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The Challenges and Solutions for Digital Entrepreneurship Platforms in Enhancing Firm's Capabilities

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Abstract

Digital entrepreneurship platforms have created opportunities to marketers and manufacturers to achieve their marketing objectives with digital technologies through various digital platforms. Implementation of digital platforms have changed the traditional ways of doing business in bricks and mortar to digital channels such as online marketing, App store, purchase via internet or smartphone, e-transaction and e-commerce. There is a general belief that by moving firms towards digitalization world and selling products or services through digital platforms will increase firms' capabilities and directly increase sales finally lead to better firms' performance. In fact, this is not applied to all the firms involving selling and buying in digital platforms. The main advantages of doing digital platforms business are do not need much capital in starting up the business and this business model allows digital entrepreneurs to work from anywhere and anytime without the restriction of locations and time constraints. There are many factors in influencing the success or failure of digital entrepreneurship of an individual, team or firm. First and foremost is the innovation factor which determines the successful path to the ultimate goal of the business. This paper discusses the digital entrepreneurship opportunities, digital platforms practices, challenges, risks and constraints faced in promoting and expanding digital platforms from a Malaysian perspective, such as firms' organizational structure and human resource in digital expertise, digital technologies readiness, financial supports, market changes and unprecedented risks. This paper argues the importance and development of digital entrepreneurship that incorporates strategic innovation to enhance firms' capabilities. The findings of the paper highlighted the potential of digital entrepreneur platforms in increasing new career for individual, enhancing economy growth and welfare for consumers. Hopefully the discussion outcomes will raise further awareness and attention of individual, team and firms to integrate digital entrepreneurship into their businesses.

Keywords: Digital entrepreneurship, digital platforms, digital technologies

1. Introduction

Digital entrepreneurship refers to creating new ventures, transforming existing businesses by developing novel digital technologies and/or novel usage of such technologies (European Commission, 2015). It is a process of creating a new or novel internet delivered business, products or services (World Bank, 2016) which includes both start-ups bringing a new digital products or services to market. Digital entrepreneurship also comprised the digital transformation of an existing business activity inside a firm or the public sector. Innovation is an important factor in entrepreneurship to generate new idea, invent new product or service, follow with commercialization to the market with entrepreneurs' adventurous spirits and they never give up. By incorporating strategic innovation in digital entrepreneurship using digital platforms will provide many opportunities to entrepreneurs.

From economics view, platforms as two side markets where sellers and buyers come in and do the exchange (Armstrong, 2006). Digital platforms are a shared, common set of services and architecture that serves to host complementary offerings. (Arto, Natasha & Alex, 2018). For example, listen to music through Spotify or iTunes, watch movies through Netflix and rent a house in a foreign country through Airbnb. Digital platforms play a key role for value creation and distribution. With digital platforms, have proliferated as engines to boost up innovation among entrepreneurs to build complementary products or service (Gawer, 2009).

The aims of the paper is to study the challenges of digital entrepreneurship platforms and solutions were drawn based on the challenges. This is to explore the potential and promote digital entrepreneurship to generate income for individual, as well as the nation. The main problem faced by the current digital entrepreneurs is the readiness of the consumers to switch from traditional purchase pattern to digital platforms purchase. Not every consumer knows how to purchase using their smartphones and connect to the digital platforms, especially for the elderly society. The other problem is the internet connection facilities in some of the rural areas have restricted the development and growth of the digital entrepreneurship.

2. Underlying Theory

Innovation theory indicates that new ideas and new productions occur in an organization through a continuing process of discovery of new scientific or technological activities (Schumpeter, 1934; Wejnert, 2002; Smith & Mytelka, 2002).

Innovation theory considers innovation as a process. Innovation can be completely new innovation (inventions) having the power to revolutionize processes or markets, or come in the form of process or product improvements (Beck, 2006). Most innovations are based on earlier innovations, and proceed by enhancing pre-existing products, processes or models. For example, e-business, e-finance and e-banking are also innovations made possible by the internet (Beck, 2006).

Innovations are ideas, objects, process services or behaviours, which "are recognized as new by potential adopters and distinguished by their (a) relative advantage, (b) compatibility, (c) complexity, (d) trialability and (e) observability" (Rogers, 2003). These five characteristics are further explained as follows.

(a) Relative advantage is "the degree to which an innovation is better when comparing with the replaced idea or solution" (Rogers, 2003). The higher the relative advantage, the faster an innovation is adopted (Mahler & Stoetzer, 1995).

(b) Compatibility is "the degree to which an innovation is noticed as compatible with existing values, experiences and needs of potential adopters" (Rogers, 2003). An innovation that does not conform to the existing values and standards of a social system will diffuse more slowly than a compatible one (Rogers & Scott, 1997).

(c) Complexity defines "the degree to which an innovation is perceived as difficult to understand and to use" (Rogers, 2003). The simpler an innovation is to understand, the faster it will diffuse (Mahler & Stoetzer, 1995).

(d) Trialability describes the "degree to which an innovation can be tested on a limited basis" (Rogers, 2003). Triability is important in reducing adoption decision uncertainties (Rogers & Scott, 1997). Innovations that can be tested are adopted faster than innovations that cannot be tested before they are adopted (Mahler et al., 1995).

(e) Observability is defined as "the degree to which the consequences of an innovation are visible for others" (Rogers, 2003). Visibility promotes discussions about innovation among inventors, adopters and researchers. Most adoption is affected by earlier adoptions (Rogers & Scott, 1997).

In addition to the characteristics of innovation outlined above, innovation theory considers three main dimensions of innovation: the entrepreneurial, the technological-economic and the strategic (Sundbo, 1999). Innovative entrepreneurship stimulates more innovative projects in an organization. Employees are also encouraged to generate their new ideas and to get involved in research and development (R&D) by management staff with an innovative mind. Additionally, the advancement of technology in production will lower the production cost, shorten the production time and the products can be sent to customers with different delivery channels. Innovative strategic planning in an organization will enhance the competitive advantages of an organization to fit with environmental changes. This indirectly assists an organization to recognize the internal and external factors that influence the organization and industries. Some potentially promising examples of such avenues are offered by other approaches. Incorporating innovation activities into digital entrepreneurship contribute to a nation's economy with new inventions, increased job opportunities and business activities. For example, firms will employ digital expertise to invent or develop new software products and commercialize these new products to the markets for consumers' demand.

3. Firms' Capabilities

Firms' capabilities are firms' abilities to integrate and reconfigure its resources to build new organizational capabilities (Benitez, Llorens & Braojos, 2018). Firm's capabilities influence the growth of an organisation (Velasco-Gutiérrez et al., 2020). Furthermore, according to the recent study by Chen and Hsu (2021), a firm with high capabilities will increase its market's capabilities and enhance the overall firm's performance.

Firms' capabilities could be categorized into three main categories, thus exploration and exploitation capabilities

(Benitez et al., 2018), Information Technology (IT) infrastructure capability (Deepak & Mathew, 2018), innovation and marketing capabilities (Ziyae, Sajadi & Mobaraki, 2014).

For exploration and exploitation capabilities focus on creating new business opportunities for firms. Exploration capability is to penetrate new markets to increase sales and create more value for firms, such as share value, stock market price and good will. Whereas exploitation capability is operational competence to achieve efficiency and effectiveness, smooth production and zero defect. High exploitation capability leads to lower production cost and economies of scale. This in turn enables products to compete in the international markets with more economics price.

IT infrastructure capability is IT application in firms to acquire and/or provide accurate, timely, reliable, secure data or information. Digital entrepreneurs need to speedy access to market research and business data or information for strategic planning and business activities. By enhancing IT infrastructure capability allows firms to store and retrieve sales and/or customers' data from IT applications, such as Alibaba Cloud, IDrive, Google Cloud Storage. Firms can also be analyzed market data with IT infrastructure and facilities to forecast markets sales.

Innovation capability is international monitoring, screening and scanning through platforms and/or developing platforms for digital businesses and marketing activities. This enables firms to internationalize their markets and create new sales channels for their products and/or services.

Least but not last is marketing capability. Marketing capability includes international branding and commercialize ideas into products and/or services. Branding is an important process to increase the reputation and good will of the firms and directly attract more new customers at the same time retain the current customers. With digital entrepreneur platforms will provide opportunities to build brand name through social media, such as Google, Yahoo, Facebook, Twitter and Instagram. Creation of brand name value will indirectly increase firms' popularity and prestige.

4. Digital Entrepreneurship Opportunities

Digital entrepreneurship platforms have provided unlimited opportunities to marketers and manufacturers to market their products and/or services worldwide with no limitation of location and time. For example, Shopee, Lazada and Zalora platforms provide seven days per week and 24 hours' place order services to consumers. The consumers who would like to purchase from these platforms are able to place their orders any time depends on their convenience and preference hour to purchase. At the same time, these platforms also enable the sellers to display their current products and upload new products in the platforms' system anytime without limitation of location. The convenience and easy way to purchase products or services through the digital entrepreneurship platforms provide more opportunities for the buyers and sellers to buy and sell their targeted products or services. This enables them to penetrate or expand new markets internationally and increase sales volumes. They can generate more profit from digital platforms with the online marketing activities, such as advertising through websites, free e-vouchers or earning e-coin or accumulate points for their next purchase.

Secondly, digital entrepreneurship platforms as an exchange place for sellers and buyers to gather and search for their preferences. This allows various choices of products and/or services available to buyers and at the same times create a competitive environment for seller to market high quality products and/or services with competitive process. The competitive environment will increase the sellers' awareness to sell their products at the competitive prices and attract more customers. Slightly changes in price might cause to increase or decrease for the sales volume. The competitive environment will draw the manufacturers' attention to produce their products with saving cost and increase the product quality in order to retain current customers and at the same time attract more customers. This in turn has indirectly lead the marketers and manufacturers to be more alert of the market trend, forecasting sales and aware of consumers' behaviour changes.

Thirdly, public and private sectors have encouraged digital application and practices to be applied in marketing their products and/or services that were provided to their customers. This has created more business activities among the industries, such as digital services consultancy firms, digital platforms' system designing companies or digital tools providers' companies. In Malaysia, starting from year 2018, Malaysian government has supported the digital entrepreneurship ecosystem and is committed to transforming Malaysia into a knowledge-based developed economy (Bernama.com, 2018). The policy has encouraged more entrepreneurs to start up their business that involves in digital marketing, using digital tools or digital application for their business or selling or buying through digital platforms. Malaysian government has launched the Industry 4.0 policy framework and the e-Usahawan (e-Entrepreneur) program to create a favourable environment for entrepreneurs and firms to engage themselves in the digital platforms. For example, the Malaysian government gave e-voucher for

entrepreneurs who start up their business through selling and buying with the digital platforms. Financial assistances, digital technologies trainings, human resource supports and collaboration opportunities with overseas firms are also provided by government through agencies such as SME (Small and Medium-sized Enterprises) Bank, SME Corporation Malaysia, SMIDEC (Small and Medium Industries Development Corporation, etc. This has opened up a broader way for entrepreneurs to involve more in digital industry. This directly increases the GDP (Gross Domestic Product) of the nation and income of the people.

5. Digital Entrepreneurship Platforms Challenges

First and foremost, the organizational structure and IT infrastructures of the firms would be taken into account to implement digital technologies in the firms. Some firms are reluctant to make a change to digitalization due to financial shortage, high expenses on human resource (in digital technologies) recruitments, IT infrastructures facilities are not supporting the digital technologies. This has formed a barrier for firms to move into digital entrepreneurship platforms era and will limits the firms' potential to expand and grow.

Secondly, besides the readiness factor of the IT infrastructures and facilities in the firms, sometimes technology failure can have happened because of the new idea or innovation products and/or services were rejected by consumers. If new ideas could not be accepted by consumers, this will lead to resistance from the consumers' side and no sales could be generated. Innovation theory has indicated totally five stages in the process, two of them are trial and observation stages. For firms to go digitalization will not be successful if consumers rejected the new or innovated products and/or services. This has created challenges for individual, team or firms.

Thirdly, markets changes are always unforeseen factors which also as a challenge for firms. For example, in cities with high purchase power consumers, their preferences have changed from purchasing economic items to purchase expensive items with the belief that the expensive items are good quality products. The other example is consumers in cities' areas are willing to spend more on having good dining experience in classy restaurants or hotels with and spend times with their friends, family members or loved one. Their purchase patterns and preferences might change in different time or places, such as during celebrative season or in rural or urban areas with different income level and living cost. Sometime, although market research and surveys were conducted to gather information about consumers but the findings were not up to date for the current changes. This has caused inaccuracy in projection and forecasting and will influence marketers and manufacturers' decision makings.

Lastly, the other unprecedented risks such as new government policy on restricting products and/or services that could be sold on digital platforms, government interfering markets by implementing new tax rules to digital platforms, world financial crisis and customs new rules and regulations in prohibiting some products to be exported or imported have formed the barriers for marketers and manufacturers to involve in digital entrepreneurship platforms. For example, the government implemented rules to the sellers who sell tobacco through digital platforms must have the license and only can sell to consumers who are above 18 years old.

6. Recommendations and Conclusion

Firstly, marketers and manufacturers need to aware of the digitalization and it is important to market their products and/or services through digital entrepreneurship platforms. To raise their awareness, government can launch campaigns on digitalization and provide financial assistances through agencies or financial institutions, such as national bank, export and import bank, social media and newspapers. This will increase their interest and involvement in digitalization.

Secondly, the management executives set as role models to the other staff in the firms to implement and practice digitalization in administration and management. This digitalization slowly expands to production and marketing practices. With high motivation form top management will lead the others to follow and accept the digitalization changes in firms and indirectly enhance the firms' capabilities.

Thirdly, to avoid technologies failures, marketers and manufacturers need to alert about the latest trend and changes in consumers and markets including population, purchase power and consumers' styles and preferences. Marketers and manufacturers can conduct frequent market research and surveys to ensure updated data and information for marketing decision and forecasting purpose. This can be done by hiring professional marketing consultancy firms to provide the services.

Last but not least, the other unprecedented risks could be reduced by keep tracking the current situations of government policies and rules, follow world economy changes and be alert of new local or international customs' regulations. This can avoid delivery failures to consumers who has purchased online if the products are restricted items for some countries. Updated information about digital entrepreneurship platforms will also provide accurate sales channels to marketers and manufacturers.

In conclusion, in the digitalization era, new products and/or services are important to attract more customers and at the same times retain existing customers for bigger market shares. Digital entrepreneurship platforms can enhance firms' capabilities to explore and expand more business opportunities. Additionally, firms can implement innovative culture to boost up creative ideas among staff for innovative strategic planning to achieve lower cost, higher product and/or services quality. This indirectly increase firms' competitive advantages and brand value in national and international markets.

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