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## Research Article

### ENTREPRENEURSHIP AND INNOVATION IN E-BUSINESSES

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#### ABSTRACT

E-businesses have been on the rise following the constant development of technology and the internet. Both on line and on site business need to incorporate the elements of entrepreneurship and innovation (Bucherer, Eisert and Gassmann 2012). Moreover, as argued in this paper firms that initially operated physical stores only are starting e-business platforms now. The main reason being that online business offers customers a series of features or conveniences, which are not found in real shops (Fillis and Wagner 2005). This means that companies operating online ventures stand to gain regarding increased sale and access to clients from all parts of the world.

The primary argument of this paper is that both innovation and entrepreneurship are crucial to the survival of e-businesses and e-commerce ventures. The paper takes an integrative approach to analyse and discuss the synergies that exist between innovation and entrepreneurship. Further, the paper also addresses the factors that foster interaction between the two factors. The essay also looks at some empirical studies analysed will contribute towards the significance of innovation and entrepreneurship in e-businesses. In a nutshell, the paper helps improve the glimpse of the current models and practices of innovation and entrepreneurship in organisations, specifically e-businesses.

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#### INTRODUCTION

Since the early 2000s, online businesses have been on the rise. This is evident from the fast growth and business success of various e-businesses among them Amazon.com, eBay, Alibaba and many other similar enterprises. Similarly, there are much more online businesses that have gone bankrupt in the past years. The success of individual online business and failure of others has led to the need for understanding the parameters that impact e-commerce ventures. The growth of the online business has resulted in new disciplines in e-innovation and e-entrepreneurship. The idea is to respond to the changing nature of businesses, where most organisations are taking online platforms to market their products and consumers using the same to choose and buy products (Morris, Schindehutte, and Allen 2005).

The dot-com enterprises as they are referred to present new challenges and opportunities alike, most of which were not present in the traditional physical shop type of businesses. Therefore, it is necessary for managers and entrepreneurs running e-businesses to rethink and reshape their strategies if they are to success online (Zhao 2005). This paper argues that

it is important for managers and entrepreneurs in e-commerce ventures to understand the significance innovation and entrepreneurship. It also discusses the challenges and opportunities that relate to the application of innovation and entrepreneurship in e-businesses. Lastly, the paper looks at the best strategies to integrate innovation and entrepreneurship in e-business.

#### *Entrepreneurship and Innovation*

##### *Entrepreneurship*

In the most basic definition, entrepreneurship refers to gathering ideas, synthesising the same and building products that one can take to the market. In the recent years, there has been a noticeable change from small business ventures towards the concept of entrepreneurship. It is no longer just about doing businesses, but rather creating value to offer in the market (Amit and Zott 2001). This paper of the journal seeks to discuss the concept of entrepreneurship in itself, as opposed to the psychological behaviours of people who start small businesses. Entrepreneurship can best be described as a representation of the organisational style. The main factors of entrepreneurship are pro-activity, innovation, and taking risks (Kollmann 2006).

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## **Innovation**

Innovation in business refers to the social and economic innovation, which is the generation of new ideas with the aim of producing more revenue or economic benefits. For a long time, scholars have associated research and development in business with technological innovation. Most people tend to understand the change to mean invention. That happens to be the narrowest definition of innovation. However, this is not the case since innovations mean more than just creating something new or even developing something that is technical in nature (Trimi and Berbegal-Mirabent 2012). Innovation in business refers to a proposed theory or concept that applies awareness and skills to come up with a theoretical basis for a new ideas or concepts in business. This also means that in business, innovation has many dimensions and facets. The most common innovation dimension is expressed as "dualism." Examples include radical versus increment, process versus product, and technological versus administrative (Sivadas and Dwyer 2000). Innovation can be incremental and radical in nature. Incremental innovation refers to minor enhancements made with the aim of improving established processes, services, and products. On the other hand, radical innovations refer to revolutionary, path-breaking, and major innovations. Nonetheless, the difference does not confirm to refined reality since radicalism is wide. In most cases, organisations engage in product innovation, which as the name suggests entails making improvements on the existing products with the aim of gaining a competitive edge in the market. Other entities choose to adjust their processes with the aim of producing better and quality products, which is known as process innovation (Zimmerer, Scarborough, and Wilson 2005).

Further, several scholars indicate that innovation can be subdivided into two main facets, which are the administrative and technological areas. Technological innovation targets the basic output process, whereas administrative innovation seeks to change policies, budgeting, and other factors that relate to the social structure of the entity (Hasan and Ui 2016).

For this paper, innovation is defined and approaches as including new products, processes, services, markets, and the development of different skills. It is more of a radical process that seeks to change the approach and products of the business. It also entails creativity and problem-solving skills. In other words, for the purpose of the discussion, the paper will handle innovation as the change in processes, technologies, approaches, and skills with the aim to outwit business competitors and enhance customers' experience with the products and services offered by the e-business (Miles, Miles, and Snow 2006).

### **Relation of innovation and entrepreneurship**

The entrepreneurial paradigm dates back to the 1930s. It was at that time that Schumpeter (1934) tried to establish the link between innovation and entrepreneurs theoretically. His findings indicated that most successful entrepreneurs also match up as innovators. As a result, he maintained that innovations contribute significantly to the expansion of the financial system because entrepreneurs often come up with different firms of innovations. The entrepreneurial paradigm of innovation sees entrepreneurs and managers as innovators. This dimension indicates that the only person who qualifies to be

called an entrepreneur is one who starts a new firm by a new idea (Hitt, et al. 2001).

Using the entrepreneur paradigm of innovation, entrepreneurship can be described as originating from creative acts and innovation. It is about producing something that never existed before. Such creations add value to the individual and community as a whole. In this essence, innovation is based on capturing and perceiving opportunities. This is a position that several scholars have held onto and supported. They consider entrepreneurship to be a state of changing and one that is highly vibrant process and with a unique series of actions. Others believe that people those who lead their teams and entities to innovate can be termed as entrepreneurs (Huizingh 2011).

Further, the paradigm seems to suggest that entrepreneurs are always looking for new opportunities to exploit. At the same time, the innovations, which they seek pt constantly create also provide the instruments through which they are likely to succeed. In other words, innovation helps build the concept of entrepreneurship and vice versa. In fact, corporate entrepreneurship refers to the introduction of new ideas, products, organisation structures, new processes, and the establishment of unique entities. In other instances, it could also refer to the introduction of new ideas in already established businesses. The idea is to change how other entities in the same industry operate or rather approach issues. Herbig et al. (1994) observe that "innovation needs three basic elements, which are infrastructure, entrepreneurial capacity, and the capital." For capital and infrastructure to function, entrepreneurial capacity is needed.

Innovation is the specific instrument that entrepreneurs require so as to exploit the opportunities available in the market. Apparently, there is a great overlap between entrepreneurship and innovation as determined in this section of the paper. Furthermore, innovation must also address the market gaps and needs and need entrepreneurship if it is to attain any reasonable success. It is on this basis that e-businesses need to find ways to integrate both concepts in their operations (Huizingh 2011).

The hypothetical connection between innovation and entrepreneurship has been a topic of discussion in literature for many years. It is especially the case in regards to the economics of innovations. Following recent studies on the economics of innovation, researchers have developed several basic theories and came up with three primary facets that affect the ideology of innovation. The dimensions include entrepreneur facet, technology-economics dimension, and the strategic model (Srinivasan, Lilien, and Rangaswamy 2002).

### **Factors Affecting the Concepts**

Modern e-businesses operate in extremely aggressive and dynamic markets. In this kind of markets, sustainable competitive advantage happens to be almost impossible to attain. The main reason for this is that it is very easy for new entrants to join the e-business platform. Therefore, as a result of enormous competition that e-business ventures face, it is necessary for the managers and entrepreneurs running such entities to know how to use innovation to gain the competitive edge they require to succeed (Onetti, et al. 2012).

The main challenge, however, happens to be the issue of imitation and erosion of innovation, there have been cases where businesses take the same ideas as those of their rivals and through minor changes create an almost different appeal. In regards to this, researchers have varied views about the first movers in e-business. Considering that ideas are likely to be borrowed and use by rival companies in other places around the world, what are the benefits of being a first, over in innovations in e-businesses? This kind of mentality, which often arises from the fact that innovations can be eroded and imitated often, affects the adoption of the eleventh in e-commerce ventures (Doganova and Eyquem-Renault 2009). This occurs in two folds; the first is that some businesses end up giving up on innovating as they fear they will do all the work and some imitator will benefit from the whole process. The second effect is that some other e-business ventures fail to invest towards innovation as they believe that it is cheaper to imitate what is already working for other firms (Zhu, Kraemer, and Xu 2006). For example, many e-commerce businesses choose to imitate rather than innovate as they perceive it to be cheaper and safe (Katz and Green 2009). This has highly limited the application of innovation in e-businesses, hence, affecting the growth of the same.

Initially, businesses used different ideologies online and offline. At the time, investors were willing to take up more risks. However, with the rise in dot-com businesses, it is clear that the market has somewhat reverted to the traditional models and approaches. It is the case because currently, most e-businesses lay much emphasis on the development of structural components such as the flow of revenue (Spieth, Schneckenberg, and Ricart 2014). To most firms, e-business is just another channel to market products, rather than a sign of the death of offline entities. Similarly, most managers and entrepreneurs running online businesses seem to think that there is no difference in how innovation should apply in this type of ventures and those that are offline. In this regard, it is evident that traditional business models are here to stay. However, it is also clear that for new e-businesses to overtake their offline counterparts, they need innovative ideas combined with sound entrepreneurial models (Grimaldi and Grandi 2005). This way, they will be viable economically and will operate based on knowledge and experience from experts in entrepreneurship.

## CONCLUSION

To conclude, it is evident from this paper that innovation and entrepreneurship are closely interlinked. For one to function there is a high chance that the other is present. The two concepts support each other and help managers and entrepreneurs to record success in their ventures. Moreover, it is also clear that innovation helps businesses to develop strategies that are unique and sound to handle various challenges within the market and also to help employ skills required to exploit different opportunities within the market. Entrepreneurship often deals with the exploitation of opportunities within the marketplace with the aim of gaining profits. This would be difficult if businesses did not choose to use creative strategies which originate as a result of innovativeness (Grimaldi and Grandi 2005). In this sense, it follows that for businesses, both offline and online. To succeed,

the managers need to learn how to integrate both concepts in their operations.

The paper has also determined that the greatest challenge to innovation is the mentality that it is cheaper to imitate. This wrong idea has further been developed by the notion that e-business is an element within the larger business venture (Demil, et al. 2015). The idea behind this thinking is that businesses only need to apply e-business concepts in the marketing of products. As a result, the innovation applied in e-businesses is highly limited. This being the case because entities especially those with offline operations do not see e-business as a significant element in their operations. The second reason is that e-businesses and e-commerce ventures feel it is costly to invest in innovative strategies since it is cheaper and safer from them to imitate what has already been tried out by others in the market (Cavalcante, Kesting, and Ulhøi 2011).

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