



SYNTHESIS OF BANKING WITH ENTREPRENEURSHIP IN THE DIGITAL ERA

Champal de Costa

Vice President
DFCC Bank

1. Introduction

Entrepreneurial endeavours historically exhibited a sequence of revolutions. Americandominated “mass production” marked the first revolution in the series. As epitomised by Henry Ford, here the high volume of output of standard products was the key concern in which dedicated machines manned by semi-skilled workers ensured expected deliverables. The next milestone was the “lean production” conceptualised by the Japanese firms engaged predominantly in automobile and electronic industry, which burst onto developed economies and consolidated a sizeable market share for their products. Here the underlying principle was the orchestration and reorganisation of the assembly and component development process in an efficient and cost-effective manner. Flexibility of output, as against rival American mass producers, was introduced to production lines in order to ensure high quality, coming hand in hand with lower costs through innovative changes. “Flexible specialisation” created the third revolution by Europeans as their alternative to mass production. Here the firms having diversified product ranges managed to create a growing set of consumers with overwhelming concerns for quality to match the price they pay. The process involved small runs of higher value added production. Specialisation and flexibility of both employees and machinery ensured tailor-made products of high value for affluent niche markets. The recently born “digital revolution” then came as the latest in the continuum. Whether it’s a business enterprise or a government entity or any other socio-economically recognised element, significant changes of processes, expectations and behavioural patterns could be seen when the digital era was ushered in. The term refers to a period in man’s history where the economies appeared to be based on information computerisation. In this era, it has been observed how the chip-based technology coupled with systems run by software ploughed into the multitude in many of the functions, which is commonly named, “digitisation”. As illustrated in *Wikipedia*, by definition, digitisation is the representation of an object, image, sound, document or a signal by generating a series of numbers that describes set of its points or samples. The underlying principle revolves around conversion of data into a numeric format, usually in the form of binary numbers to facilitate computer-processing. A primary advantage here is the ability to store, modify and transmit data without degrading the quality.



Many entrepreneurs, either proactively or reactively, embraced the tools in the digital era to their core process of creating and sustaining value. E-commerce and E-business aptly explained this move. In parallel, the banking community, a collection of institutions playing the pivotal role of financial intermediation to entrepreneurs, started deployment of digital technology to achieve efficiency and effectiveness. However, many entrepreneurs reportedly viewed that appropriate assistance from their banking counterparts are yet to be experienced, which means that the time has come to revisit the banker's moves in the digital era, in an entrepreneur's perspective. Through this article, the author attempts to provide few inputs to the banker, by elaborating on fundamentals of entrepreneurship, which would provide necessary ingredients to incorporate in the strategies to achieve synergy between the bank and the entrepreneur.

2. Entrepreneur's role in an economy

The entrepreneur's role in an economy is best explained when attempting to understand who the entrepreneur is and what characteristics he has. Simply it is an act of focussing on what is meant by the term "entrepreneurship". Literature shows neither unique definition nor single interpretation for entrepreneurship. To find a single appropriate and ubiquitous definition of entrepreneurship is a challenging problem for academic researchers and students of entrepreneurship (Louw et al, 2003). Cunningham & Lischeron (1991) stated that the term "entrepreneur" was derived from the French verb "*entreprendre*" which means "to undertake". Those who undertook the risk of starting and running a new enterprise were named entrepreneurs. Apart from that, in early 16th century, the French military leaders too were called entrepreneurs believably due to their innovative approaches and the risks associated with the war-related expeditions they undertook (Charantimath 2006). Joseph Schumpeter identified entrepreneur as an innovator, who creatively destructs a market environment by introducing new combinations of the means of production and capital, and earns dividends before the said environment reverts to equilibrium. The functionalistic approach explains the concept of entrepreneurship as dependent on what an entrepreneur intends to do, does or has done, that is to specify a distinct function, and all who accomplish this function are to be considered entrepreneurs (Hansemark, 1998).

Entrepreneur is also identified as a person capable of injecting imagination, out of the box thinking and having a passion to excel on one hand. On the other hand he attempts to strengthen functions of planning, organizing, leading and controlling together with sharpening of various skills associated with successful operation of his enterprise, the based on experience and knowledge, in a more dynamic manner so that he will be equipped with the means to withstand unpredictable changes in the environment to a greater extent. In other words, the entrepreneur is assumed to be a person who is going beyond the objective of survival and reaching higher levels of comfort in any environment (De Costa, 2012).



3. Entrepreneur in a digitised economy

Moving away from above-stated explication on the terms related to entrepreneurship, contemporary studies of Davidson and Vaast (2010) expressed the definition of “digital entrepreneurship” as “the pursuit of opportunities based on the use of digital media and other information and communication technologies”. Martinez Dy (2015) inferred that entrepreneurs in a digitised environment introduce distinct features to their enterprises. These entities may take uncommon organisational structures, may consist of virtual teams of freelance workers, and their offerings may blur the boundaries between products and services as well as between online and offline.

One of the approaches to build up an understanding on how the entrepreneur interacts in a digitised economy is to throw light on the cognitive perspectives of entrepreneurship and entrepreneur’s fundamental actions in a changing environment. Based on illustrations by Professor John L Thompson of Huddersfield University Business School, UK in 1999, together with findings in scholarly articles of past researchers, following propositions can be considered:

a) **Entrepreneurs make a difference:**

Enterprising people translate possibilities into reality by transforming a basic, ill-defined idea into a commercially viable product or service and ensure generation of profit. In other words, they spearhead creation and innovation. They have their own ways of dealing with setbacks and uncertainties to “creatively create” new products, new services, new organisations and new ways of satisfying customers.

When operating in a digital environment, entrepreneurs understand the gravity of exponentially increasing competition. Benefits of Information and Communication Technologies (ICT) are not confined to experienced, established and high net worth entities. Even a newly formed venture can become a threat to the established one due to lower prices and efficient delivery channels driven by the same ICT. Hence all entrepreneurs continuously reflect on reducing costs, augmenting market penetration and new ways of satisfying customers by being vigilant on in-house and outside R & D outcomes. In the digital era, the fabric of advanced electronics was unravelled in laboratories. However, it was not the scientists but the people with entrepreneur-mindedness who dramatically changed the nature of existing production from the complex electro mechanical assembly to electronic chip incorporation and software functionality to commercialise those inventions.

b) **Entrepreneurs exploit opportunities**

Entrepreneurship is about spotting and exploiting opportunities. They have competency to compile the available information and clarify patterns which escape others. They are comfortable with ambiguity and they can bring clarity by piecing together previously



unrelated messages and signals. Again with analysis and hindsight, it often appears that what they do is unconventional but logical. With high rates of unemployment, a country may experience an economic downturn but certain individuals see this as an opportunity to become entrepreneurs. Those who achieve progress are able to selectively arrange available information and innovatively incorporate those into their courses of action before others do so.

Traditional entrepreneur invests time and thinking on what is observed, heard and read to filter potentially profitable opportunities to meet competition. He looks for information on consumer need gaps, characteristics of elements in the value chain, status of competition etc., to start working on the opportunities. The sources which supply such information sometimes lack direct accessibility and as a result it may lose novelty when transformed into a product or service. In a digitised environment, the entrepreneur gets quick access to an array of information so that the opportunities available across geographic or demographic boundaries come into his palmtop in a fraction of a second.

c) Entrepreneurs find the resources required to exploit opportunities

Successful entrepreneurship is rarely a flash of inspiration or luck; rather it is the conscientious application of discipline to exploit resources which are already in hand or which can somehow be found. The non-existence or inadequacy of the necessary resources will not deter the committed entrepreneur who will exploit contacts and sources “begging, stealing and borrowing” when necessary (Stevenson, 1997). The term “begging” is used to describe his determination in going from one source to another, accumulating little by little, accepting whatever is given, till the need is fulfilled. The provider may be oblivious to why the entrepreneur needs those resources, since the big picture behind its strategic usage is not disclosed to anyone thus the term “stealing” is justified. Of course, the financial resources are mostly lent by the rich and term “borrowing” is appropriate. In an entrepreneurial pursuit, the decision making often hinges on desirability and feasibility. The former refers to entrepreneur’s motivation to do something new or to take a challenge which is backed by self-belief, selfconfidence and many other entrepreneurial traits. The latter will demand more consideration on availability of resources. The resources can be in financial, informational, human and marketing-related forms and quantity, depending on which the entrepreneur determines the feasibility of transforming his desire to a profit-generating product or service.

In the digital era, the most prominent feature is the ability to harness informational resources. ICT enables one to procure, rearrange in desired permutations or combinations, store and retrieve required information whenever needed if the path is known. If the informational resources are handled strategically and carefully, the entrepreneur gets the control of all other forms of resources. Inflow of market pulses on changing demand patterns enables producers to proactively acquire financial resources necessary for procurement of



material and technology, perhaps can earn a profit if get activated before the financial markets start reacting. Similarly, if the information on items with dwindling demand gets on to their handheld devices in advance, potential waste of financial resources can be prevented through reallocations and redistributions.

d) Entrepreneurs add value

The resources are acquired and utilised to create products and services which satisfy customers and markets. Value is added through a transformation process. Entrepreneurs instinctively understand market needs and more importantly need gaps and search for means to satisfy them. There is often a strong element of demand-pull, but true visionaries successfully sell their new ideas and create demand. Effective control of the value adding process requires a sound performance measurement mechanism which is obviously outcome-driven. The entrepreneur needs to understand which factors are critical for his success and ensure that performance in respect of these is measured and any failures are remedied then and there.

In the digital era, the end user is endowed with tools to assess the quality of the products and services he purchases and to send feedback, especially the negative aspects, immediately. ICT provides facilities to track such feedbacks so that the entrepreneur can critically evaluate whether an actual value addition has taken place or not and pursue remedial measures immediately. In the meantime the same ICT can be instrumental in spreading the negative perception to millions of potential customers and intermediaries which may completely derail the brands off the track. Hence once again speed of receiving, filtering and working on with the information is considered important.

e) Entrepreneurs are good networkers

Constrained by resource limitations especially finance, entrepreneurs use creativity, social networking and bargaining to obtain favours, deals and action (McGrath, 1997). There is a paradigm that ideas can be found anywhere, anytime and people need to be alert for opportunities. In this context, successful entrepreneurs will realise where they can obtain sound, often free, advice and opinions to strengthen their decision making process. Any interconnected human group can be identified as a network and depending on its shared objectives and values one can label it as professional, ethnic, religious, trade-specific etc. A common characteristic of those are their wider operational space and socially acceptable norms, thus called “social networks”. There are other powerful networks engaged in unethical practices but entrepreneurs with long-term orientation often remain dissociated with them. A prominent characteristic of entrepreneurs is their ability to form new networks in any environment and it is observed that those keep on increasing in numbers and space with fostering interdependency among constituent elements.



Some researchers speculated that networks will become redundant, inactive and eventually disappear in the digital era as they postulated that the flow of information is the spirit which keeps such networks alive. The argument remained unchallenged; the flow of information plays a vital role in the networks, but ICT has facilitated the said flow of information in much more effective and user-friendly modes which provided more supportive facts than impediments. Instead of the expected demise, the networks were flourishing on digital platforms.

f) Entrepreneurs Have “Know-How” and “Know-Who”:

Many scholars have used personality traits to describe entrepreneurial behaviour that leads to success. In addition to personality traits, there have also been suggestions that possessing certain “know-how” or skill sets does impact entrepreneurial success. These skills comprised of aptitudes and learned abilities such as leadership, administrative, business management, product design and networking skills (Sriram et al., 2007). However, the decisions such as whom to be involved in product design, production and delivery processes, administration, enterprise operations etc., are important functions that the entrepreneur doesn’t delegate unless he meets the right person. This “know-who” ability seemed to be not spiritual but inherent to the entrepreneur who knows that mistakes are costly and remedial measures are more costly. Not only in functional aspects but also when decisions are made on suppliers, direct supportive services, consultants etc., entrepreneurs possess ability to identify from where and whom they can obtain people and firms to meet requirements.

The tools in the digital era can equip entrepreneur with information and training in this area. He can get access to relevant data bases with latest performance records which facilitate improvement of entrepreneur’s ‘know-how and know-what’

g) Entrepreneurs create capital

Thompson (1999) identified three forms of capital namely, intellectual, financial and artistic capital. Resource acquisition, adding value and networking constitute the entrepreneur’s intellectual capital, which is used to create the other two capitals. Financial capital is wealth creation. Entrepreneurs build up financial capital mainly to invest in growth of business. A fair portion is often invested in innovative assignments through which he tests new ways of satisfying customers. This involves some risk but within the locus of entrepreneur’s control. By investing in artistic capital, the entrepreneur satisfies higher level of needs in the hierarchy so that social recognition comes in a big way. Artistic capital simply brightens or enriches people’s lives; there is an element of feel-good factor involved. People enjoy and gain a variety of benefits from an imaginative urban landscape and architecture that entrepreneurs create.



Tools in the digital era enable entrepreneurs to efficiently allocate accumulated capital in above-mentioned forms. Availability of a multitude of MIS pertaining to performance measurement enhances his decision making process so that haphazard spending can be curtailed.

h) Entrepreneurs manage risk:

Llewellyn and Wilson (2003) explains that entrepreneurship is a construct that is seen by some scholars in relation to a set of personal characteristics, which include desire to innovate, preference to be independent, etc. Some other scholars relate it to a set of behaviours (for examples, starting a business, penetration into new markets, product innovation etc). Both schools of thought have one common element, which is the risk taking propensity. A manager attached to a firm too takes risks but at a very lower level within his prescribed job role. At the other end of the continuum, a gambler tends to take unusually higher level of risks. The entrepreneur confines the risks he takes to an intermediate level. More appropriately, he knows how to manage the risk at a controllable level.

During the years prior to the digital era, entrepreneur had to depend on expert advice based on past experience when assessing the risks involved in his decisions. Such projections obviously involved strands of assumptions based on post evaluations of events. With the introduction of ICT the task became easy and the entrepreneur was able to manipulate variables at his discretion in multiple combinations to check the likely outcome so that he was better equipped to manage risks effectively.

i) Entrepreneurs are determined in the face of adversity:

Entrepreneurs are motivated to succeed; they possess determination and self-belief. They refuse to be beaten and persevere when the going gets tough. Thompson (1999) further explains that, successful entrepreneurs are also able to deal with unexpected obstacles. Even if they fail occasionally, paradoxically they perceive it as a price of their success. Their belief is that, they have been successful, they have provoked envy and enmity; the world wants to see them fail and is delighted when they do. This partially explains why so many failed entrepreneurs simply start again. Next time they will win! It is this fear of victimisation which makes them perpetually alert to changes, trends and threats in their environment (Kets de Vries, 1997). The digital era helps entrepreneurs to spring back quickly from defeat where newly formed links with powerful networks facilitate extended support to ideas and abilities, rather than dwelling on past mistakes.



4. Banker in a digitised world

The banking industry has gone through drastic changes in recent decades, mainly due to deregulation, opening up of global and regional markets, development of ICT and also due to consumers adopting the use of digital networks. The expansion of electronic home banking has been one of the most influential drivers in the restructuring of banking services. The previous dependence on large networks of branch offices has been replaced by digital services. As consumers are increasingly using internet to purchase products and services, their need for convenient, safe and familiar payment and banking services has prompted the banker to become digitised (Tinnila, 2012). In a digitised world, a bank's target market and competitive arena is no longer defined by its physical footprint, but by its degree of adoption of technology to a greater extent. New entrants could grow rapidly, specially the non-bankers, potentially increasing competition and re-fragmenting the landscape. Biometrics, such as fingerprints and voice recognition, will become commonplace in transaction authorisation, but will remain tied to replaceable physical devices (such as smart phones) with two-factor authentication (PwC, 2014).

5. Synergic approach

Digital era has created many challenging situations to all human groups and now they all are tempted to question the status quo and to redefine their roles in the society. In this scenario, the banker and the entrepreneur can be pushed into one group and the consumers (or the customers) into another. The latter is the receiver of products and services of the former and the effectiveness of any commercial transaction between the two is determined by many factors viz., recipient's perception, speed of delivery, mode of delivery etc. These factors are common to both banker and entrepreneur and therefore any attempt to reach a higher level of synergy between them will generate positive and mutually beneficial results. Hence it is imperative to identify the emerging trends in the digital era which have a common impact on them. With reference to five main trends identified by Professor Markku Tinnila (2012) of Aalto University School of Economics, Finland, one can attempt to synthesise efforts of banker and entrepreneur in following perspectives:

a) **Aging population**

This trend will have a profound impact on consumer behaviour and will drive the development of services to this customer segment. For example, elderly and city consumers require different types of delivery, pick-up and other logistic services connected to shopping. In the digital era, these logistics need to be supported by information supply and payment services via mobile, wireless media. The entrepreneur's effort in introducing a product to this segment coupled with delivery facilities will not bring optimum result unless the banker facilitates the payment service.



b) 24/7/365 Society

Services are increasingly demanded irrespective of time and space. The expansion of opening hours of virtual services is impacting more traditional services, as consumers expect services round-the-clock, 7 days a week, in all 365 days in the year. Traditionally provision of such extended services attracts heavy operational costs but in a digital platform it is greatly reduced due to presence of virtual shops facilitated with a variety of goods with easy selection processes and efficient delivery channels, which is another creation spearheaded by the entrepreneur. The banker's task is to harness the same ICT to facilitate the payments in each stage of transaction to respective service providers.

c) Ubiquitous ICT services everywhere

Same type and quality of services need to be present among all users. No contradiction of information could be seen when it flows from one segment to another so that constant access to up-to-date information is ensured for consumers and value chain participants. Messages sent through e-mails and SMS about delivery times, quality and price are to be accurate and that part of the task is handled by the entrepreneur while the banker is supposed to look after the payment function through a foolproof ICT system.

d) Empowered consumers

Consumers have in their fingertips a huge amount of information so that they possess ability to pick and choose among many available product and service providers. They are expected to be more empowered, as they can use the information available in the web, and make better consumption choices at lower prices. Travel and tourism industry is a classic example for this trend. The entrepreneurs seemed to have exploited consumers' fragmented nature in a globally unified atmosphere by providing world-class products and services packaged in a variety of ways to meet different needs of different people. In this respect, the bankers too have played their role well by providing online transfers, cashless transactions and other forms of asset and liability products running on digital platforms.

e) Widespread e-commerce & payment services

When entrepreneurs start increasing e-commerce applications across geographic boundaries, the requirement for faster and reliable money transferring channels too has shown an increasing trend. The popularity of hi-tech devices such as tablets and newer versions of smart phones has been a promising positive factor for the banker to modify its payment function so that the supplier could meet the buyer and close the deals in cyber space within a few seconds. These payment scenarios include digital content, tickets, transport fares and many other services. Primary expectation of banking service is to make consumption easier to consumers. On the other hand, the banker has an obligation to



facilitate the payment function and streamline the cash flow of the entrepreneur who supplies products to make the consumption easier.

f) Polarization of services

When entrepreneurs move along growth trajectories they look for diverse strategies of profit maximisation. Forward and backward integrations, strategic partnerships, imposing trade barriers in subtle ways and take-overs are few among those. Many of those aim at achieving economies of scale and scope. The banking business too shows similar happenings but seemed to be polarised to two extremes of universal banking and ultra-focused banking. The former extreme highlights provision of a large range of services to fulfil the needs of consumer masses with adequate level of services and competitive pricing. In contrast, the other extreme will look for smaller or even niche, consumer segments with special requirements and more focused service offering. Scholars argue that such polarization is not always counterproductive since each institution is at liberty to follow its own business model. However, the important fact is to ascertain that the needs of both consumer and entrepreneur are effectively satisfied within their respective business models.

6. Conclusion

This is an era in which the most fruitful revolution in man's history is taking place, the "digital revolution". This is quite different to other revolutions, mainly due to the facts that the participants have neither age barriers nor geographic constraints and it is taking place at a very high speed. This article takes three stakeholders of this revolution into consideration, the entrepreneur, the banker and the consumer. The author has attempted to emphasise that the role of the first two is to satisfy the third. That role is not mutually exclusive but highly interdependent. Any form of competition between the banker and the entrepreneur may be counterproductive and both should endeavour to develop a deep level of understanding of the dynamics embedded in each other's role in meeting consumer's needs in order to enjoy mutual benefits.

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