

Home-based businesses are a 'hidden engine' that are poorly understood and inadequately supported, claim *Calvin Wang, Elizabeth A. Walker, Janice Redmond* and *John Breen*. They undertook research to gain more insight into this sector.

Making plans

Continuous economic activity is vital to Australia and the main driver for the past 20 years has been small business, often referred to by politicians as the 'engine room' of the economy. However, little is known about those businesses that operate from a home-base, even though these represent the largest cohort both within the small business sector and the wider business community.

This is potentially an economic, regulatory and even political problem especially if home-based businesses (HBBs) continue to remain largely 'hidden'. Individually, HBBs make important contributions to economic activity in terms of job creation, wealth generation, business investment, the provision of goods and services and the servicing of local, national and international markets.

There are well over one million Australians operating in excess of 850,000 home-based businesses. They include, but are not limited to, accountants and architects, web developers, photographers, mobile mechanics, pet boarders, bed and breakfast operators, freight movers, electricians, plumbers and painters.

Collectively, HBBs provide important employment opportunities, not just for operators in the form of self-employment, but also family members and staff. Localised businesses consolidate social connectivity for people, making it possible for them to shop and socialise close to where they live and work. As a result, money stays in local communities and this potentially fosters a healthy local economy through wealth and further job creation. These benefits make HBBs particularly important as key drivers of both economic and community sustainability in rural and regional areas.

This paper shows that the sector has real potential for growth and greater attention needs to be paid

to it in respect of policies, programs and strategies to facilitate the growth of the sector, particularly at a local government level. Given the ease of establishing a business in the home and the lesser risks involved (both business and personal), HBBs provide important opportunities for entrepreneurial Australians to 'give it a go' and in so doing, to further drive economic growth and development.

FAST GROWING

A home-based business (HBB) is defined as an enterprise that operates 'at' or 'from' a residential property instead of from commercial premises. In Australia, HBBs make up more than two-thirds (67.5 per cent) of all small businesses and accordingly, are the largest business cohort in the economy. More significantly, they are also the fastest growing, increasing from 58 per cent of all small businesses in 1997 to 68 per cent in 2004.

HBBs have recently been the subject of policy interest by local, state and federal governments. Underpinning this interest is a belief that many HBBs have growth potential that can be tapped to stimulate economic development at a local level. But little research has been done either in Australia or abroad on this sector which means that HBBs have remained a 'hidden engine' that is poorly understood and inadequately supported.

In view of this, these authors and the respective state governments undertook a comprehensive study of HBBs in Western Australia and Victoria using a self-administered questionnaire. This paper reports results from Western Australia only.

The home-base offers a number of benefits over more conventional set-ups in commercial premises

Table 1: Profile of WA HBB survey respondents

Type of operation	At home: 56% From home: 44% Mean: 7 years
Years in operation	Male operator mean: 8 years Female operator mean: 6 years
Operator gender	Male: 49% Female: 51%
Operator age	Mean: 46 years; Range: 18–82 years
Operator education level	Secondary: 23% Trade/TAFE: 40% University: 37%
Working hours	Mean: 38 hrs/week Median: 40 hrs/week All HBBs: 66%
HBB as a primary source of income	Male operators: 75% Female operators: 57% Full-time mean: 1.64 Max: 13
Employees	Part-time mean: 2.13 Max: 29
Annual turnover	\$50,000 or less: 50% \$50,001–\$100,000: 19% \$100,001–\$150,000: 11% \$150,001–\$250,000: 7% \$250,001 or more: 13% Median category: \$50,001–\$100,000 WA only: 57%
Location of customers	WA and interstate: 18% WA and overseas: 3% WA, interstate and overseas: 22% Agriculture, mining and transport: 8% Construction and trades: 15% IT services: 12% Manufacturing: 2%
Types of businesses	Personal/lifestyle services: 9% Professional and business services: 23% Tourism: 6% Wholesale and retail: 14% Other services: 11%

Table 2: Business start-up motivation

I started my business...	Mean* (All operators)
To do work I really enjoy	4.26
For a more flexible working lifestyle	4.25
To be my own boss	4.02
Because I saw a business opportunity	3.71
To achieve financial security	3.54
To keep myself employed	3.16
To make lots of money	3.08
Because of the lack of advancement opportunities in my previous job	2.49

*Scale: 1 (Not At All Important) to 5 (Highly Important)

such as shops, offices and factories. These include significantly lower establishment and operating overheads, greater convenience and flexibility and lower psychological stresses. Generally, HBBs represent ideal incubators for the average person to start up a new venture and there are many well-publicised success stories of businesses with humble beginnings in the founder’s home that have broken through their home-based nature to become larger enterprises resulting in valuable new innovation and technology. Australian examples of this include Ralph Sarich (Orbital Engine), Annette Syms (Simply Too Good) and Kim Illman (Messages On Hold).

RESURGENCE IN POPULARITY

Although existing before the industrial revolution as cottage industries, HBBs have experienced a ‘resurgence’ due to structural changes in most western economies in the last 30 years. For example, the shift from a predominantly production to a service based economy has spurred the rise of the sector since service (compared to manufacturing) businesses are more readily operated at or from a home location.

The search by large corporations for operational efficiencies through the outsourcing of non-core

activities has provided additional impetus, as have significant socio-cultural changes in the form of a growing desire for better work-life balance and the prominent rise of female entrepreneurship.

Overwhelmingly, however, the primary driver of the sector’s growth has been rapid developments in information and communication technologies which have made the home and mobile office both accessible and affordable. In sum, these changes have led to a ‘confluence of factors’ that have spurred the start-up of HBBs by a greater number of individuals with varying personal circumstances, who are better able to compete in an increasingly competitive marketplace.

In spite of their numbers, HBBs exist in relative obscurity because of credibility perceptions that these are not ‘serious’ enterprises. They are also difficult to identify and locate, due primarily to their home-based nature but in some instances, to operators (especially those operating in the grey economy) deliberately attempting to ‘fly under the radar’. As a result, there is little empirically-based literature on HBBs to inform academic interest and even less to guide government policy.

AIM OF THE STUDY

A key aim of the study was to explore the growth

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Table 3: Manifestations of growth (%)

HBBs that recently...	All operators	Business aspirations		
		Grow significantly	Grow moderately	Stay small
Increased turnover significantly	55	68	57	46
Increased the number of products/services	52	66	51	45
Invested significantly in equipment or technology	51	59	50	47
Employed more staff	21	29	24	12

Table 4: Growth aspirations and future location (%)

Future location of business	All operators	Business aspirations		
		Grow significantly	Grow moderately	Stay small
Still remain home-based	76	52	77	97
Move to commercial premises	24	48	23	3
Total	100	100	100	100

Table 5: Growth restricting factor

How important is this factor in restricting your business growth?	Mean* (All operators)
Family commitments	2.58
Lack of access to finance/capital	2.52
Perception that a home-base business isn't a 'serious' business	2.20
Difficulty finding skilled staff	2.15
Difficulty accessing information and advice	2.15
The isolation of working at home	2.07

Table 6: Growth supporting factor

How important is this factor in supporting your business growth?	Mean* (All operators)
The internet as a business tool	4.08
Prior industry knowledge/experience	4.02
The support of family	3.88
Professional business advice (e.g. accountant, lawyer, etc.)	3.54
Advice from other business people	3.45
Personal networking	3.19
Good staff	2.82
Having a business mentor	2.73
Formal networking (e.g. joining a business association or chamber of commerce)	2.62

*Scale: 1 (Not At All Important) to 5 (Highly Important)

Table 7: Business aspirations at start-up

Business aspirations at start-up	All operators (%)
Grow significantly	18
Grow moderately	49
Stay small and manageable	33
Total	100

potential of HBBs and determine the set of factors that facilitated or hampered their growth. These included:

- Explore the nature of HBBs by comparing and contrasting operations by various business and personal characteristics (e.g. industry, size, location, longevity, turnover, operator demographics, etc)
- Explore the internal and external motivators of HBB ownership
- Explore internal and external drivers and inhibitors of HBB business performance
- Explore the growth attitudes and experiences of HBB.

THE RESULTS

Profile of respondents: Table 1 compares HBBs in Western Australia to the general small business cohort. Average working hours (38 hours/week), average years in business (7 years) and the large percentage of operators (66 per cent) who reported deriving their primary income from the business, indicate that HBBs are in fact 'serious' businesses, similar to any other small business, rather than part-time or hobby ventures.

HBB operators appear to be more strongly driven by personal need rather than by goals of a purely monetary nature. For example, operators rated the need to do work that is enjoyable, the need for work-

life flexibility and the need for control more highly than the need to make 'lots of money'. Indeed, small business literature shows that operators who pursue personal intrinsic goals often sacrifice greater financial rewards to achieve those goals.

Generally, such operators are thought to define success in purely non-economic terms and consequently, business growth and performance tend to be neglected since these are seen as secondary to being 'successful'. However, results from the present study indicate that this may not be the case. In particular, the strong performance of HBBs observed and the large percentage of operators who reported aspirations for business growth suggest that there need not necessarily be a trade-off. The business adage of 'happy workers being productive workers' has intuitive appeal here.

Business start-up motivation: From Table 2, enjoyment of the type of work done, work and lifestyle flexibility and personal autonomy were the most important considerations for HBB operators in relation to their motivation for going into business for themselves. These three reasons are intrinsic 'pull' factors which rated significantly higher than reasons relating to financial security and 'making lots of money'; more so since the latter can be quite substantial in dollar-terms as shown in Table 1.

Business aspirations: The relative importance of intrinsic (personal considerations) over extrinsic (financial rewards) is also reflected in the business growth aspirations of operators as shown in Table 7. From the table, 'significant' business growth was the primary goal of only 18 per cent of operators; about half of all operators preferred 'modest' growth and about one-third aspired to stay 'small'. Notwithstanding, the 18 per cent of operators with significant growth aspirations is still considerably larger than the proportion of 'gazelles' or 'high achievers' (i.e. dynamic enterprises with high growth or expansion intentions) which are typically estimated at between 5 per cent and 10 per cent of the wider small business sector. As a cohort, HBBs may be more growth orientated than others in the small business sector. One of the benefits of working from a home-base is that the comfort and familiarity of the home environment is thought to reduce business and psychological stresses. Moreover, start-up and operating overheads are relatively lower for HBBs than other business types. It is possible that both of these factors may produce more successful and positive operators.

Turnover and growth: Table 3 shows that overall, more than half of all operators achieved 'signifi-

cant' recent increases in business turnover, product and service diversity, and investment in equipment and technology. Over 20 per cent of operators also employed additional staff.

Future location: Table 4 shows that over three quarters of operators plan to continue being based in the home. Even operators with significant aspirations to grow their businesses reported a future preference to remain a HBB. This has important implications for governments which need to recognise that only a minority of HBB operators wish to establish external commercial premises. While there are many local business and community benefits associated with HBBs, local government support for HBBs is often predicated on the presumption that operators will eventually move out of the home and into commercial premises within the area with subsequent flow-through economic effects (e.g. rents and rates). Governments and other support organisations are often preoccupied with helping HBBs grow out of their home-base when this is not an overriding aspiration of the majority of operators.

Factors supporting or limiting growth: HBBs are perceived to be isolated due to their home nature. However, Table 5 shows that even these were not highly rated in respect of limiting business growth. Rather, family commitments and a lack of access to capital had the highest mean scores, issues similar to those encountered by most small businesses.

Local government regulations which limit growth: Regulations restricting signage and advertising and space usage were top of the list. Business growth intentions are impacted by forces external to the business. An important externality is government. Overall results in this study showed that HBB operators did not see local governments as a hindrance to business growth. Individual regulations were reported as affecting growth by 4 per cent to 14 per cent of operators only.

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