What Drives Persistent Part-Time Entrepreneurs?

Michael Rychener, University of St. Gallen, Switzerland

Everyday thousands of businesses are started across the globe. A large number of these businesses are being built on a part-time basis. This means that many entrepreneurs have a wage job or other commitments in parallel to launching their own venture. And this for good reasons. While it is commonly known that most of newly created businesses fail after a short period of time, research has found that part-time entrepreneurship allows founders to reduce the risk associated with their entrepreneurial endeavor. By engaging in smaller steps, founders may probe their venture’s merits and their own entrepreneurial aptitude without putting all resources at risk at once.

Yet, while there’s advantages for founders to launch their business on a part-time basis, there’s also potential pitfalls you should watch out for as our research shows. In collecting longitudinal data over three years and by combining them with follow-up in-depth interviews obtained from 18 entrepreneurs, we found that, under certain circumstances, part-time founders may follow a course of action that result in a continued state of being operational with their business but not profitable.

Specifically, we sought out unprofitable businesses and studied part-time entrepreneurs who have been working on their business for at least four years without having been able to move it into profitability. Following our data and analyses, we came to attribute their persisting behavior to the continued interplay of (1) an acceptable level of experienced financial security in life, that is, a standard of living which is assured outside the own business; (2) a minimally acceptable level of monetary benefits achieved with the business, that is, the coverage of main operational expenses excluding the payout of an own wage, and (3) a minimally acceptable level of intangible benefits retrieved from the entrepreneurial existence, that is, the sporadic reception of positive feedback on their pursued non-monetary goals (e.g., the possibility to work independently).

We found that by assuring the standard of living from sources outside the own business, our studied entrepreneurs’ immediate need to have an own wage-generating venture up and running was reduced, which made non-monetary drivers outweigh the monetary demands posed on their business. Many stated that even if not being perfectly happy with their situation as higher financial returns were often desired, for instance, to pay some of their everyday life’s bills, sustaining efforts wouldn’t cost them anything. And, if it would do so, then only time. “So, what’s
“the big deal about it?” you may wonder. The full story is that persisting with an unprofitable part-time business does come at a price that oftentimes fades into obscurity: “opportunity costs” – thus, the forgone benefit of choosing one over another option. Here comes why.

Backed with financial security assured from sources outside the business, some entrepreneurs seem to be in a position to come into the benefit of pursued non-monetary goals and endure their entrepreneurial commitment in spite of their venture’s unprofitability. For individuals who are financially fully dependent on their business, this may not be equally possible: With financial security weakening, these entrepreneurs might be more willing to either put more effort into their venture in attempts get more out of it or quit it altogether and search for new opportunities in a wage job or as part of a new entrepreneurial endeavor.

However, based on our study, we found that some part-time founders appear to get caught up in a state in which they do not perceive any immediate incentive to change their taken path. Yet, there may be. Even if not launched to grow a millionaire’s business, these founders may be missing out on further exploring and exploiting avenues that may allow for even more favorable outcomes of monetary and non-monetary nature. We suggest that in not endowing time and money at larger scales, some part-time founders may find themselves preserving the status quo, thereby, however, potentially forgoing the chance to maximize their pursued benefits – and getting stuck in between minimally acceptable levels of monetary and non-monetary outcomes that, in fact, encourage them to keep going.

While not intending to talk down the psychological benefits of non-monetary outcomes an entrepreneurial endeavor can entail despite a lower or no income, we suggest part-time founders, and especially those who assure their standard of living from sources outside the own business, to continuously reflect on the benefits, costs, and goals of their part-time business carefully. Even if at some point along the journey your part-time business seems to cost you nothing but time, think about it wisely – just as in the spirit of Benjamin Franklin’s essay “Advice to a Young Tradesman” in which he wrote, “remember that time is money.”

CONTACT: Michael Rychener; michael.rychener@unisg.ch; (T): +41-71-224-71-38; University of St.Gallen; Dufourstrasse 40a, 9000 St.Gallen, Switzerland.