Extended Abstract Submission for the 60th Annual ICSB World Conference in Dubai

Track: **Entrepreneurial Leadership** or **Small Business and Small & Medium Enterprises**

Title: **Digital Innovators' entrepreneurial traits: business as usual or new skills?**

The qualities of enthusiasm, creativity and the ability to seek out and exploit disequilibrium, which define the conventional role of the entrepreneur, refer only to the initial motivation and skills an entrepreneur needs to possess. As the enterprise transitions from start-up to growth, its management requires skills, and more importantly, mental sets and attitudes that often conflict with those that produced the successful start-up. With the rising prevalence and market value of "digital ventures," i.e., firms whose offerings are exclusively digital and without physical presence (Berthon, Hintermann et al. 2014), it is reasonable to ask if these ventures require roles distinct from the traditional evolution of competencies, and if these mental adaptations are more difficult or easier for entrepreneurs with digital ventures (i.e., "digital entrepreneurs").

We distinguish the digital entrepreneur from the entrepreneur of a traditional firm (whose offerings have physical presence) that employs similar technologies such as online commerce and social media marketing; the nature of their offerings is distinct and thus so might their corresponding entrepreneurial strategies. We also assign to the latter category "digipreneurs" that use digital technologies in the advanced manufacturing of physical goods (Fox and Stucker 2009). We also distinguish digital ventures from traditional firms that provide services digitally. Both make revenue from non-physical deliverables, but the latter are tailored to each individual

customer (e.g., a consultant's financial report) whereas the former are mass produced. The variable costs of the traditional firm will be greater than its fixed operating expenses, whereas the variable costs of a digital venture will be negligible compared to its fixed expenses (Bygrave and Zacharakis 2014).

Entrepreneurial behavior can persist beyond the initial phase of a company (Flamholtz and Randle 2012). A start-up goal is effectiveness (a compelling value proposition) but as it expands, the goal of efficiency takes priority: biggest reward for least effort, and higher profit for the least cost. In the growth and consolidation phase, the most rewarded managers are CEOs who maintain and incrementally improve the firm. This role appears far from entrepreneurial, but on examination the similarities are many. The CEO must be able to step out of the norm in order to improve procedures and adapt to, or even create, disruptions. That is, s/he must be able to innovate; the CEO is creative, just at a different stage of firm development.

To further the understanding of the entrepreneur's role, we contrast the orientations, skills, and ability to transition from start-up to growth of entrepreneurs from a sample of traditional firms with those of a sample of digital entrepreneurs. This comparison highlights the challenges and critical milestones unique to the development of digital ventures. The traditional stage models (Lewis and Churchill 1983) focus on the financial transitions of a new company and will form the context for comparing the evolution of traditional and digital firms. Detailed comparisons, therefore, will help clarify these older models by showing the need for more creative entrepreneurship at the earliest business inception and the encouragement of "entrepreneurial managers" at all levels of traditional and digital companies (Fulop 1991).

By contrast, the first stage in traditional models is simply “existence” and fixed cost recovery, which are less compelling problems of new digital firms requiring smaller start-up and infrastructural investments. At the opposite horizon, the digital entrepreneur often seeks an early exit with valuation driven more by subscribership than by revenue, conditions which would impede the traditional firm from surviving let alone being an attractive candidate for acquisition. While on the surface these comparisons seem to favor the digital entrepreneur, startups focused on technological innovation exhibit a lower chance of survival than traditional companies in part because the former often deal with unproven value propositions and short product life cycles (Hyytinen, Pajarinen et al. 2014). Digital ventures can pivot more easily than traditional companies, but only if the entrepreneur can identify the need or deficiency (including in herself or himself), and then execute.

For entrepreneurs in either traditional or digital companies, the hardest transitions are attitudinal: switching from optimist to careful planner or from seclusion to social leader. Some characteristics that are found to play a role and that we will further investigate include: passion; determination; imagination; creativity; appetite for risk; academic skills / educational background; soft-skills (leadership, networking, etc.); ability to accept failure/learn from mistakes; self-sacrifice (Kielstra 2014). Digital entrepreneurs’ definition of success may also be different than that of traditional entrepreneurs (Serarols and Urbano 2008).

Another criterion on which we compare entrepreneurship practices is the exploitation of start-up resources. Developing economies traditionally rely on extractive industries (Porter, Sachs et al. 2002) and exhibit higher entrepreneurship activity per capita than developed economies, but this activity is out of necessity due to a lack of jobs and rarely grows beyond self-employment

(Amorós and Bosma 2014). The digital entrepreneur might not be as impeded by the lack of physical resources (Drouillard, Taverner et al. 2014, Quinones, Nicholson et al. 2015) or supply/delivery chain (Gopal, Ramesh et al. 2003) as the traditional entrepreneur when creating companies with growth potential in these settings. Better knowledge of how digital entrepreneurs use their ecosystem at different stages of venture can lead to business incubation policies that improve overall venture success and regional economies (Costa and Turvani 2013).

Through case studies and interviews with traditional and digital entrepreneurs, we survey these endogenous entrepreneurial attributes and exogenous entrepreneurial behaviors, controlling for the market and resource availability in the latter, and noting the firm's maturity when these attributes and behaviors emerge. We then evaluate how well these behaviors, attributes, and conditions map to traditional models of venture stages, and recommend modifications to better accommodate the digital entrepreneur and digital entrepreneurial leader.

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