

The Transformation of Home-Based Businesses into electronic-Home-Based Businesses

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Abstract. The availability of various Internet-based applications and the emergence of e-Business concept have become one of the main catalysts and enablers for new market innovation. This has prompted enterprises to change in order to compete in the current market. Today, we can see how the online enterprises have grown successfully via their virtual structure. This phenomenon seems to have affected all sizes of enterprises, from large to micro enterprises including home-based businesses. In this research, both qualitative and quantitative methods were used and data were gathered using triangulation methods via interview, direct observation, document analysis and survey questionnaires. The findings discussed in this paper focused on identifying the current Malaysian HBBs' environment in terms of structure, practice, culture and strategy. These outcomes were used to design the proposed framework, called Malaysian e-Home-Based Business (Me-HBB) Pre-implementation Framework. This framework was developed to assist the HBB companies in considering and adopting e-Business within their home environment and value chain system.

Keywords: e-Business, home-based business

1. Introduction

In the current digital age, the Information and Communication Technology (ICT) is creating tremendous changes in every aspect of human lives. In line to that, e-Business together with its platform and tools play a critical role in creating a new world's economy landscape. This recent development has created and shaped the new entrants to borderless economy, and becoming the centre of attention for more lucrative marketplace, as well as a new standard in marketing wisdom. Subsequently, the availability of various Internet-based applications have become one of the main catalysts and enablers for new market innovation that prompt the enterprises to change in order to compete in the current market. This phenomenon is seemed to have affected all sizes of enterprises, from large to micro enterprises as well as the home-based businesses [1].

Home based-business (HBB) is defined as '*a business, in which the primary business activities are carried out from home and it can be of any size or any type as long as the office itself is located in a home*' [2]. In earlier practices, HBBs were categorised as businesses that operated from home and mostly carried out as a part time job. By tradition, HBBs were also claimed to be mostly suitable for women [3]. Today, the HBBs definitions and business scopes are getting wider, becoming more sophisticated and promote flexibility thus, attract more people to work or run a business from home [1, 4, 5]. The home-based working trend has also started to become popular in Malaysia. The Malaysian government viewed working at home or the HBB concept as one of new focus initiatives to encourage the Malaysian citizens especially women to have career growth or business of interest by working from home [1]. This can also be seen through the practices and supports from the Malaysian Government, business associations and non-governmental associations (NGOs) that promote the ICT usage among small and micro enterprises including the HBBs [1].

This research also looks at the possible e-Business adoption factors for the HBBs to understand how people who are involved in this type of business perceived this new technology, and the new way of doing businesses. Based on the findings, a new e-business framework is proposed to cater the e-Business readiness

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among the Malaysian HBBs. This paper discusses briefly how the Malaysian HBBs are currently being practiced and the possibility to adopt e-Business concept into their current operations. Section 1 introduces this paper. Section 2 discussed the research methodology used in this research. Section 3 presents the results and the discussions, and Section 4 concludes the paper.

2. Methodology

This study was carried out as an exploratory research to develop an understanding and whether the research outcomes could contribute significantly to the body of knowledge. Both qualitative case study and quantitative survey approaches were used in this research. For the qualitative method, a case study approach was chosen as the main research strategy to explore and investigate the subject matters in-depth and openness [14]. Multi-techniques were used namely *in-depth interviews*, *direct observation* and *document analysis* to gather information from the case studies. A few government agencies, business association and financial institution were chosen as supporting case studies to support and strengthen the findings. Data from the qualitative method were analysed using single and cross case analysis techniques to discern data patterns and results for answering research questions. For the quantitative approach, a survey technique was used to support and strengthen the findings from the qualitative case study. The survey was designed as a cross sectional study and were conducted in a few cycles to reach as many respondents as possible. Data obtained from the survey approach were analysed using frequency distribution, cross tabulation and Fisher Exact test techniques. Figure 1 shows how the findings were triangulated to formulate the Me-HBB Pre-implementation framework.

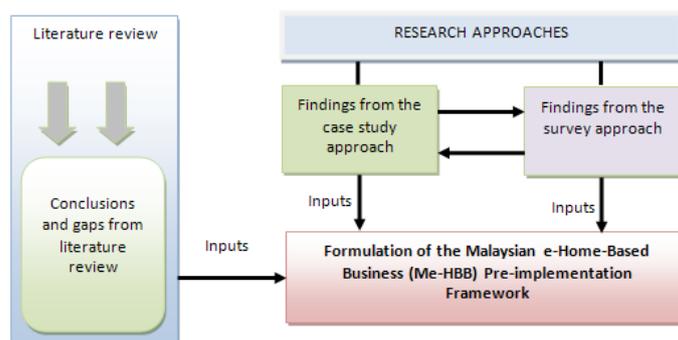


Fig. 1: Triangulation of research findings

3. Results and Discussion

The results and discussions presented in this paper are based on the HBBs' organization structure, practice, culture and strategies. It is important to understand the HBBs environment to see whether e-Business concept can be employed strategically within their current business processes. The case study result showed that all the case companies' organization structures are considered to be virtual, flattened and simple formation. It was observed that the implementations of these case companies are differed from one another especially for the virtual characteristics. In these circumstances, the virtual characteristics represent how the companies collaborate with the third parties to support the business operations such as the use of freelancers to support some of the business activities. It can also be observed that all the organizations' virtual structures are depending on a few factors namely, the *size of project*, *business type*, *business constraints* and *available resources*.

The same pattern of data emerged from the survey have shown that majority (96%) of the HBB companies have less than five (5) employees that support flattened and simple company structures. Thus, one of the similarities that can be seen from this research findings is the number of employees for the HBBs are between 0-5 people and aligned with the definition of micro enterprise given by SMIDEC, a Malaysian government agency and previous researches [9, 10]. Another conclusion that can be drawn based on the discussions above is the Malaysian HBBs are mostly operating within a small cluster team that allowed them to collaborate with other business affiliates or entities to support one another in their business operations. The current Malaysian HBBs practices are derived based on a few variables as follows: *i) The way business*

is conducted, ii) Daily and work routines, iii) Employing any existing guidelines or framework or business approach, iv) ICT usage and v) Perception towards the current HBBs setting.

The case study results showed that all case companies mainly carrying out their businesses on full-time basis from home. The survey results reported that the percentages of part-time HBBs (50%) are slightly higher than the full time basis (42.6%) while the rest treat the business as a hobby. Another result that can be derived further from the full time HBBs is majority (82.6%) of them are registered companies. Thus, in this research, it is concluded that the company status either registered or not, has influenced the way the business is being carried out. This fact also reflects to their type of businesses and their commitment in ensuring the successfulness of the business as well as their expectation of the business growth.

All the case companies are organised in terms of working structure, working hours and routines. However, it is observed that these companies treat the business as part of life routines and vice-versa. As a result, there is no real segregation exists in their daily life routine and practice as the family matters can emerge at any time and they would deal with it together with the work. Normally, the priority is the family. It is completely different when people are working outside their home such as at formal business premise or office where they would be bound to fixed office hours and regulations that are normally imposed. Thus, in this research, it is concluded that the HBBs practice have influenced the working nature in which it requires the owners to juggle between business-related tasks and family matters or house chores at any time.

This research also investigated on how the HBBs prepared themselves upon starting the business. The case study's findings showed that most of the case companies have enrolled into general business courses or applying general business guidelines or framework upon starting their company, however, none of them are exposed to any e-Business related courses. Meanwhile the survey results indicated that majority (74.2%) of the registered HBBs are using general business guidelines/framework to assist their business operations. Due to the facts above, this research concludes that the registered HBBs are more committed towards their businesses as well as trying to comply with any standard operating procedures that can benefit the business. On the other hand, the unregistered HBBs situation can be understood that the owners are still very much at the stage of evaluating the market or using the HBB platform to generate extra income, which can relate to their lesser efforts or initiatives to formalise the businesses.

The ICT usage among the HBBs has also influenced the e-Business adoption. Findings from the case study indicated that the HBBs' ICT usage can be considered on average used as only two (2) case companies are heavily applied the technology in their business operations. The survey results reported majority (57.5%) of the HBB companies are equipped with computer, fax machine and Internet connection; which related to their ICT usage. Nevertheless, the percentage and feedbacks gathered show that the HBBs in Malaysia are moving toward ICT direction and this could be a good starting point for e-Business adoption in the near future. Findings also showed that the highest percentage (35.8%) of the preferred shopping method is to shop online. These can be interpreted that the business trend in Malaysia is heading towards e-Business and it is also affecting the HBBs in which they can benefit from this changes by having more options on how to market their products and services.

This research also investigates how the business owners perceive their current home-based setting. Results from the case study showed that three (3) of the case companies treat their current home-based setting as permanent arrangement. In contrast, the survey results reported that majority (77.8%) of the HBB companies required a proper place to better run their businesses and for future growth. Most of them treat their homes as temporary business set up only. Due to the findings above, this research concludes that there is a possibility of Malaysian HBBs to use their home as a business start-up premise and will develop out of it once the business is growing while maintaining the flexible business model. This circumstance however indicates the potential of e-Business adoption especially for those who want to remain with the home-based setting and at the same time does not limit the business growth.

The home environment has created a unique working culture for the HBBs. Findings show that all the case companies have their daily routines to strike a balance between family and business needs. It is observed that the most important elements in the case companies working culture are high discipline and motivation which applied to everybody in the family. This situation indicates that a home-business also

requires an organised working and family arrangement to ensure all the business activities are handled smoothly without affecting the family or vice-versa. Business communication and how the company is presented are part of HBBs' working culture. Findings showed that the case companies commonly used telephone, SMS, email and also face to face meeting to communicate with their stakeholders. However, these companies will only have a face to face meeting if it is necessary and it is conducted in other places such as client's place or café, *etc.* The findings above can be interpreted that it is difficult to discuss business matter at home and to build good impression and image towards potential customers around the home environment. In relation to the findings above, two (2) of the case companies do not expose their home-based status to avoid unnecessary impression with their potential key stakeholders especially the customers. In contrast, the other two (2) companies, UKS Pte. Ltd. and Naziq Skills Enterprise, are proudly informed their customers that they are working from home. This situation can be interpreted that Malaysian society still has some doubt on the HBBs capability in professional services and certain type of businesses unless certain credibility has already been established previously.

Due to the findings above, this research concludes that the issue of HBBs status is also related to the type of businesses and the people perception on HBBs' capability in delivering the jobs or services. The situation can be seen as a challenge that can be partly overcome through e-Business implementation, as the size or status of the companies may be less an issue once it is conducted online. Another conclusion that can be made based on the discussions above, the HBBs are highly depending on their life style and routines thus require them to explore any possible way of carrying out their businesses effectively as long as it can assist them to have both, the career and family.

For business strategy, findings show that the HBB companies' strategies formulation are mostly designed for a short-term business plan with flexi-adjustable strategies based on the business owners' needs or family situation. As part of strategic analysis, findings show that all the companies have conducted market researches to identify the available resources, trend and customers' needs in which at the same time assist the HBBs' companies to focus on a certain niche or market segment. For example, UKS Pte Ltd. is offering products and services that mainly cater Muslims' household fundamental needs that are a little difficult to obtain from open market such as Muslims' children education materials and supplies.

It is observed that the HBB's business strategies formulation or strategies evolvment are prompted by several factors either individual or compounded such as *type of products and services offered; required cost; time; customers and market needs; new business opportunities; business constraints* such as lack of resources and financial; and *family matters*. The level of strategy development and execution in the micro size companies such as HBBs are different compared to large organizations. With its flat and simple structure, the owners would dominate the authority in every decision making thus allow the businesses to be conducted in a more controlled yet flexible way. This is done based on the business owners' situations, conditions and instincts. For instance, they can refuse certain project that may require them to be away from the family or do not meet their preferred working condition.

Findings also show that the case companies are focusing on similar strategic objectives that mainly to build their competitive advantages. However, it is observed that these HBBs' companies may not be able to succeed alone in the business environment. The business constraints require the help of the third party or their business cluster's network especially for the companies that offering services which the recent trend would required more holistic solution thus required multiple skills and expertises. Thus, in this research it is concluded that business collaboration and cluster networking are essential to assist the HBBs' owners in executing and supporting part of their business operations as well as to minimise the operating cost by subcontracting out some of their solution's work breakdown modules. Ability to have good marketing strategy and business networking are also seems to be crucial for the HBBs. The practice of three (3) of the case companies that are actively involved with business associations and Non Government Organisations (NGOs) have helped to provide business knowledge, opportunity, exposure as well as promoting their companies. Therefore, in this research, it is concluded that the supports from the business associations or NGOs can greatly benefit the HBBs in building and promoting their businesses as well as to strengthen their business networking. Findings also show that e-HBBs' companies like UKS Pte. Ltd. may need to apply both conventional marketing strategy such as viral marketing and online marketing tools. This is to promote their

business as well as to sustain in the market. This is also to cater current spectrum of their customers and target community's mindset that are not yet fully adaptable to e-Business implementation especially for the HBB companies. Thus, the e-HBBs may still require support from all the current conventional business methods especially during the early years of the business to facilitate their target customer norms and perceptions.

Findings also indicated that the HBBs are focusing on customer intimacy that referring to products and services that specially tailored to the customers' needs rather than the general market demand or trend. Building close relationships with customers are also become part of their marketing strategy as well as to build the competitive advantage. For example, UKS is using its e-community as part of promotion, awareness and marketing tools as well as for their market research and support. These findings were in-line with previous researches that listed customer intimacy or customer focus as an element of e-Business strategy [11, 12, 13]. Thus, in this research, it is concluded that the HBBs are highly depending on the customers loyalty base on norms grouping that would require HBBs' owners to provide a good and quality products and services as well as other benefits such as membership card, after sales support, *etc.* base on target customers' special requirements.

4. Conclusion

The home-based business (HBB) is a type of business that can be applied in various industries such as manufacturing, tourism, arts, education and *etc.* Even though this type of business has a small scale operation, but with the right approach and technology it has a potential to grow and succeed in that particular industries. In identifying the components for the proposed framework, a few existing frameworks were also reviewed to identify the purpose, components and the considerations that reflect the thoughts. However, it should be acknowledged that the HBB business structure, practice and culture are much different compared to micro and SMEs due to their home business environment. Due to the facts, the framework is developed to assist the Malaysian HBBs in considering e-Business within their current practice. *Me-HBB Pre-implementation* framework is constructed based on the HBB environment that includes organization structure, practice, cultures and strategies. This framework focuses on e-Business readiness that allows the HBB companies to analyse and evaluate their business situation as well as their value chain system. The aim is to ensure the e-Business can be employed strategically within the business processes that could help to increase their competitive level. The framework will be discussed further in other publications.

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