

Home Alone: Innovation and sales growth intentions among the solo self-employed

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Around 1:6 of the UK labour force are self-employed, and increases in self-employment have accounted for around 40 per cent of the increase in employment since 2010. In this paper, using a new UK data set – the Longitudinal Small Business Survey – we consider what determines the sales growth intentions and innovation intentions of these one-person firms. The results shed new light on the behaviour of this important group of firms and have implications for national discussions about productivity.

Key findings

Our analysis is based on the self-employed sub-sample (c. 4000) of the 2015 wave of the Longitudinal Small Business Survey, and suggests four key findings which are robust across different population sub-groups:

- We find positive links between the resources and capabilities of the solo self-employed and their growth intentions.
- The growth and innovation intentions of the solo self-employed are also strongly linked to their prior experience: positive experiences in the past are associated with stronger future innovation and growth intentions.
- We find a negative relationship between the maturity of their business and the growth and innovation intentions of the solo self-employed.
- Finally, social and network connectivity are positively associated with increased growth and innovation intentions.

Our analysis emphasises the complexity of the individual, contextual and network influences on growth and innovation intentions among the solo self-employed

Solo Self-employment in the UK

The UK stands out among Northern European economies in terms of the proportion of its self-employment which is accounted for by single person businesses. In 2015, more than 83.3 per cent of the UK self-employed were solo self-employed (i.e., without employees), a higher level than every other European country except Romania.

For these firms – at least while they remain single employee businesses- growth comes through increased sales and profitability. In our sample, around 46 per cent of respondents intended to introduce a new product or service over the next three years and on average they aimed to growth sales by 18.6 per cent over the same period.

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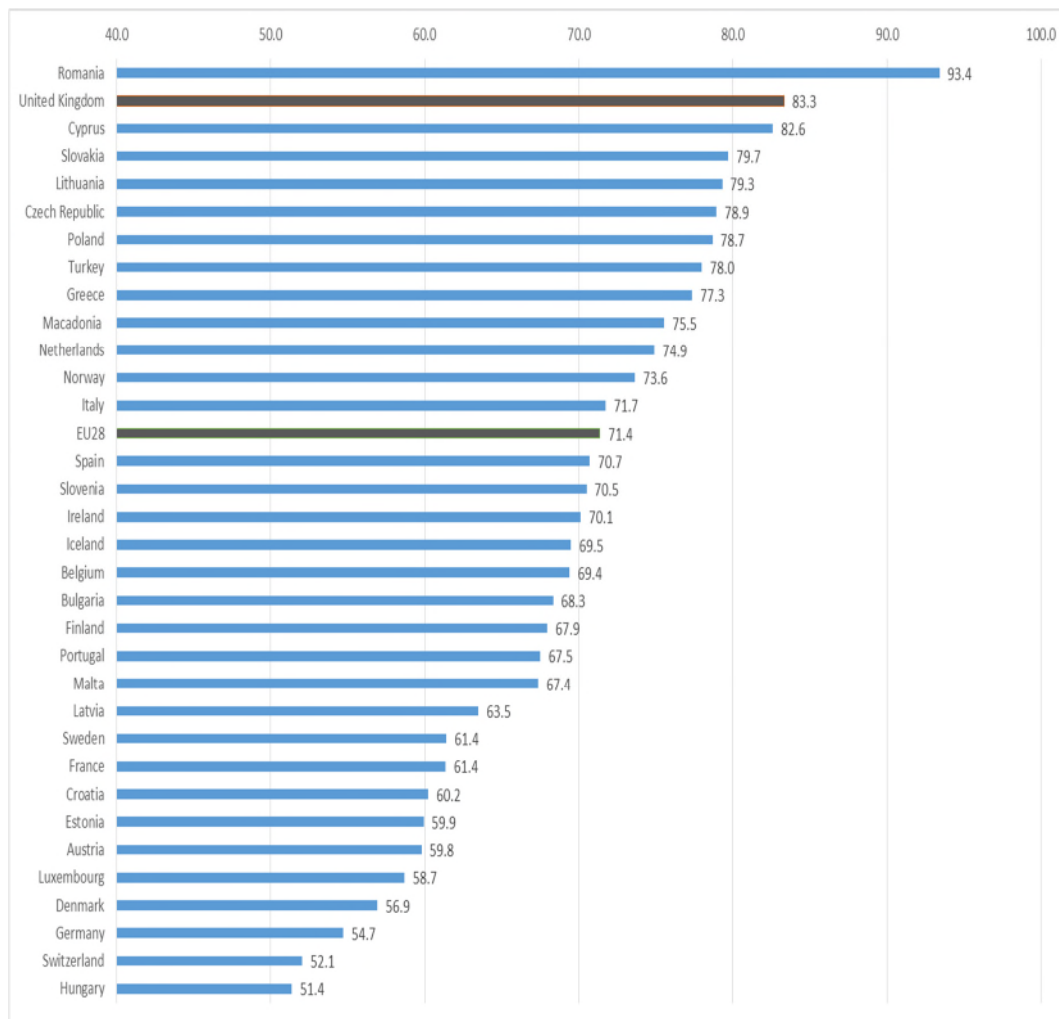
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Proportion of solo self-employed in all self-employed: 2015



Policy implications

The diversity of the self-employed, and the complexity of the drivers of growth intention, suggests that a combination of policy initiatives may be more effective in boosting growth intentions rather than a single policy measure. For example, our evidence suggests that using social media and engagement with informal business networks are both strongly related to growth intentions.

Public support for open learning networks around social media, and targeted at the solo self-employed, would have a combined effect on growth ambitions. Similarly, business networks which stimulate collaborative or open innovation would have similar effects.

Full paper link:

<http://enterpriseresearch.ac.uk/publications/erc-research-papers/>