

12.4: Reading- Advantages and Disadvantages of Business Ownership

Advantages of Small Business Ownership

Do you want to be a business owner someday? Before deciding, you might want to consider the following advantages and disadvantages of business ownership (Small Business Development Center, “[Pros and Cons of Owning a Business](#),” accessed April 21, 2006).

Being a business owner can be extremely rewarding. Having the courage to take a risk and start a venture is part of the American dream. Success brings with it many advantages:

- *Independence.* As a business owner, you’re your own boss. You can’t get fired. More important, you have the freedom to make the decisions that are crucial to your own business success.
- *Lifestyle.* Owning a small business gives you certain lifestyle advantages. Because you’re in charge, you decide when and where you want to work. If you want to spend more time on nonwork activities or with your family, you don’t have to ask for the time off. If it’s important that you be with your family all day, you might decide to run your business from your home. Given today’s technology, it’s relatively easy to do. Moreover, it eliminates commuting time.
- *Financial rewards.* In spite of high financial risk, running your own business gives you a chance to make more money than if you were employed by someone else. You benefit from your own hard work.
- *Learning opportunities.* As a business owner, you’ll be involved in all aspects of your business. This situation creates numerous opportunities to gain a thorough understanding of the various business functions.
- *Creative freedom and personal satisfaction.* As a business owner, you’ll be able to work in a field that you really enjoy. You’ll be able to put your skills and knowledge to use, and you’ll gain personal satisfaction from implementing your ideas, working directly with customers, and watching your business succeed.

Disadvantages of Small Business Ownership

As the little boy said when he got off his first roller-coaster ride, “I like the ups but not the downs!” Here are some of the risks you run if you want to start a small business:

- *Financial risk.* The financial resources needed to start and grow a business can be extensive. You may need to commit most of your savings or even go into debt to get started. If things don’t go well, you may face substantial financial loss. In addition, there’s no guaranteed income. There might be times, especially in the first few years, when the business isn’t generating enough cash for you to live on.
- *Stress.* As a business owner, you *are* the business. There’s a bewildering array of things to worry about—competition, employees, bills, equipment breakdowns, customer problems. As the owner, you’re also responsible for the well-being of your employees.
- *Time commitment.* People often start businesses so that they’ll have more time to spend with their families. Unfortunately, running a business is extremely time-consuming. In theory, you have the freedom to take time off, but in reality, you may not be able to get away. In fact, you’ll probably have less free time than you’d have working for someone else. For many entrepreneurs and small business owners, a forty-hour workweek is a myth; see Figure 1, “The Entrepreneur’s Workweek.” Vacations will be difficult to take and will often be interrupted. In recent years, the difficulty of getting away from the job has been compounded by cell phones, iPhones, Internet-connected laptops and iPads, and many small business owners have come to regret that they’re always reachable.
- *Undesirable duties.* When you start up, you’ll undoubtedly be responsible for either doing or overseeing just about everything that needs to be done. You can get bogged down in detail work that you don’t enjoy. As a business owner, you’ll probably have to perform some unpleasant tasks, like firing people.

In spite of these and other disadvantages, most small business owners are pleased with their decision to start a business. A survey conducted by the *Wall Street Journal* and Cicco and Associates indicates that small business owners and top-level corporate executives agree overwhelmingly that small business owners have a more satisfying business experience. Interestingly, the researchers had fully expected to find that small business owners were happy with their choices; they were, however, surprised at the number of corporate executives who believed that the grass was greener in the world of small business ownership (Cicco and Associates Inc., “[Type E Personality—Happy Days—Entrepreneurs Top Satisfaction Survey](#),” *Entrepreneur.com*, accessed April 21, 2006).

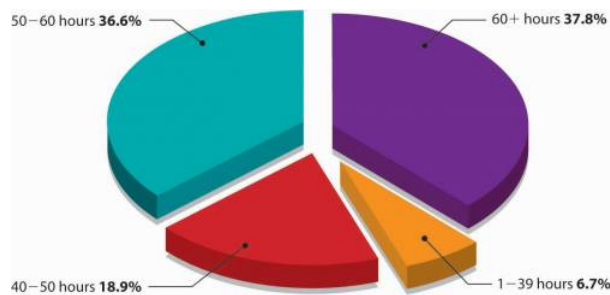


Figure 12.4.1: Copy and Paste Caption here. (Copyright; author via source)

KEY TAKEAWAYS

- There are several advantages that, generally speaking, come with success in business ownership:
 - *Independence.* As a business owner, you're your own boss.
 - *Lifestyle.* Because you're in charge, you decide when and where you want to work.
 - *Financial rewards.* In spite of high financial risk, running your own business gives you a chance to make more money than if you were employed by someone else.
 - *Learning opportunities.* As a business owner, you'll be involved in all aspects of your business.
 - *Creative freedom and personal satisfaction.* As a business owner, you'll be able to work in a field that you really enjoy, and you'll gain personal satisfaction from watching your business succeed.
- There are also a number of potential disadvantages to consider in deciding whether to start a small business:
 - *Financial risk.* The financial resources needed to start and grow a business can be extensive, and if things don't go well, you may face substantial financial loss. In addition, you'll have no guaranteed income.
 - *Stress.* You'll have a bewildering array of things to worry about—competition, employees, bills, equipment breakdowns, customer problems.
 - *Time commitment.* Running a business is extremely time-consuming. In fact, you'll probably have less free time than you'd have working for someone else.
 - *Undesirable duties.* You'll be responsible for either doing or overseeing just about everything that needs to be done, and you'll probably have to perform some unpleasant tasks, like firing people.

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