

KAREN FOLEY: The Online Business Exchange was a two-day live event presented by the business school at The Open University. During the event, there was live chat and forum discussions. The live chat is now closed, but we hope you enjoy the video that follows.

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KAREN FOLEY: Hi, and welcome to the Online Business Exchange. Well, this is the evening session on the 30th of June, if you're watching in real time. But some of you may be watching these sessions on catch up. And indeed, the catch up from the previous day is currently available on the website. So please do check that out if you've missed any sessions that may be of interest.

Welcome to those of you who are joining for the first time. Now this event discusses four key areas in a digital economy, and we're looking at sales, marketing, finance, and supply chain management-- again, all within a digital economy. And we have a global audience of people, and we are offering a range of ways to interact with this event. The main and best way to do so is to select the Watch now button. And to do that, you go to the website, select Watch and engage, and you'll be directed through to the website.

If you don't have an Open University visitor account, you can get one very easily. And there is a link that will guide you through that process. If you do that, you will then see an interface where you can chat to other people, and you can engage with our interactive widgets. And we're going to ask a couple of questions. For example, you'll see that one is coming up on the screen, which is, what is the size of the company that you currently work for? So if you'd like to tell us what the size of the company you work for is, then just click on that widget, select the button that best suits you, and then you can close that widget also.

I can see a lot of you are working for micro-sized companies as well, which is going to be great, because we have a session with Liz Daniel in this very session now. And we're going to be talking about running online home-based businesses. So hopefully, this will have attracted you from our programme of events. But do check out the other ones that we've been talking about, because this has been a very big issue within this Online Business Exchange.

Liz, I'd like to welcome you to the studio. Thank you so much for coming. Now, you're a very interesting guest because you're involved with some of the undergraduate prospectus that's

developing, B205, Exploring Innovation and Entrepreneurship. And I'd like to talk to you a little bit about that later. But you've been doing some very interesting research. And in this session, we're going to be talking about online home-based businesses and some of the various challenges that are represented within that context.

And throughout the day, we've been talking about issues of supply chain management, of using apps and tools and techniques to manage things from finance to that supply chain to marketing, even. And so, online home-based businesses have quite an advantage within this digital economy. There's a wealth of opportunities.

But we asked some of the audience how they felt about that. And some people were saying, well, as a small business, I need to do everything. I need to be involved with everything. And there's quite a pressure on some of these small businesses to engage with things, to almost compete with some of the areas that larger scale businesses are able to involve. Can you tell us, firstly, what was the research that you've done? And what were some of the key findings that came out of that?

LIZ DANIEL: OK. Yes, so I've been undertaking research on online home-based businesses for the last four or five years, or so. I think one of the most important things to say is that they really are an interesting area to research. A lot of people might think, oh, they're small, based in the home, not easy to identify, so not an area for research. Let's focus on big companies.

That's not true. It's a really fascinating area to research. And I've had some great opportunities to go and talk to people about their businesses, and they are so passionate about them. And, of course, some of these businesses-- In fact, many of them-- grow into very big businesses. As we know, Microsoft, HP, and things like that, all started as home-based businesses, either in the homes, the garages, the bedrooms of their founders. So these really can be the giants of the future. So although they may be microbusinesses now, they are not limited to being microbusinesses.

KAREN FOLEY: So tell us about how you went into this research. Was it qualitative or quantitative? What did you do?

LIZ DANIEL: All right. So we've done sort of two tranches of research, and this is being qualitative. So that's what we tend to do, the type of research we do early stage, when we want to get an idea about what's going on. So we'll visit entrepreneurs and ask them questions and hear their own stories in their own words. And so we've done sort of two tranches of this. A broadly based

study, which was just over 20 entrepreneurs which both male and female operating all different types of home-based businesses that have been running for different amounts of time.

The second group was a bit more specialised, and it was just over 20 entrepreneurs again, but from an ethnic heritage. And it was quite interesting dealing with that group, because that group has some particular challenges but also some particular opportunities. They often have very good social networks-- these were UK-based ethnic heritage entrepreneurs-- both within the UK, but around the world. And by operating an online business, they could harness those networks around the world, both as customers, but also as suppliers.

KAREN FOLEY: Yeah. What were the key research questions? What were you really trying to find out then by actually going and talking to these businesses about their experiences?

LIZ DANIEL: It was very broadly based. Like I say, this is why we're doing sort of a qualitative, exploratory research. So we asked the entrepreneurs-- we talked to very simple questions, such as, tell me the story of your business. Why did you start it? Because as we say, we wanted to hear from them.

What are the challenges you've faced? How have you addressed some of those challenges? Do you plan your business, or is it more emergent than that? So very broad questions to understand the area. And then we've applied some-- analysed what they have said and viewed that in light of theory on entrepreneurship, so the academic theory that people like myself spend our time thinking about and writing.

KAREN FOLEY: And were those the only reasons? I mean, did people always start businesses out of passion? Or were some more circumstantial, for example, being made redundant or maybe spotting a niche in the market that they wanted to fulfil and capitalise on?

LIZ DANIEL: Academic theory on entrepreneurship always identifies two ways-- two reasons-- for starting new ventures. So the pull, which is the attraction you're talking about, people want to do something. They have a passion for it, or they see an opportunity. Or the push model, where you're forced into it. And for a while, people used to try and identify and categorise entrepreneurs according to those two opposites. But of course, in most cases, it's much more mixed.

You may be forced into something because you've been made redundant. Or you've perhaps

moved to a new area, and you can't work for your former employer. Or you want to live somewhere more remotely. But of course, you then need to draw on some sort of skills or passion to start your business. So it normally ends up as a blur between the two. In our sample, we had a number of people who had been made redundant, but they decided to make that into an opportunity. So it was a push at first, but then they turned it into a pull model.

What was very interesting with our ethnic entrepreneurs, particularly, is we had some that were born in the UK, but some that had recently moved to the UK. And they were running their home-based online businesses as a means of applying for an entrepreneurship visa, so very much being able to harness an opportunity of demonstrating that they would contribute to the economy in this country by running a business. And there are some conditions attached to that, for example, of generating employment. So very much they were seeing it as an opportunity to be able to apply for a visa in this country.

KAREN FOLEY: And what were some of those businesses doing?

LIZ DANIEL: Well, across, both our samples, we had a whole range of online businesses. So it ranged from online retailers, and that might be people who were designing their own products, or people selling on from others. There was a lot of IT-based services, so IT support, web design, search engine optimisation, so people pulling on their IT skills. And that's what I was saying about people having particular skills they could offer.

There were community sites. So one of the businesses we studied was one of the big parenting sites that's well known. There were community sites for specialists, so in the area of green energy, a community site for people working in that-- or businesses working, so it's a business to business community site in that area, so quite a range. Some drawing on various particular IT skills and others that didn't have IT skills at all but still thought that they would launch their business online.

KAREN FOLEY: So these were all online businesses. And where were they getting their revenue streams from then?

LIZ DANIEL: Well, customers. So that might have been-- so obviously, the retailers were normally to consumers, so it was final consumers. The web designers, search engine optimizations, were serving other businesses. So it was a business to business revenue stream. For the community sites, there might have been a membership. But more often, it was advertising

revenues.

KAREN FOLEY: Right. So they're actually capitalising as being an online business, and using assets in addition to the ones that they're actually having as a source to market.

LIZ DANIEL: Yes. Yeah.

KAREN FOLEY: Ah, very interesting. Now, this whole idea then of passion, how successful, or how much of a correlation was there between how enthusiastic people were about their business and success? Is there an element of being a good entrepreneur that doesn't necessarily mean that you have to be passionate about what you're doing?

LIZ DANIEL: I'm trying to think now. I don't think I met anyone who wasn't passionate about what they're doing. I would assert that you have to be passionate about it. The hours that you put in as an entrepreneur, the belief-- others want to see that you believe in the service you're providing, the product you're providing. So even if you did have any reason to have some doubts, I certainly don't think you'd want to project those. So they all had passion and --

KAREN FOLEY: Do you think, then, you have to be a special type of person, though? Did you notice anything in common with these people that you were interviewing?

LIZ DANIEL: Like I say, enthusiasm and passion for what they were doing. That wasn't always loud. It was often quite a quiet, reserved passion. I would say, some of the things I'm saying, you might say, but that's true for any entrepreneur. Why are we so interested in online and home-based businesses?

Why I was particularly interested in those was what different opportunities would they provide? And I think that the nice thing about online is it does give people who may be a little bit more reticent about being entrepreneurs, so perhaps more quietly passionate about their chosen area than other entrepreneurs, who maybe seem to be gregarious, bombastic, confident. So because it allows you a number of things to try things out, perhaps a little bit at a time. Some of our entrepreneurs actually hadn't left their paid employment, so they were running in tandem with paid employment--

KAREN FOLEY: Wow

LIZ DANIEL: --so that they could build up their business. They weren't confident about launching into it straight away. So it allows perhaps a little bit more of a reticent entrepreneur to find their feet.

So I think it actually broadens the constituency of entrepreneurship.

KAREN FOLEY: Now tell us then about some of the ways that they did business. You said that some people had advantages. Obviously, you were looking at two quite different and distinct groups of online businesses, weren't you? Those who had an ethnic origin maybe outside of the United Kingdom and those who were native to the UK. Was that the clear distinction between the two?

LIZ DANIEL: Like I say, the ethnic group had both-- some had come in from outside. It's just we happened to do it in two tranches. There were two different time points there.

KAREN FOLEY: And you mentioned that some had advantages, so there were pros and cons of being within each cluster. Can you tell us a little bit more about what some of those advantages were for each group?

LIZ DANIEL: Well, sorry-- I mean, like I say, for people perhaps from an overseas heritage, it has been identified by other studies that, actually, this can sometimes give you much more of an understanding, a confidence about operating overseas, particularly perhaps in a country or countries that you feel you speak the language. You have contacts there.

So the wonderful thing for entrepreneurs in that group, a number of them were running small businesses in this country, perhaps microbusinesses in this country, but were employing people around the world. Particularly in the software area, they were employing programmers, perhaps back in their previous home countries, or their countries of their family's origin, and things like that. So they could leverage this advantage.

The first group we had, which were much more UK-oriented entrepreneurs, weren't running these international networks of employees. I have to stress, we didn't go out to find them. So I can't say, of course, it doesn't happen. But it was-- and that's, once again, the opportunity that the online element of my research for online home-based businesses gives people, because they can run these networks. And their customers either don't know that they're running a network, or they don't mind. They really don't mind, because the businesses is online. They're not going to drop in and see how big it is, where it is, or whatever. So as long as the goods are delivered to the quality and at the time specified, the entrepreneur can run his or her business as they want to.

KAREN FOLEY: So a lot of this is about perception and about presenting a very clear operation. But tell me

about their plans then. To what extent did some of these entrepreneurs have clear plans-- business plans or plans for the future, plans for utilising all of these various aspects of the supply chain of finance and marketing? How much did they plan? And how important was that to their success?

LIZ DANIEL:

That's very interesting. I think one of the things that struck me most when I was first, as I say, asking quite broad questions, was how they-- I would almost say all of them did not plan. So very much, we might want to say, make it up as you go along. But it's well-recognized in the area of entrepreneurship, there are ideas which we refer to as either bricolage or effectuation. So it's quite a recognised way of doing things.

The traditional view of entrepreneurship is very much that there's an opportunity out there. Your job as an entrepreneur is to recognise it and then plan your way to achieve it. That's the traditional view. You put in a business plan to achieve that end.

Effectuation and the way these entrepreneurs are working is much more about that you create opportunities. You assemble what you can, the resources you can, so it might be your skills, your enthusiasm, ability to work online. And you combine those and see where it takes you, so you create opportunities as you go. You don't quite know where you're going to end up.

KAREN FOLEY:

So it's about having that flexibility to adapt and one could say, making it up as you go along, almost. But it is about having the foresight, I guess, to know when to grasp those opportunities and how to do it. And surely, being both an online business and a small business makes that very accessible for people to take hold of. Whereas larger corporations are a lot slower moving to adapt to things very quickly.

LIZ DANIEL:

Yeah. Some of the key aspects of this idea of effectuation-- so this idea that it's acceptable, it's recognised to make it up as you go along. And some would say, it may be better, because if the world's changing, to have identified an opportunity that you're going to meet in a couple of years, well, that's probably changed sort of thing. So being able to create opportunities for yourself to leverage.

But some of the ideas within that are the importance of experimentation, flexibility, so trying things out. And once again, this works so well in the online world because, of course, it is the world where you can observe what others are doing, try it out yourself, normally at a fairly low cost of trying something out. If it doesn't work-- remodelling if it's your web page, moving the way you're offering things, how you're promoting things. So you'll usually be able to do that.

One of the interesting things, if one looks at this through this lens of effectuation, is that such entrepreneurs often focus on what we call affordable loss. They worry more about what-- fixing the amount that they're prepared to lose, rather than actually the amount they're willing to-- they're trying to earn. And that fits much again with my idea of, actually, it allowed people who are perhaps a little bit more nervous, want to try things a step at a time. They actually want to make sure that they don't risk too much, that things aren't going to go horribly wrong.

That doesn't stop them eventually earning a lot and doing well. But it allows them to feel in control and grow slowly by looking at that. So this idea of protecting your affordable or keeping that at a sensible level, rather than worrying about, like I say, large gains. Like I say, it doesn't prevent you getting those large gains.

KAREN FOLEY: What I find so interesting about this conversation is the way that you are talking about theories. And obviously, working on this module about entrepreneurship, you are saying there is a credible academic framework that we can use to explore the reasons why some companies do well and some don't-- the various aspects that they're looking at. And you're also talking about this research that you've done, so you've had a lived experience of talking to a lot of these people. And yet, you understand some of the issues that are there.

My question is then, to what extent are entrepreneurs interested in studying entrepreneurship? Is it part of understanding business from people who aren't necessarily involved in those? Are these the sorts of people who are literally feeling their way through it, who have some intuition, and are able to be dynamic and adapt?

Or are they maybe saying, actually, it is helpful for me to look at these things in that framework. I hadn't really recognised that maybe I was thinking that way. And maybe I should be looking more at what I could gain, as opposed to what I could lose. Where is the balance then in terms of who is studying this sort of thing?

LIZ DANIEL: It's a great question. It's an absolute classic of entrepreneurs. Are they born or can they be made? And, of course, we've got lovely stories of people who've done incredibly well for themselves without formal qualifications or training. And good on them. There will always be people like that. But others will benefit from trainings, being exposed to ideas around the area of entrepreneurship, and within that, more general business ideas.

I think if you talk to most entrepreneurs, they'll tell you-- I think you started with this point-- of,

actually, once I start running my own business, I have to do it all. So I have to understand something about finance. I have to sense something about marketing. I have to-- so actually, by studying an organised programme that you're taken through those areas, particularly those areas oriented towards entrepreneurship, so financing a small business, marketing a small business, it can help.

It is not going to be for everyone, but that's horses for courses. So then not only will you-- you're studying with the OU on our new undergraduate module-- will you learn some of these techniques, but also actually meet like-minded individuals.

One of the things we're putting into the new undergraduate module is actually an opportunity to develop an entrepreneurial venture in a small team. All right, it might not be the venture that you want to put together, because you might want to keep that--

KAREN FOLEY: Secret. [LAUGHS]

LIZ DANIEL: --secret or under wraps or work on it more slowly. But it's a great opportunity to actually try something out and then present it. Have an idea. Well, we have a couple of chances of pitching it. So actually try that out.

And working with-- because one thing we haven't touched here is, we've kind of implicitly implied that the entrepreneurs I spoke to were working on their own. But that wasn't the case. A number of them were working with perhaps one other, two others. So some of them were working-- each was based in their home, but they were liaising, had started their businesses with a partner or two others.

KAREN FOLEY: One of the things I think the business school at The Open University does so well is setting up some of these things and saying, yes, we can teach you this theory. But here, have a go at applying some of it. And like you said, it doesn't necessarily have to be your own business. Some of the things people have been talking about in the chat is that, I feel like that too, this need to do everything.

And I wanted to touch on this area of work/life balance, because running a home-based online business and being so connected online, as we all are as consumers, and I imagine being involved in an online business, there must be an immense pressure. How do people manage that pressure? And how do they achieve some sort of work/life balance, if even that is possible?

LIZ DANIEL: Yes, I wish I had an answer to that. Once again, it was one of the reasons I was drawn to researching these businesses, this idea that actually if you set up a very efficient online business, whoa, it could run itself. So after a bit of setting up, you could check out, spend your day doing something else. And, of course, that didn't happen for any of them.

A good number of them describe that, actually, and particularly, the better you did, the more efficient you were at responding to customer requirements, they would email you back again. And they would soon expect that level of response. And so they did all describe-- it was a balance.

Most of them said that they had increased flexibility, but it didn't reduce the number of hours they worked. They probably worked more hours, but that ties in with starting any business. Most entrepreneurs do work longer hours, if you look at statistics for microbusinesses. And the owners of microbusinesses, they will work longer hours than people in paid employment. So we did still see that. It's just there was some degree of flexibility.

But they very much, I'd say, they suffered from, as most of us now do, about technology. The ability to work any time becomes the ability to work all the time. And so most them described stories of having the afternoon to look after the children, perhaps after school, both men and women, that was. But then having to work in the evening to catch up, or sitting with a laptop on their knee whilst trying to watch TV.

KAREN FOLEY: Yeah. In the last couple of minutes, I just wanted to touch on some of the challenges-- and I'm just wondering if that was one of the main ones-- and also, some of the strategies that some of these home-based online businesses use. Would that be the main challenge then, that work/life balance? Or where there others?

LIZ DANIEL: It definitely was one of the challenges. Actually, what was interesting, one of the things that was mentioned to us by almost all of the entrepreneurs was the issue of isolation. And they used various words of feeling lonely. And, of course, that was a balance. Some of them actually liked the solitude of being able to work quietly, because some of them were in quite-- business services, such as things like translation, specialist writing. So they did like the solitude, the quietness. But at other times, they could feel isolated, and this was both social isolation, but also professional isolation.

And the strategies for coping with that varied from joining groups, and it might be just general

business groups. Almost all of them-- a number of them described going to coffee shops to meet networking groups or specialist networking groups, right through to people who just wanted to get out. So somebody said, it's great if I'm still picking up children, but I'm worried when that doesn't have to happen anymore. To one lady who got a dog so she could go out for a walk once a day and would actually just be outdoors seeing other people sort of thing. So it was interesting. That wasn't something I'd expect people to say. But if you are working home, obviously, five days a week, seven days a week, that can be an issue.

KAREN FOLEY: And it shows why they're very dynamic and flexible and able to, I guess, identify how they can get needs met, which is perhaps why they were so successful. Liz Daniel, this has been such a useful session. It's all we've got time for, so thank you very much for joining us today.

We're going to put some links on the website, if we haven't already, to that module. So if you're interested in undergraduate business, B205 is Exploring Innovation and Entrepreneurship. And that will be starting this October, so do check that out. There's also going to be some content on OpenLearn from that.

We also have MOOCs available that are starting very soon, so you can find out more about those on the website. Again, we'll be back in half an hour, so I will see you very soon. But in the meantime, please do enjoy the chats. And don't forget, you can send us any questions on Twitter. The hashtag is OU_Exchange. I'll see you soon.

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