

# Chapter VIII

## E–Entrepreneurship: The Principles of Founding Electronic Ventures

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### ABSTRACT

*The fundamental advantages of information technology in regard to efficiency and effectiveness assure that its diffusion in society and in most industries will continue. The constant and rapid development of Internet-related technologies in the accompanying net economy has inevitably had a significant influence on various possibilities for developing innovative online business concepts and realizing these by establishing entrepreneurial ventures. The term “e-entrepreneurship” respectively describes the act of founding new companies that generate revenue and profits independent from a physical value chain. With this in mind, this article focuses on the process of creating electronic customer value within the net economy as well as the success factors and development phases of electronic ventures. Elaborating on these points should help to clearly define the area of e-entrepreneurship and provide evidence that the establishment of electronic ventures is worthy of special consideration in the context of research on information technology entrepreneurship.*

### INTRODUCTION

With the dawn of the Internet in the last decade of the twentieth century, a structural change in both social and economic spheres was induced. Information technology has become an integral part of daily life and its influence on the transfer of information has become ubiquitous. The fundamental advantages of Internet-related technologies, especially in regard to their efficiency and

effectiveness, assure that its diffusion in society and in most industries will continue. Above all, Internet-related technologies have produced new possibilities with respect to how enterprises create value for their customers. By offering physical and digital products and services via the World Wide Web, customer value may no longer be created on a physical level only, but also on an electronic level (Amit & Zott, 2001; Lumpkin & Dess, 2004; Weiber & Kollmann, 1998). In fact, an entirely

new business dimension, which may be referred to as the net economy has emerged (Kollmann, 2006; Matlay, 2004). This has inevitably had a significant influence on various possibilities for developing innovative business concepts and realizing these by establishing entrepreneurial ventures that generate revenue and profits independent from a physical value chain. In this context, the term “e-entrepreneurship” describes the act of founding new companies specifically in the net economy. The expansion of the classical use of the term “entrepreneurship,” however, raises several questions that will be answered in this chapter. In particular, the chapter will give answers to the following questions:

1. Which possibilities for innovative entrepreneurial activities does the net economy offer to create an electronic customer value?
2. What are the success factors for founding a company in the net economy?
3. What are the typical development phases that an electronic venture will undergo during its initial years of business?

This chapter will elaborate on these points in order to clearly define the area of e-entrepreneurship. Moreover, proof should be provided that the establishment of electronic ventures is worthy of special consideration in the context of research on information technology entrepreneurship.

## **BACKGROUND: THE NET ECONOMY**

From a historical perspective, only the product characteristics (quality) and corresponding product conditions (e.g., price, discount) determined the success of a product (Kirzner, 1973; Porter, 1985). At that time, it was important to either offer products or services to the customer that were cheaper (cost leadership) or qualitatively superior (quality leadership) to the competitor's

product. Later in history, speed and flexibility as two additional competitive factors joined the scene (Meyer, 2001; Stalk, 1988). On the one hand, it became increasingly important to offer products or services at a certain point in time at a certain place (availability leadership), while on the other hand, it became crucial to allow for customer-oriented product differentiation of important product characteristics (demand leadership).

Though these traditional competitive factors and the resulting strategies are still valid, one of the central characteristics of the post-industrial computer society is the systematic use of information technology as well as the acquisition and application of information that complements work-life and capital as an exclusive source of value, production, and profit. Consequently, the source of a competitive advantage will be rather determined by achieving knowledge and information superiority over competitors (information leadership). Those who possess better information about the market, potential customers, and customer expectations will be more successful than others. Whereas information previously held merely a supporting function for physical production processes, it has now become an independent factor for production and competitiveness in many industries (Porter & Millar, 1985; Weiber et al., 1998).

The growing relevance of electronic data networks such as the Internet has created a new business dimension. It is especially influenced by the area of electronic business processes that are concluded over digital data pathways (King, Lee, Warkentin, & Chung, 2002; Kollmann, 2001; Taylor & Murphy, 2004; Zwass, 2003). Due to the importance of information as a supporting and independent competitive factor, as well as the increase in digital data networks, it must be assumed that there will be two relevant trade levels on which the world will do business in the future. In addition to the level of real, physical products and services (real economy), an electronic trade level for digital products and services (net

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