



*This white paper was part of an introductory package for a business incubation center. Its purpose was to open a discussion with prospective entrepreneurs regarding how they wanted to strategize the opening of their new business.*

## ***PROS AND CONS TO OPENING A SMALL BUSINESS***

When considering the prospect of opening a small business, it's easy to think only of the positive aspects of such a venture. The anticipation and excitement of working for one's self, the ability to implement one's own creative talents and the potential for greater wealth than can be achieved through the typical corporate struggle can be overwhelming, causing you to overlook some important points. Though launching a small business presents several personal advantages, there are drawbacks as well. It is highly recommended that the budding entrepreneur be conscious of this and take the necessary steps required to minimize any negative outcomes.

For a person who embodies the true entrepreneurial spirit, the chief goal and appeal of opening a small business is the ability to create something new, so beginning a business of one's own construct is an appealing notion (Helfand, 2007). Operating one's own business can be advantageous in many ways. First, and probably foremost, is that a person can be their own boss. They are therefore able to make their own decisions and set their own hours. Nobody admonishes the owner for being late or taking an extra day's vacation. No one tells the boss where to be and when to be there. The owner of a small business answers to no one besides the customer and even this is a choice. Unreasonable clients can be fired. The owner is not involved in petty organizational politics. No one is trying to undermine your authority or accomplishments so as to 'climb the corporate ladder' quicker. The owner of a small business is and always will be at the top. There is no ceiling on earnings potential to the owner of a small business making it the best way to realize the 'American dream.' The more the business succeeds, the more profit is made, and the owner chooses how to distribute the earnings.

The owner of a small business also has the ability to stretch her individual growth in any way she chooses without finding herself restricted by the constrained parameters of specific job duties. If some or much of the work can be accomplished from home, no one has the authority to require her to be at the office. The headaches of commuting can be curtailed or eliminated and the many desirable aspects of being home during the day can be realized. The small business owner has the flexibility to choose her own hours and can, for example, swap a weekday at the beach and make up the work on the weekend or simply take her wireless laptop to the shore. If the owner wants to sleep-in, take a three hour lunch break or watch her child's little league game without having to ask permission or make-up this time at a later date, it's completely her decision. All aspects of the business including personnel, finances, working conditions, and personal time allocation are for the business owner alone to decide ("Pros and Cons", n.d.). In addition, the small business owner has the freedom of location choice, types of products produced and sold, which banker, accountant and lawyer to choose, and which suppliers she wishes to deal with. The office location can be within the home if start-up capital is limited or in a professional office

building if finances allow. Businesses such as consulting, computer repair, writing, and public relations can easily be started from a home-base (Gerson, 2004).

On the other hand, one of the largest negative aspects of starting a small business is the high rate of failure. According to the Small Business Administration, 75 percent of businesses fail within the first year and 25 percent of those that survive the first year fail the second. Because the majority of new businesses are financed primarily by the owner's money, many are insufficiently capitalized. Most small businesses lack a formal organizational structure which can have either a positive or negative component (Helfand, 2007). To begin a new business takes much effort and time. The prospective small business owner must first develop a detailed business plan, obtain financing, locate suppliers, and purchase equipment needed to make the business functional. A minimum of six to 12 months' income should be saved before beginning a full-time business, a difficult task for many people. It is also a time-consuming and arduous task to locate customers, develop a line of credit, obtain the necessary licenses, proper insurance, and recruit a quality staff. The owner of a new small business faces many uncertainties. For example, "a competitor could open a business within a mile of your business and take all your customers away" (Gerson, 2004). In the face of such uncertainty, many small business owners simply are not equipped or sufficiently resourced to weather the storms.

In addition, the freedom anticipated in owning a small business is generally severely limited because the owner finds that she must be continually working so that the operation has a chance to succeed. Leisure time is practically non-existent and can be enjoyed only when it fits into the work schedule. This time, if any, is hardly conducive to the planning of activities. Normally, the owner of a new business can expect to work practically every waking moment for the first year at the very least. This schedule creates fractured families and great amounts of stress. This is true to such an extent that it leads many new business owners to lament about the job they discarded for this new, exciting opportunity that leaves them less freedom of schedule than anticipated. No longer can the owner put the blame of a failing business on the inefficiencies of the organization or co-workers. She must take the responsibility for every aspect of its successes and failures and is under tremendous pressure to produce income not only for herself but for her employees as well. She no longer has a steady paycheck on which she can rely unless she creates the income herself. Vacations and other non-essential expenses are put on hold because of time or monetary constraints. Small business owners are either at work or thinking about it every waking hour of every day. Instead of depending on her performance alone to make a living wage, business owners must depend on their staff, suppliers and the whims of the marketplace to pay the bills. These high stress levels can contribute to adverse health issues if not properly prepared to handle them.

Therefore, a good bit of prior homework is necessary before starting any business venture. "Before hazarding into the world of entrepreneurship and self-employment, you'll need to do a lot of homework" (Bell, 2004). The prospective new small business owner should extensively research her idea and prospective market and then design a practical business plan which outlines the financial details and strategy for operation. This will automatically provide her with higher chances for success. She should strongly consider the personal

impact of the decision to open her own business prior to taking that first irreversible step and locate a strong support group to whom she can turn for advice and support. The incubation center staff is here to help you with that journey. We have various tools and checklists to help you determine where you are in your current business journey and how to put in place the milestones you'll need to ensure your new business' success.

### **References used in this report**

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