;

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2) **Willingness to take risk** – the risk that entrepreneurs take in starting and/or operating their own business are varied. By investing their own money, they assume a financial risk. If they leave secure jobs, they risk their careers. The stress and time required in starting and running a business may also place their families at risk. And entrepreneurs who identify closely with particular business ventures assume psychic risk as they face the possibility of business failure.

3) **Self-confidence** – Individuals who possess self-confidence feel they can meet the challenges that confront them. They have a sense of mastery over the types of problems they might encounter. Studies show that successful entrepreneurs tend to be self-reliant individuals who see the problems in launching a new venture but believe in their own ability to overcome these problems.

### 1.3. Function of the Entrepreneur

Kilby identifies thirteen entrepreneurial functions [2]:

#### Exchange relationship

- 1) Seeing markets opportunities (novel or imitative);
- 2) Gaining command over resources;
- 3) Marketing the product and responding to competition;
- 4) Purchasing inputs.

#### Political administration

- 5) Dealing with the public bureaucracy (concessions, licenses, taxes, and so fourth);
- 6) Managing human relations in the firm;
- 7) 7. Managing customer and supplier relations.

#### Management control

- 8) 8. Managing finances;
- 9) 9. Managing production (control by written records, supervision, coordinating input flows with customer orders, maintaining equipment);

#### Technological

- 10) Acquiring and overseeing plant assembly;
- 11) Minimizing inputs with a given production process – industrial engineering;
- 12) Upgrading processes and product quality;
- 13) Introducing new production techniques and products [3].

## 2. e-Entrepreneurship

### 2.1. Entrepreneurship vs e-Entrepreneurship

As we saw above, entrepreneurship consist on the process of creating something new and assuming

the risks and rewards, e-Entrepreneurship will consist on creating owner business activity on internet in some area characterized in to sell or able a service something only online, such as email service DVDs, including rental and Books, Computers, T-shirts, Cell phones, Magazine subscription, tools

Software, etc. In fact e-Entrepreneurship refers to establishing a new company with an innovative business idea within the Net economy, which, using an electronic platform in data networks, offers its products and/or services based upon a purely electronic creation of value. Essential is the fact that this value offer was only made possible through the development of information technology”

### 2.2. e- Entrepreneurship and economic development issues

The rapid economic growth of the Western world during the past century is largely a story of how novel and improved ways of satisfying wants were discovered and adopted A major goal of poor countries is economic development or economic growth. The two terms are not identical. Growth may be necessary but not sufficient for development. Economic growth refers to increases in a country's production or income per capital. Production is usually measured by gross national product (GNP) or gross national income (GNI), used interchangeably, an economy's total output of goods and services. Economic development refers to economic growth accompanied by changes in output distribution and economic structure. These changes may include an improvement in the material well-being of the poorer half of the population; a decline in agriculture's share of GNP and a corresponding increase in the GNP share of industry and services; an increase in the education and skills of the labor force; and substantial technical advances originating within the country. The main factors influencing long-term economic growth are growth in the labor force and sustained growth in labor productivity.

The use of information and communication technology (ICT) by enterprises – or **e-business** – is closely linked to the growth of the Internet. The global number of **Internet users** grew 26% between 2006 and 2009. In 2001, 27% of Internet users were from developing countries, a figure that rose to 32% of the world's 591 million Internet users in 2009. B the year 2010, 50% of total Internet users could be in developing countries. Particularly significant growth is foreseen for Asia. In 2010, 95% of **e-commerce** took place in developed countries, with Africa and Latin America together accounting for less than 1%. However, the beginnings of a rapid expansion of e-commerce,

mainly business to business (B2B), are foreseen in the developing world, albeit again concentrated in key exporting developing countries.

The United States is by far the largest user of e-commerce. In 2009, annual B2B online sales in the United States totaled 995 billion US\$. The value of e-commerce in the European Union in 2009 was estimated at around 185 billion to 200 billion US\$. In Central and Eastern Europe, B2B e-commerce amounted to about 4 billion US\$ in 2009. In the Asia-Pacific region, it was expected to grow rapidly, to about 200 billion US\$ in 2009. In Latin America, 6.5 billion US\$ of online B2B transactions were forecast for 2009 and 12.5 billion for 2010. African B2B e-commerce was expected to amount to 0.5 billion US\$ in 2009 and 0.9 billion in 2010, with South Africa accounting for 80% to 85% of these figures. In the area of business-to-consumer (B2C) e-commerce, estimates of total online retail sales for 2009 were 43.5 billion US\$ for the United States (73 billion including travel), 28.3 billion US\$ for the European Union, 15 billion US\$ for the Asia-Oceania region, 2.3 billion US\$ for Latin America and as little as 4 million US\$ for Africa.

Standard economic theory has developed along lines that virtually exclude the entrepreneurial role. This has largely been a result of the tendency to exclude all elements of unexpected change, to focus attention almost exclusively on equilibrium states of affairs, and to treat individual decisions as immune from the hazards of error. Taken together, these features mean that mainstream (neoclassical) economics provides a much distorted picture of the competitive market process and of the process of economic adjustment. Economic decision-makers are assumed to respond mechanistically and automatically to the signals of the market. There is no spotting a gap in the market, no exercise of initiative. Entrepreneurial characteristics are specifically excluded from the model. If it were appropriate to examine only equilibrium (market-clearing) levels of prices and output, we would not need a theory of entrepreneurship. But if we want to explain the disequilibrium process by which prices and outputs adjust in markets, then we must have a theory of the entrepreneur. The market process cannot function, even within the market for a single commodity, if all market participants are assumed to be non-entrepreneurial maximizers who react mechanically to changes enforced upon them by external circumstances over which they have no control [4]. A theory of entrepreneurship is a prerequisite to any theory of the dynamics of the market process.

The absence of a neoclassical theory of the entrepreneur has been investigated at length within the economics literature and need not be

discussed in detail here.<sup>3</sup> At this juncture, it is sufficient to mention that the standard economic theory of competition cannot explain market processes – the way in which market forces bring about adjustments in prices, quantities and qualities and the introduction of new products and processes. At best, neoclassical theory describes the conditions for competitive equilibrium (economic balance), without explaining adequately if or how equilibrium may be reached. Economic theories of entrepreneurship, of course, do exist but there is little consensus as to what constitutes entrepreneurship and the entrepreneurial function. There is no uniform treatment of the role that entrepreneurship plays in the operation of the market system. In the economic literature, the entrepreneur is portrayed, among others, as a heroic innovator who carries out ‘new combinations’ and initiates discontinuous change [5], as an economic leader who directs novel, non-routine activities of business organizations [6].

We know that the basis of the Net Economy is shaped by four technological innovations: information technology (IT), entertainment, telecommunication and media technology. By using the Shell Model of the Net Economy, which will subsequently be described in more detail (see Figure 1). The information society that we can see in this model is respectively characterized by the intensive use of information technologies and the resulting change from an industrial to a knowledge society. The growing relevance of IT and the expansion of electronic data networks have created a new commercial/business dimension that can be called the network economy or the Net Economy. Three parts of shell model of Net economy directly influence on growth of developed and developing countries by increasing the rate of GDP and GDI.

- E-procurement enables the electronic purchasing of products and services from a company via digital networks.
- An e-shop allows the electronic sales of products and services by a company using digital networks.
- An e-marketplace allows electronic trade with products and/or services via digital networks.
  - By the way, the creation of new e-ventures plays a decisive role for the social and economic development of every country. Because of this fact that with each new venture created a market participant comes into existence which potentially stimulates the competition and drives the economy further. The formation of new companies within the Net Economy (e-entrepreneurship) is therefore – in spite of the current market turbulence – a key topic for every national industry.

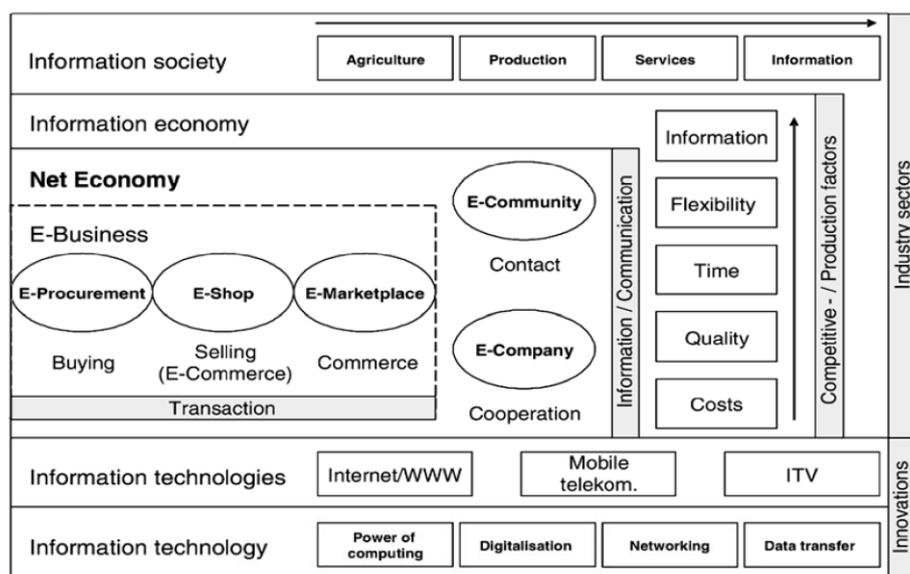


Figure 1. The shell model of the net economy [7].

Consequently, e-business must not be ignored by decision makers; its technological advantages are obvious and therefore will most certainly lead to new business processes and business concepts as well. Because of those circumstances there will be a solid basis for new venture creation within the net economy in the future, too.

### 2.3. e- Entrepreneurship in the United States as a developed country

As example of *e-entrepreneurship* in the United States we have, for example as cases, google.com, eBay.com, amazon.com, etc. Speaking specially of these companies gives us tremendous ideas about implementation of a new idea. *E-Bay*, a widely successful start-up, is a classic example of entrepreneurship and innovation in the e-business world. From its humble origins as a trading post for Beanie Babies, eBay has become one of the world's largest online trading centers. It has created a whole new business arena which hosts over 150,000 entrepreneurs and about 30 million customers worldwide. The company has constantly pursued new ways of doing business. For instance, eBay created an innovative feedback system which buyers and sellers can rate each other following a transaction, thereby enhancing users' experience and satisfaction. Its PayPal payment-processing system also allows buyers to make electronic payments to eBay sellers who cannot afford a merchant credit card account. This opens up a whole new medium of exchange. As a result of such innovations, it is estimated that eBay's net revenues will grow to US\$3 billion by 2005.

*Google*, the Web search engine giant, is not only an entrepreneurial company in terms of its aggressive

growth strategy but also a pioneer of innovation. To enhance the level and efficiency of its features and services, Google has continuously improved its technologies. It created a services and tools section in its Web site known as Google Labs to demonstrate its innovation and ask its users to experiment with and provide feedback on the features and tools. Google toolbar, Google Groups and Google Answers are a few of their other innovative e-business developments. The founders of Google, two graduate computer students expressed their innovation mindset quite frankly, "Google is not a conventional company. We do not intend to become one." In this respect, Google has persistently taken an unconventional way of designing its business and concentrated on building a better search engine rather than spending millions on marketing campaigns. It has innovated the existing technology to provide a fast, accurate, and easy-to-use search service that can be accessed from anywhere at anytime. "Never settle for the best" is one of the company's philosophies (Google, 2009). In fact Google's strategy against the fierce competition in the search engine provider market is one of constant innovation and entrepreneurship through creating new and innovative services and tapping new channels of revenues. For example, Google has recently launched a string of new services, such as the free Webmail service, G-mail, and Froogle, an online shop price comparison service.

*Amazon.com's* success has everything to do with innovation and entrepreneurship. The company has been a pioneer in dot .com industry since its beginning. It was the first company to move a book retailing business online; the first to offer its customers a "one click" program to streamline the

buying process by storing detailed customer information including credit numbers; and the first to use collaborative-filtering technology to give customers an idea about what other people with similar purchase histories have bought. Amazon.com was the first company to develop the comparison shopping program that directs its customers to other retailers if it does not sell a certain product. Its affiliates program also was also the first in the dot-com industry, having directed millions of customers from its partners' sites to *Amazon.com*. Undoubtedly, Amazon.com has always been a first mover in e-business through continuous innovation [8].

These empirical studies of e-entrepreneurship and e-innovation demonstrate that the success of e-business is inextricably linked to a combination of entrepreneurship and innovation, and that the two are enablers and key drivers of e-business.

### Conclusion

We saw the difference between Entrepreneurship and e-Entrepreneurship, and some examples of online business created by e-entrepreneurs, so we concluded that by fact we are on knowledge era, they and those who wants to be e-entrepreneur need to work a lot because, online business will be always exigent when these companies are in different virtual places and where is having different customers, suppliers and rivals companies. The argument of this paper is that a combination of entrepreneurship and innovation is a crucial factor to the long-term sustainability of e-commerce and e-businesses.

The author has found that Entrepreneurship and Net economy are positively related to each other and interact to help an organization to flourish. Entrepreneurship and e-Entrepreneurship are complementary, and a combination of the two is vital to organizational success and sustainability in today's dynamic and changing economy.

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