



The use of business assistance by women home-based business operators.

*A paper for the Small Enterprise Association of Australia and New Zealand 16th Annual Conference,
Ballarat, 28 Sept-1 Oct, 2003.*

Elizabeth Anne Walker
Small & Medium Enterprise Research Centre
School of Management
Edith Cowan University
100 Joondalup Drive
Joondalup WA 6027
Tel: 08 6304 5282
Elizabeth.walker@ecu.edu.au

Leonie V Still
Graduate School of Management
University of Western Australia
Nedlands
WA 6009

Abstract

Home-based businesses are a vital component of small business in Australia, as they are the biggest and fastest growing cohort. On the one hand they display longevity but they are also likely to be started by first time operators and therefore prone to potential failure if good business assistance is not utilised. This paper presents the results from an Australian-wide study of women owned businesses, with the findings that nearly 50% of women-owned businesses are home-based and that their use of business assistance differs from that of externally based businesses.. Externally based businesses were more likely than home-based businesses to used paid sources of assistance both at start-up and at the current point in time. Also the use of government sponsored agencies giving business advice decreases over time regardless of location.



THE USE OF BUSINESS ASSISTANCE BY WOMEN HOME-BASED BUSINESS OPERATORS.

Introduction

Small businesses are often assumed to be homogeneous with little to distinguish them from each other. This assumption is not correct as within the classification of small business in Australia there are several subsets, including businesses which are home-based. Home-based businesses (HBBs) are further sub classified as businesses which are operated either *from* home or *at* home (Australian Bureau of Statistics, 2002).

Even though HBBs cover the whole spectrum of industries, many are service orientated and are started by people who are going into business for the first time. In addition these types of first time service businesses are likely to be started by women. Businesses which are started by ‘first-timers’ are more likely to initially encounter operational related problems such as working out the most appropriate pricing structures, where to find clients, how best to market the business. Problems that occur once the business is established often relate to issues such as business growth or expansion strategies including employment issues. It is known that the business advisers most commonly used by new small business operators are either accountants, banks, family members, friends and to a much lesser extent government funded agencies such as Business Enterprise Centres (Carter, Anderson & Shaw, 2001; Soutar & Still, 2000; Still & Chia, 1995; Still & Soutar, 1996). What is less well known is whether the usage changes over time or whether HBBs are similar to all small business operators in their usage of business advice. In addition, do women who are operating their own businesses differ in their usage of business assistance depending upon where they are operating their business from? Given that HBBs are the biggest single business cohort and are also the fastest growing (ABS, 2002), it is important to know from whom they are seeking advice.

Women as business owners

Why people choose to start their own businesses has been extensively researched with a broad consensus being that personal motivations are the strongest stimulus (Brockhous, 1997; Buttner & Moore, 1997; Hamilton, 1987). The expression of being either ‘pulled’ or ‘pushed’ has been used extensively in the literature, with a ‘pull’ motivation being associated with the individual having a reasonably strong positive internal desire to start a business venture.



The opposite motivation is ‘push’, which is associated with a possible equally strong desire, but based on external negative reasons.

Numerous studies (Buttner & Moore, 1997; Matthews & Moser, 1996; Scott, 1986; Shane, Kolvereid & Westhead, 1991) have reported that women and men have different reasons for starting a business. There appears to have been a consensus in some of the literature that men were more inclined to become owners of small businesses because of financial considerations and were more likely to be pulled into their business ventures. Conversely, women were more likely to become owners of small business because of lifestyle issues and were also more likely to be pushed into self-employment (Brush, 1992; Buttner & Moore, 1997; Cliff, 1998; Cromie, 1987; Scott, 1986; Watkins & Watkins, 1986).

Studies which have considered gender and small business ownership have also included aspects such as discrimination and the difficulties for women of balancing work and family responsibilities (Buttner & Moore, 1997; Green & Cohen, 1995; Marlow, 1997; Sexton & Bowman-Upton, 1990; Still & Chia, 1995; Still & Timms, 1999), of lower performance by women owned businesses (Chell & Baines, 1998; Fasci & Valdez, 1998; Kalleberg & Leicht, 1991) and the fact that women’s businesses are often smaller in size than businesses operated by men (Breen, Calvert & Oliver, 1995; Carter & Allen, 1997; Cliff, 1998). The research generally has concluded that men are different to women in aspects such as financial motivation, risk taking, initial self-confidence and the willingness to grow their businesses, with men indicating a stronger intention than women on these issues (Birley, 1989; Buttner & Moore, 1997; Marlow & Strange, 1994; Sexton & Bowman-Upton, 1990).

Some of these differences have been attributed to women having less work or industry experience, which is often due to having had less time in the workforce overall, in part because of the role that women still predominantly fill of being the primary care provider within the family milieu (Buttner & Moore, 1997; Cliff, 1998; Still & Timms, 1999; Walker & Weigall, 2002). As a result women are often playing catch-up when it comes to acquiring the pre-requisite skills needed for small business ownership. These are skills are often gained vicariously and men are more likely than women to have been in management positions in their previous employment, or have been involved in a family business in a position of authority. Therefore when women start their own business they not only need good advice, they are also more likely to want to start from a relatively safe place, which in this context would be home.



Why the Re-emergence of Home-Based Businesses?

The most recent Australian Bureau of Statistics data (ABS, 2002) shows that the home-based business sector has an annual growth rate of 16% compared to an annual growth rate of 11% for small businesses in general. Deschamps, Dart & Links (1997) state that the (re) emergence of home-based businesses can be attributed to four main reasons: emerging new technologies; industrial restructuring; environmental pressures and entrepreneurial values¹. Additional reasons are the reduced risk factor and its overall appeal for some people, in particular women.

In relation to emerging technologies the effect of rapidly increasing new technological advances make it much easier to work from home, either as an employee (teleworking) or as a home business (Felstead & Jewson, 2000) This ease of operation has appeal to various types of workers, especially people in remote locations, the physically disadvantaged who are often not able to find mainstream employment, and also women having to balance their domestic responsibilities and who are primarily in care giving roles (Buttner & Moore, 1997; Cliff, 1998; Walker & Weigall, 2002).

Industrial restructuring in particular downsizing, the outsourcing of non-core activities and the casualisation of the workforce has lead to less secure paid employment for significant numbers of workers (Feldman & Bolino, 2000; Jurik, 1998), exacerbating an overall need for both income and job security to be gained from alternative sources. This makes the option of self-employment a more attractive option in some instances, however self-employment or ownership of a small enterprise is not a suitable option for all people. Indeed people who are forced into self-employment have been referred to as either 'distressed' or 'reluctant' entrepreneurs (Keeble, Bryson & Wood, 1992; Stanworth & Stanworth, 1997).

Environmental pressures are also impacting on societal values and as Rowe, Haynes & Bentley (1993 p. 384) point out, "It now takes two workers in a family to maintain a decent standard of living, consequently more than 60% of all US households depend on two incomes". They further hypothesize, "... home-based work provides an effective way in which to balance the demands of

¹ These reasons are not just restricted to home-based businesses, as they are also similar to the factors mentioned for the rise in self-employment *per se*, however home is often the location from where new businesses initially start.



paid employment and family responsibilities, particularly for women" (p. 384). These environmental pressures may be the motivation for starting a home-based business in order to gain an additional income stream for the household.

The forth reason for the re-emergence of home-based businesses is entrepreneurial values. Australia has always displayed a tendency to be both innovative and entrepreneurial. This could well be a reflection of Australia's geographic isolation but given the large proportion of self-employed people, the tradesman with a ute and the dog on the tray are the epitome of a large proportion of the Australian workforce. The Australian "give it a go" philosophy is very much entrenched in its work culture.

The relative security and safety of starting a business from ones own home is also thought to be a major reason, as this reduces both the financial and emotional risk (SMERC, 2002). There has also been previous studies that have found that men have a higher risk tolerance than women (Birley, 1989; Marlow & Strange, 1994; Cliff, 1998; Sexton & Bowman-Upton, 1990). Linked to this reason is that is relatively easier to start from home than to have to go to the expense of setting up in external premises, especially if the business is a first time operation and therefore something of an unknown quantity. As Phillips (2002, p. 39) sums up new HBB operators "Included in this group are many first time entrepreneurs, broken down by race and gender, who have never before experienced the thrill of business ownership". Accepting that many HBBs are inexperienced and are often technicians that have a good idea and are then testing the market (SMERC, 2002), where to they go for help initially?

Use of Business Assistance

Research conducted into the type and nature of business assistance used and advice sought prior to enterprise start-up shows some gender differences, with women more likely than men to use formal business assistance sources such as accountants and to a lesser extent overall government sponsored agencies such as Business Enterprise Centres or Small Business Development Corporations (Carter, et al., 2001; Soutar & Still, 2000; Still & Chia, 1995; Still & Soutar, 1996). Once a business is operational accountants are still the most favoured option with family and friends also playing an important part, with the use of government sponsored agencies decreasing (Mole, 2000; Soutar & Still, 2000; Walker & Still, 2003).

Use of the most appropriate and timely advice is vital to all businesses, but especially micro businesses, which most HBBs are, as these are the businesses where the operators are the 'jacks of all trades' and are more likely to have limited knowledge of correct business procedures (SMERC, 2002). Again as HBBs are also the newest types of businesses appropriate advice could make



the difference between the business succeeding or failing, given that most new ventures fail in the first years of operation and that poor management practices are often stated as a reason for business failure (Deakins & Whittam, 2000; Haswell & Holmes 1989; Smallbone, 1990). It should be noted however that women-owned businesses actually have a lower failure rate than those owned by men (Brush & Hisrich, 1991).

As most small business do not want to grow (Gray, 2002; Walker, 2002), then operating from a home base is a relatively safe and secure option. However for those that do, what is important to know is where they seek help and advise from, especially women as home-based businesses operated by women are the fastest growing business sector (ABS, 2002).



The Study

The results presented in this paper are part of a national study into the experiences and activities of women in SMEs and are reporting only information about usage of business assistance and whether location of the business is a determining factor. The methodology comprised a questionnaire and a series of focus groups. The questionnaire covered a broad range of issues concerning the start-up and operational aspects of a small business. Some items came from previous research (Still & Guerin, 1990; Still & Chia, 1995) but most items were original to a Western Australian study conducted in 1996 (Still & Soutar, 1996; Still & Timms, 1999).

The sample of 500 women small business owners was obtained nationally through the use of networks and the mailing lists of professional associations, the BEC organisational structure and some private organisations that cater to the small business market. In relation to the age of the respondent 91% of the sample was aged over 30, with 64% being between 31-50 years of age and the average age was 42. Some 72% of the respondents were married and 64% had one or more children. The majority (59%) were tertiary educated. Some 75% of the sample worked full-time in the business; 40% were sole traders; 44% of the businesses had no employees; 42% were micro-businesses, and 12% of the businesses had 6 or more employees. Just under half (49%) were home-based.

Results and Discussion

The results are reporting the differences between businesses that operate either from a home base or from external premises, and relate to items from the questionnaire using five point Likert scales, ranging from (1) not used this source, (3) used this source and was fairly helpful and (5) used this source and was extremely helpful. Paired sample t-tests were conducted between all of the items, differentiating between the use of different types of business assistance at start-up and currently and the location of the business. The results of which are shown in Table 1.

Table 1. Paired sample t-tests on the use of various sources of assistance

Assistance	Start-up			Now		
	HBB	extern als	t- value	HB B	extern als	t- value
Accountant	2.90	2.88	.16	3.38	3.68	*2.81
Lawyer	1.58	1.82	*2.17	1.65	2.12	*4.06



Business consultant	1.38	1.34	.36	1.47	1.75	*2.50
Bank officer	1.29	1.76	*4.92	1.44	2.00	*5.15
Immediate family	2.87	2.81	.16	2.84	2.85	.02
Friends and colleagues	2.95	2.77	.25	3.08	2.97	.81
Groups / networks	2.75	2.04	*5.17	3.23	2.67	*4.10
Business and industry associations	2.40	2.06	*2.66	2.67	2.62	.40
Business Enterprise Centres	1.71	1.61	.87	1.49	1.53	.41
New Enterprise Incentive Scheme	1.23	1.24	.16	1.07	1.05	.45
Small Business Development Corp	1.52	1.43	.99	1.26	1.39	1.61
DET or similar	1.17	1.14	.58	1.16	1.31	*2.27
University/TAFE courses	1.72	1.45	*3.43	1.43	1.48	.53

*P < .05

As can be seen there are some statistically significant differences between the different sources of assistance both at start-up and currently and the location of the business. There is no difference at start-up and the use of accountants, however this changes over time, with externally based businesses using accountants to a much greater extent than home-based businesses. It may well be that as HBBs are normally smaller than externally based businesses that they have less need, conversely they are also less experienced and therefore are more likely to need the professional advice that accountants give on functional and regulatory matters. There is also a difference both at start-up and currently in the use of lawyers, which could have the same explanation as with accountants. Part of the issue is that of “not knowing what you don’t know”. As obvious as this statement is, many new businesses get into difficulties because they do not know where to actually go for assistance.

Family and friends and colleagues are favoured heavily by HBBs both at start-up and currently, as are networks and groups, indicating the reliance of ‘free’ help or help that is not necessarily from professional sources. These sources are also used by externally based businesses, however these businesses also use paid professional assistance, such lawyers, business consultants and banks to a much greater extent than HBBs. As assistance is also linked to potential growth aspirations, this was also reviewed and is presented in Table 2.



Table 2. Future plans for the business

In the next two years do you plan to...	All businesses		HBBs		externals	
	Yes %	No %	Yes %	No %	Yes %	No %
Sell or merge	17	83	8	92	25	75
Enter a new geographic market	29	71	30	70	27	73
Exit from a geographic market	5	95	3	97	6	94
Expand product offerings	44	56	43	57	44	56
Decrease product offerings	6	94	7	93	5	95
Develop strategic alliances with another firm	27	73	29	71	25	75
Restructure or change management	14	86	9	91	19	81

The table indicates that many women in the sample did have significant growth aspirations. Given the nature and potential difficulties for business development there were no real differences between location. Interestingly very few HBBs were going to sell or merge compared to externally based businesses, or restructure or change their management practices, indicating that HBBs are quite content with their business operations, which may be a reflection of the convenience of operating from home and also the relatively lower levels of stress.

As many of the businesses that were interested in expansion, how they were going to fund any expansion was of interest. Two subsidiary questions were asked which related to venture capital and business angels. The first question was whether they had ever considered venture capital and then the second question asked if they were currently doing so. Of the HBBs 9% stated that they had thought about using venture capital compared with 14% of externally based business, however when it came to actually accessing venture capital, only 2% of HBBs stated they were currently using it, compared to 7% of externally based businesses. An explanation for why these figures are so low is that of the total sample 30% said that they did not know anything about venture capital or business angels.

What is interesting is the link between the usage and kinds of business assistance sources and the subsequent growth plans for the businesses. It appears that it is not that there is no interest or desire to grow or expand, indeed



the figures for growth aspiration are extremely high, rather than some women owned businesses, especially businesses that are operating from home are not necessarily accessing the most appropriate sources of assistance.

One of the major impediments to home-based business operation has been reported as the lack of credibility (Morris & Pike, 2002; SMERC, 2002). This is perhaps exacerbated by some women not being very proactive in their use of professional business assistance. Cost could be a factor here as accountants, lawyers, business consultants and some financial advisors do charge for their expertise, however whereas friends and family can give emotional support, there is no substitute for professional advice. Another factor that has often been discussed in the past is that some professional services, such as banks, have actively discriminated against women (Buttner & Moore, 1997; Still & Guerin, 1991). The results from the personal interviews conducted appear to indicate that discrimination does not seem to be any where near as common today as previously.

Conclusion

Appropriate business assistance is important for all businesses from both a functional or operational perspective as well as for growth purposes. Not only does accurate and professional advice assist businesses to operate in an appropriate manner, it can also prevent businesses making costly and potentially illegal mistakes. When it comes to the smallest types of businesses, such as home-based businesses, there is perhaps even more pressure to make good choices when it comes to picking the people to get the advice from, as they are the business sector that is most vulnerable because of the lack of skills that they personally possess. Often HBBs are started by technicians that have limited managerial skills.

Whereas cost should not be the determining factor, it would appear that many small businesses use 'free' advice from sources such as friends and family and rely less on advice from sources which require payment, the exception being accountants, who are often thought of as a necessary evil.

When it comes to growing businesses, even though there was certainly a demonstration of a willingness to expand by the sample, very few were using paid advisors such as business consultants or financial advisors and even fewer were using venture capital to fund their growth. There is perhaps a lesson here in that whereas the women owners of HBBs are showing a certain willingness



in relation to expressing an interest to expand, few are demonstrating real application to use the sort of professional business advise services available and thus enabling them to really expand there business. That is not to say that they will not be able to grow or expand their businesses without assistance but most successful businesses use a range of advice external to their immediate family and friends.



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