Entrepreneurship in the Internet

Christian Serarols-Tarrés
Universitat Autònoma de Barcelona, Spain

INTRODUCTION

The increasing development of information technologies (IT) has significantly affected both firms and markets. IT is currently changing the world in a more permanent and far-reaching way than any other technology in the history of mankind (Carrier, Raymond, & Eltaief, 2004). A new economy, where knowledge is the most important strategic resource, is forcing firms to review their traditional routines and take advantage of the tools able to create new value.

Nowadays, there are two types of firms using this new IT. On the one hand, firms with physical presence (traditional companies) use the Internet as a new distribution channel or alternatively as a logical extension of their traditional business. On the other hand, there are dotcoms, Internet start-ups, or *cybertraders* (European Commission, 1997), which have been specifically conceived to operate in this new environment.

A number of scholars have attempted to explain the creation of new ventures from many different theoretical perspectives (economics, psychology, and population ecology among others) and have also offered frameworks for exploring the characteristics of the creation process (Bhave, 1994; Carter, Gartner, & Reynolds, 1996; Gartner, 1985; Shook, Priem, & McGee, 2003; Veciana, 1988; Vesper, 1990; Webster, 1976). However, despite the growing literature in this area, few studies have explored the process of venture creation in dotcom firms.

Cyberentrepreneurship is still in its emergent phase, and there is more to know about the phenomenon and the elements of the venture creation process (Carrier et al., 2004; Jiwa, Lavelle, & Rose, 2004; Martin & Wright, 2005). What are the stages they follow to create their firms? This article attempts to answer this question. First, we analyse the entrepreneurial process of a new firm's creation. Second, we shed some light on how this process is applied by cyberentrepreneurs in starting their businesses based on an in-depth, multiple case study of eight entrepreneurs in Spain.

BACKGROUND

Process of New Venture Creation

A framework for describing new venture creation integrates four major perspectives in entrepreneurship, for Gartner (1985): (1) the individuals involved in the creation of the new venture, (2) the activities undertaken by those individuals during the creation process, (3) the organisational structure and strategy of the new venture, and (4) the environment surrounding the new venture.

According to Gatewood, Shaver, and Gartner (1995) the *venture creation process* is defined as "the process that takes place between the intention to start a business and making the first sale"(p. 374). Much of the research on process of venture creation has assumed a linear, unitary process, composed of a set of activities, beginning with the recognition of a business opportunity and culminating with the first sale (Galbraith, 1982; Kazanjain & Drazin, 1990; Liao, Welsch, & Tan, 2005; Shane & Venkataraman, 2000). However, other authors have included activities occurring after the founding of the venture or its first sales (Bhave, 1994; Shook et al., 2003; Veciana, 2005; among others). For example, Veciana (1988, 2005) includes a consolidation stage where the entrepreneur squeezes out undesirable partners to establish his leadership and guarantee the survival of the firm. Another typical approach to study the process of venture creation is to examine the activities, key milestones, the frequency, and time of those activities (Carter et al., 1996; Gatewood et al., 1995; Kaulio, 2003). Empirical explorations (Hansen & Bird, 1997; Reynolds & Miller, 1992) have found that no one pattern or sequence of events is common to all emerging organisations. Despite this evidence, a recent exploratory study on the entrepreneurial process of creating a firm on the Internet (Carrier et al., 2004) has revealed that the cyberentrepreneurs had gone through basically the same stages, though they belonged to different industries.

According to Baker, Miner, and Eesley (2003) there are two approaches when studying the founding process in entrepreneurship research. First, a design-then-execution framework that assumes a mainly linear process in which start-up intentions and gestation typically lead to the creation of a plan. We refer to this model as *design-precedes-execution* (DPE). In contrast to this model they describe an improvisation framework, where design and execution of the start-up converge. In this case, founders may plunge into the start-up process, designing the firm as they create it.

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Figure 1. Comparing the core stages in the start-up process

Pre-venture stage	Organisation stage	Financial jeopardy	Introduction of the product	Squeezing out partners	Outcome stage
Venture idea	Set up operations	Prototypes and channels established	Produce the product	Gain control by the entrepreneur	Survival

Webster (1976)

Proof of principle	Prototype	Model-shop	Start-up
Create a solution: configuration of the business idea	Refine developed technology	Produce and test a number of models	Produce the product (volume production)
Develop nascent proprietary technology	Produce the first prototypes		First sales

Galbraith (1982)

Gestation	Creation	Launching	Consolidation
Childhood	Look for a business opportunity	Create a team	Survival
Antecedents and professional knowledge	Create a solution: configuration of the business idea	Obtain and organise the means	Squeezing out partners
Incubator	Evaluate this opportunity	Develop the product/service	All under control
Precipitation condition	Write the business plan	Find out financial aid	
Decision of creating a new venture	Formal/legal constitution of the firm	Launch the product/service	

Veciana (1988, 2005)

Opportunity recognition	Technical set-up and organisation creation stage	Exchange stage
Business idea	Garner resources	Market feedback

Bhave (1994)

Entrepreneurial intent	Opportunity search	Decision to exploit	Explotation
Individual intent to create a venture based on perceptions of feasibility and desirability, and propensity to act upon opportunities	Search the business opportunity based on individual's alertness to new opportunities and past experiences	Decision to exploit based on risk propensity, motives and attitudes	Finding the resources, planning, networking, selling

Shook et al. (2003)

Business idea	Market needs	Identification business opportunity	Feasibility	Search for support	Venture creation
The initial vision or idea is generated	Determine the needs of different potential customers for the products	Identify opportunities, propose innovative solutions to market needs	Develop prototypes, write a business plan, or find contracts	Gather all the needed resources	Formal/legal constitution of the firm and first sales

Carrier et al. (2004)

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