

Section 2. Economics and Management

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EVALUATION OF THE ROLE OF DIGITAL ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT: IN CASE OF THREE DIFFERENT REGIONS

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Abstract

Entrepreneurship has long been considered to have a direct and strong impact on the economic growth of a country by creating employment opportunities and increasing gross national income (GNI). However, in this era of fast-paced technological changes, owners should be able to combine traditional and radical production methods by accepting digitalization in the form of joining web platforms and becoming accessible online, to increase profitability and at the same time, help the country's imminent development.

This paper is a basic study aiming to describe the mutually beneficial relationship between digital entrepreneurship and economic growth on the example of three world regions: West Europe, East Europe, and Southeast Asia. The findings of this study will reveal the undisputable economic growth situation resulting from digital entrepreneurship due to the access for and employment of a wider population. Moreover, this study is presented as a reliable source of information for every individual and researcher on the details of digitalization in businesses, especially in the three case areas.

Keywords: *digital, entrepreneurship, online, technology*

JEL: L26

Introduction

In the last few years, the global markets have been filled with sales of innovative products and inventive manufacturing methods saving millions and generating just as much, all thanks to a growing magnitude of entrepreneurial activity in all the economies. An entrepreneur is a risk-taker who tends to

pursue opportunities bigger than what his own resources can currently sustain. Entrepreneurs are also business owners and generators of ideas that will doubtlessly foster economic development by first and foremost reducing unemployment, redistributing income to more people in wider geographical areas, and increasing the gross national

income (GNI) by producing more output with more efficient use of assets (Dhaliwal, 2016). The benefits of an entrepreneur to a country's economy have long been researched and proven by various experts, the most well-known of which was developed by a famous economist Schumpeter going as far as in the beginning of the twentieth century. He described them as individuals not motivated by profit, but rather enablers of social gain simply measuring their success with money (Śledzik, 2013). However, the significantly less researched department of venture capital advancement is digital entrepreneurship.

This study aims to delve more into the advantages of digital entrepreneurship on economic activity, focusing on general areas like North America and West Europe, East Europe, and Southeast Asia. Differing development rates, varying access to the world web and political support in the chosen example regions will aid investigate the economic and business opportunities resulting heavily from the application of digitalisation.

The structure of the paper is as follows: beginning with the review of existing literature, then description of key objectives, limitations, followed by analysis based on the comprehensive statistics collected first- and second-hand, results evaluation according to the region division and conclusion revealing the essential digitalisation process underway for a strong future economy of any country.

Literature review

The term 'digital entrepreneurship' started gaining recognition among businesspeople and researchers in the late twentieth century, coinciding with the rapid and widespread diffusion of the Internet (Kollmann et al. 2021). As a relatively recent concept, its precise definition remains open to multiple interpretations, and its entire benefits are yet to be fully realised.

The process of digitization in businesses began slowly but it progressed rather quickly, sweeping all the traditional industries on its way. According to McKinsey's report, the difference between simple organisational and digital transformation is its long-term efforts for change and continuous improvement in an enterprise (McKinsey & Company, 2023). However, the term "digital transformation"

along with "digital entrepreneurship" still signifies different things to different people.

The most cited article on the theme by Elizabeth Davidson and Emanuelle Vast, for instance, claims online entrepreneurship to be "the pursuit of opportunities based on the use of digital media and other information and communication technologies" (Davidson and Vaast, 2010). The authors propose a model of three interconnected digital venture opportunities: business– creation or digital transfer of enterprises via the World Web (e.g. Amazon.com); knowledge-based– wealth creation through information distribution, and institutional entrepreneurship that organises or transforms existing institutional standards. The similarity of all three structures, though, is said to be the endangerment of competitors' enterprises by disintegrating the traditional established organisations, as the newly, digitally set up businesses are more productive and cost effective.

The productivity surges and the growth of digital start-ups will eventually result in cross border sales, a point discussed by van Welsum in their "Enabling Digital Entrepreneurs" paper (Welsum, 2016). When supported by favourable economic conditions in the form of appropriately skilled workforce and 'big data' regulations by governments, these digital enterprises will be better positioned to overcome both market entry and geographical barriers. This is particularly advantageous for developing countries, where digital entrepreneurship can fuel "the creation of new markets, the exploitation of existing markets and integration into global value chains". By tapping into a broader customer base, these nations stand to gain considerable economic advantages and expand their global presence.

From the discussions mentioned above, it is assumed that, despite some minor disadvantages, the advantages of digital entrepreneurship – such as lower costs, increased accessibility, reduced unemployment, and more – are proportionally greater. Although this topic has already been greatly researched, the aim and difference of this research lies in the thorough exploration of those pros and cons, carefully comparing the North American/West European, East European and East Asian regions in the context.

Research question

The primary questions this paper aims to answer are:

1. What is digital entrepreneurship and which industries does it currently cover?
2. What are the sample population's general attitudes and beliefs regarding digitalization in businesses?
3. What are the main benefits and challenges of digital entrepreneurship on economic development? Exploring on the basis of the example regions.
4. What role do governmental policies play in digitalization influencing the economy in North America/ West Europe, East Europe, and East Asia?
5. What is expected in the future of digital enterprises, a wider expansion into areas or unsustainable business practices?

Limitation

Digitalization took over the world and businesses specifically in a fast and ruthless manner. It became obvious over the years that to stay afloat in the digitised era, companies would need to be agile and adaptive, not fearing to innovate (Team EMB, 2024).

The regions were selected for their diverse levels of digitization, network access, political inclinations, and economic trajectories. This area division reflects several key factors: North America hosts the headquarters of many leading technology companies with Western European countries exhibiting similar high digital intensity in businesses, while Eastern Europe lags significantly behind; East Asian countries, at the same time, have shown a strong and growing presence in global online markets, keeping up with its competitors in an admirable way (European Commission, 2024; The World Bank, 2024; Park et al., 2022). These variations provide a comprehensive perspective on how different regions are navigating the digital landscape.

Research methodology

The research is done on both the primary and secondary collected data. Primary data consists of an online questionnaire on the general participants' experience regarding digital entrepreneurship in their country. Secondary data includes but is not limited to

journal articles and reports with vast statistical data on the research topic.

The collected responses, in total 119 where 40 represent North America/West Europe division, 40 belong to the East European participants, and 39 to Southeast Asian, were collected and analysed through an Excel platform. As the North American and West European respondents tended to represent similar patterned answers, it was decided to generalise them into one area. North America/Western Europe includes respondents from the U.S., U.K., Canada, France, and Germany, among others. Eastern Europe is primarily represented by Poland, Romania, the Czech Republic, Greece, and Serbia. Southeast Asia includes responses from countries such as Singapore, Malaysia, Indonesia, and Vietnam.

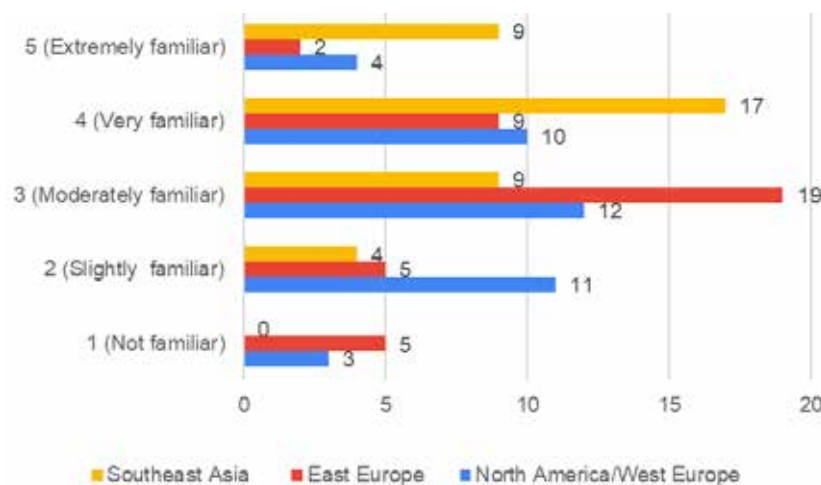
Discussion and survey results for empirical analysis

Although digital entrepreneurship emerged with the popularisation of the Internet, a significant shift occurred during the COVID-19 lockdown, when many traditional businesses rapidly transitioned to the technological landscape (O'Toole et al., 2020). This transformation allowed them to maintain customer interactions and operations online, adapting to the new realities of restricted physical access. However, even after the pandemic was dampened and life returned to normal, businesses continued to dominate the online market segments. In a world where nearly all information is filtered through technological platforms, embracing digital transformation is no longer optional but vital for companies to survive, retain existing customers, and attract new ones (O'Toole et al., 2020). Leaders with a forward-looking vision and a commitment to success through digital transformation not only reap these financial benefits but also build stronger, more satisfied customer bases, positioning their businesses for sustained growth (MIT Sloan Office of Communications, 2022). But is it true according to statistics? And do the consumers in North America, Europe and Southeast Asia actually benefit from digital entrepreneurship?

The insights into these critical questions were drawn from a questionnaire of 119 participants expressing their views, con-

cerns, and predictions into the future of on-line businesses.

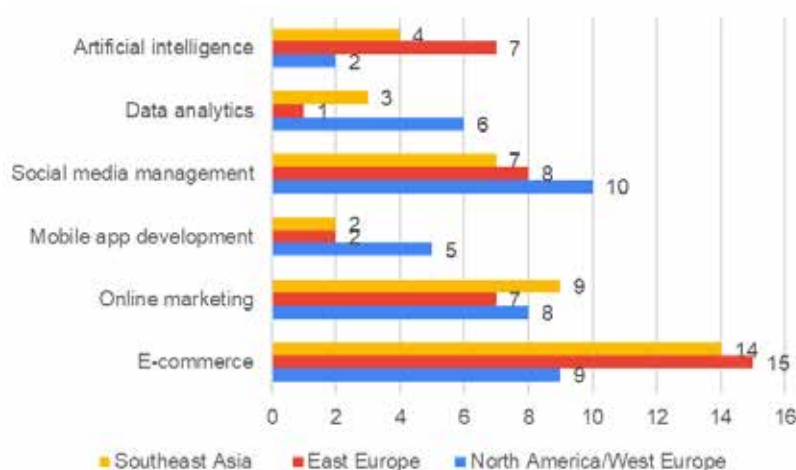
Figure 1. ‘How familiar are you with digital entrepreneurship?’



The two introductory questions in Figures 1 and 2 assessed respondents' familiarity and knowledge of the digital entrepreneurship sector, revealing Asian participants being predominantly 'very familiar' with this area, while the European and American majority reported being 'moderately familiar.' This disparity

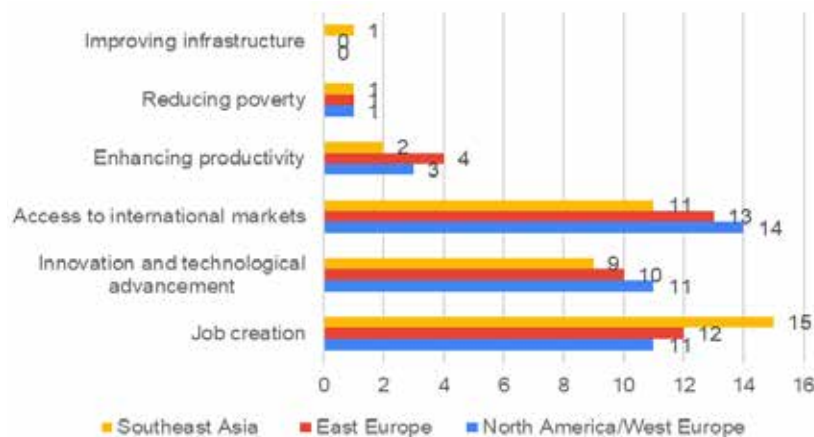
is not surprising, as many Asian governments have invested in high-quality digital infrastructure to support the growth of online businesses (Park et al., 2022). The benefits of such investment are illustrated in the second figure, where respondents express with which areas of digital entrepreneurship they are most familiar.

Figure 2. ‘Which of the following areas of digital entrepreneurship are you most familiar with?’



The widespread adoption of e-commerce across all regions, demonstrated in Figure 2, reflects its growing significance to both global consumers and producers, driven by the alignment of demand with supply. This trend may be attributed to the facilitation of decision-making, enabled by the vast quantity and quality of information available to customers in online marketplaces with just one click (Li, Kuo, and Russell, 1999). The ability to quickly find numerous substitutes across

different brands and price points makes online shopping increasingly convenient. Producers, in turn, capitalise on the growing demand for online shopping by selling their products online, greatly reducing overhead costs such as rent, utilities, and labour wages (Briggs, 2024). The reduction in average costs, however, is just the tip of the “digital entrepreneurship” iceberg.

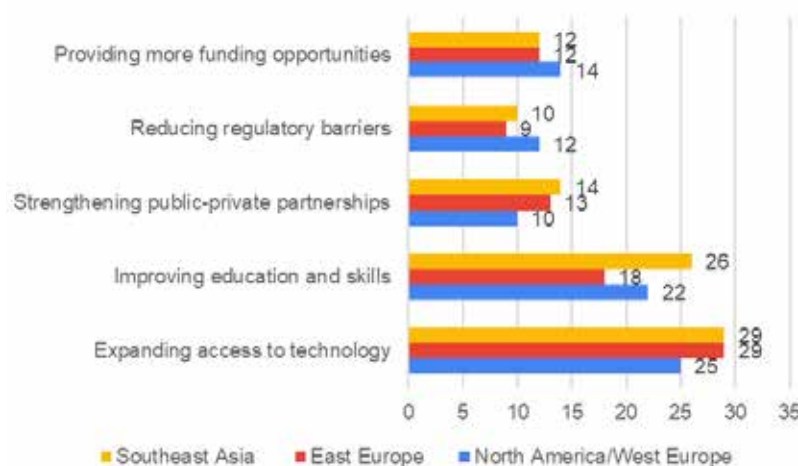
Figure 3. *‘Which of the following areas do you believe are most impacted by digital entrepreneurship?’*

Following the surge in e-commerce users, a rise in international trade – identified as a favoured feature of digital businesses by respondents, as shown in Figure 3-is to be expected. Cross-border sales, once requiring significant resources, business experience, and multinational status, have now become significantly more accessible to small and medium-sized enterprises (SMEs) (Manyika et al., 2016). This development carries significant economic implications for every country involved, as it not only contributes to GDP through increased production of goods and services but also improves company performance and productivity in the face of highly competitive international markets. It is especially important for developing countries of Eastern Europe and Southeast Asia, where easy access to global markets through digitalization enables these economies to flourish

and overcome the constraints of their small local markets.

The simplicity of cross-border trade and reduced entry barriers brought about by technological advancements allow any motivated and well-resourced individual to establish an enterprise. As is typical, any start-up business requires skilled personnel to operate, leading to another highly-rated benefit of digital entrepreneurship: job creation. Data collected between 2006 and 2016, for example, shows that nearly 40 percent of new jobs in OECD countries were created in digitally intensive sectors (OECD/European Union, 2019).

Additionally, in 2015, 86 percent of employment in the Netherlands was attributed to the online business sector, further highlighting the substantial impact of digitalization on employment.

Figure 4. *‘What do you think are the biggest benefits of digital entrepreneurship on economic development?’*

In addition to providing job opportunities, technology-driven businesses also enhance the skill sets of the workforce, as shown in Figure 4. Employment in ICT-focused firms requires at least basic digital skills, which are lacking in 37 percent of the European Union (EU) labour pool, according to OECD data (OECD/European Union, 2019). To enhance productivity and fully integrate communication technologies into their daily activities, business leaders must use various training methods, such as video tutorials and app-based learning, to effectively impart the necessary knowledge. As an example, there was found a positive rela-

tionship between app training in digital skills for migrants and Greek entrepreneurs' willingness to embrace digitalization (Drydakis, 2022). In doing so, tech-oriented enterprises not only cultivate skilled employees for their own operations but also contribute to improving national workforce statistics and the country's overall growth rate.

Nonetheless, the country's growth rate cannot keep rising as long as access to technology is not available to most, which is a big issue in developing economies. Corresponding to the survey answers in Figure 5, statistics revealed that Internet penetration rate of North.

Figure 5. 'Do you believe digital entrepreneurship opportunities are equally accessible to all?'

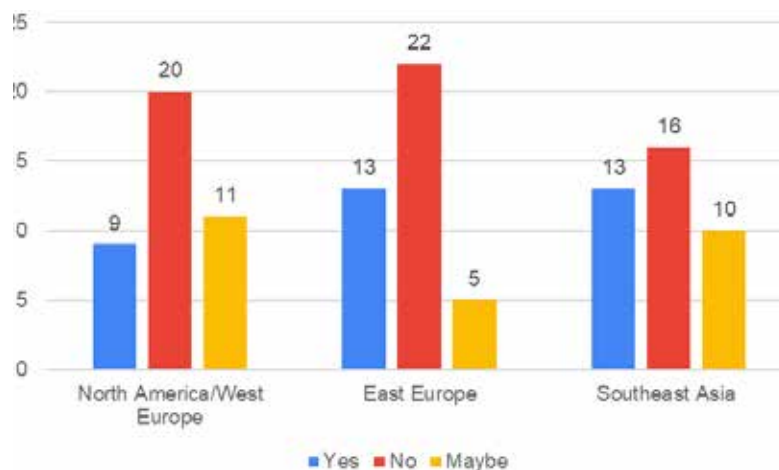
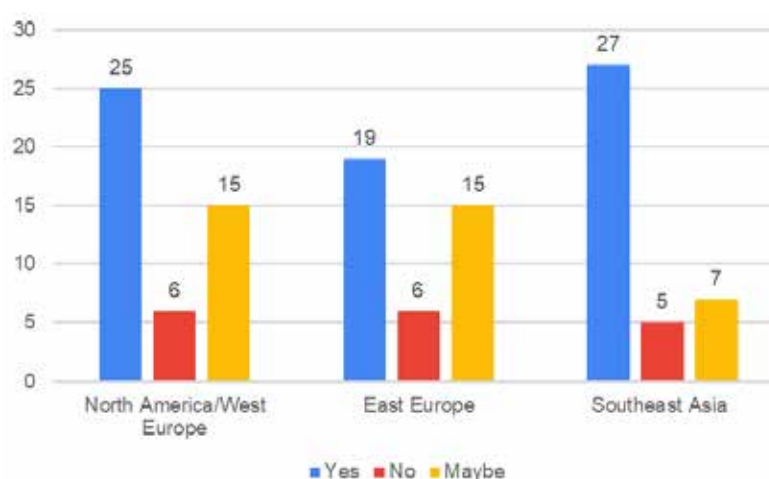


Figure 6. 'Do you believe digital entrepreneurship has the potential to disrupt traditional industries?'



America/Western Europe is slightly higher than in Eastern Europe and 20 percent higher than in Southeast Asia (World Bank Group, 2024). The lack of equal tech-

nological access is particularly evident in the disparity between male and female digital entrepreneurs, with 72 percent of global digital entrepreneurs being male and only

28 percent female. A similar gap exists in basic internet usage, with 87 percent of men and 85 percent of women online in Europe (United Nations Publications, 2022). The convenience of organising online businesses, along with the resulting improvements in employee skills, can help address some of these constraints.

Despite all the benefits of digital enterprise, one of its critical concerns mentioned by participants in Figure 6 is the disruption of traditional industries. It is a recurring theme in the areas of technological advancements that old methods are replaced by new. Just as manual labour was replaced by machines during the Industrial Revolution, and machines are now being replaced by artificial

intelligence, these shifts have become the norm. Such changes, although temporarily destabilising the economy, lead to a continuously revolutionized economic structure (Ivanović-Đukić, Stevanović, and Radjenovic, 2019). This transformation is inevitable, digital entrepreneurship swiftly taking over traditional industries, but it should be a prerogative of governments to ensure the smoothest adjustment period for its economy.

Regarding the state involvement, although the majority of survey respondents in Figure 7. express satisfaction with the development of digital entrepreneurship in their country, Figure 8 shows that most view government policies as only 'moderately supportive' of these advancements.

Figure 7. *'How do you feel about the development of digital entrepreneurship in your country?'*

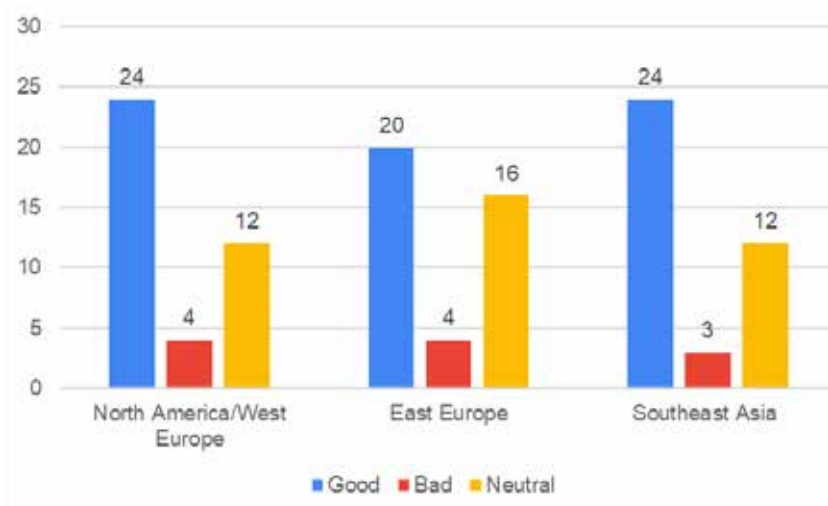
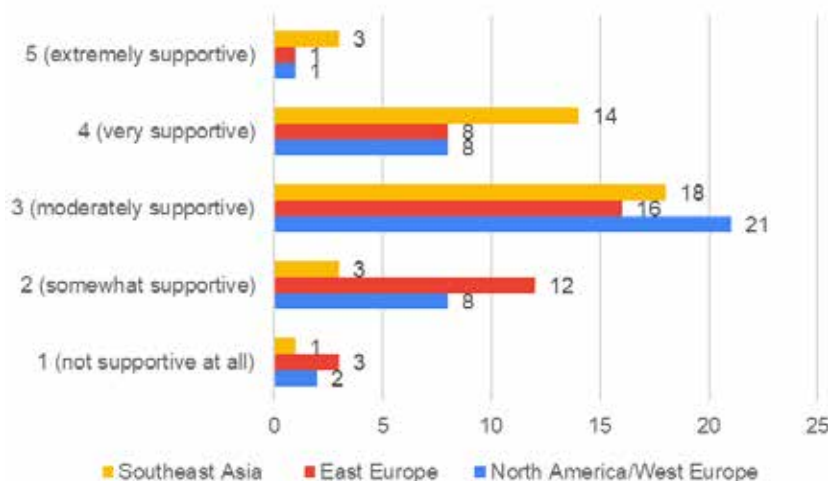


Figure 8. *'How do you perceive the role of government policies in supporting digital entrepreneurship?'*



Interestingly, ‘very supportive’ is the most common response among the South-east Asian sample population, while ‘somewhat supportive’ is the predominant sentiment among respondents from Eastern Europe. One of the reasons could be because the Asian governments invest heavily in digital technological infrastructure, provide generous financial support to businesses of all sizes, create a suitable environment for business expansion and many more, all in the name of entrepreneurial development and investment into the technological sector. The Malaysian government, for instance, collaborated with private sectors to create attractive entrepreneurial

ecosystems by significant funding and arrangement of networking hubs (Park et al., 2022).

In contrast, Eastern European policy-makers should recognize the importance of digital entrepreneurship for their economies, increase institutional support, and ensure affordable high-speed internet infrastructure, particularly in rural areas, to engage more young entrepreneurs. For example, some of these essential actions have yet to be implemented in Croatia, one of the countries surveyed (Turuk, 2018). Ultimately, fostering a supportive ecosystem for digital entrepreneurship is essential for driving economic growth in both regions.

Figure 9. *‘Do you think digital innovation has facilitated or will facilitate economic growth?’*

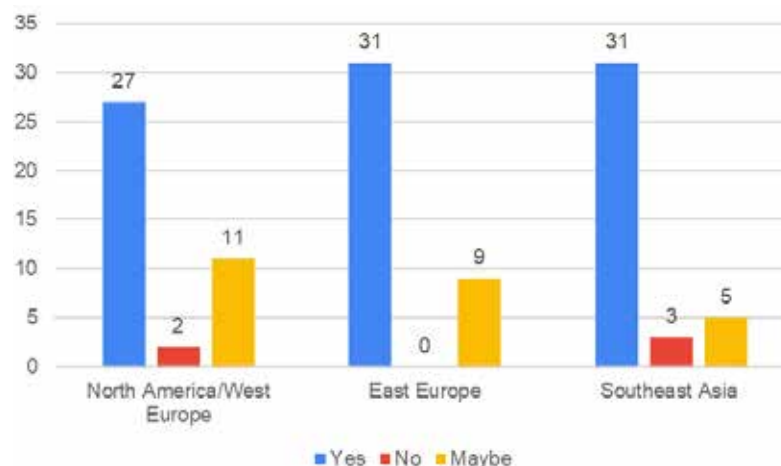
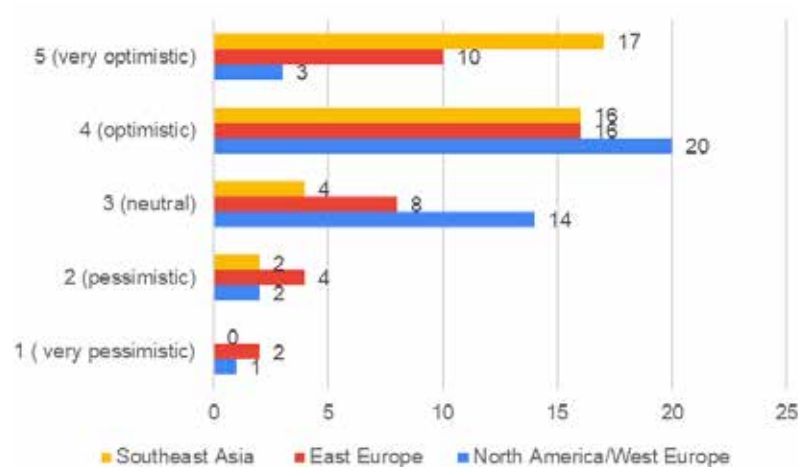


Figure 10. *‘How optimistic are you about the future of digital entrepreneurship in the next 10 years?’*



Even though there are some hardships of digital entrepreneurship, especially in the

traditional industry companies, the respon-

dents seem to have a confident outlook on the development.

Figure 9 and 10 display a collective belief in online businesses' beneficial influence on the country's economy and a strong faith in further changes.

With strengthened government support, improved financial aid, and an optimistic public attitude, it is extremely realistic to expect a higher return for companies and facilitated overall economic growth within tech-enabled enterprises.

Conclusion

The paper aimed to address the benefits and doubts regarding tech integration in an entrepreneurial landscape, a highly relevant discussion in the modern digitalized era. In the modern business environment, it is increasingly essential for companies not only to superficially adopt digital tools but to fully integrate technological advancements into their core, profit-oriented structures. Using the example of three global regions – North

America/Western Europe, Eastern Europe, and Southeast Asia – it is evident that digital entrepreneurship is becoming the preferred approach to conducting business worldwide. Individual firms reach a wider customer base, get valuable insights about their target audience, and unquestionably earn higher profits, while simultaneously single-handedly contributing to national well-being through workforce skill enhancement, job creation, and engagement in international trade. And although the concern over disruptions to traditional industries is valid, supportive government policies and targeted investments can help to minimize these effects. Transitions from traditional to digital methods can be nerve-wracking and bothersome, yet the magnitude of digital entrepreneurship's positive impact on the economic development of a country justifies the effort. With persistence and adaptability, business owners can navigate these changes and fully realize the benefits of a digitally integrated economy.

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