



# A Comparative Study Of Advantages And Disadvantages Associated With Entrepreneurship

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## ABSTRACT

To everything in life there are advantages and disadvantages; entrepreneurship is no exception. As a matter of fact, entrepreneurship involves a lot of risk taking. Yet, it can pay off very nicely as well, with rewards such as profits and the opportunity to be your own boss and make your own decision. . It was first used as a technical economic term by the 18th-century economist Richard Cantillon

Entrepreneurship comes with its share of ups and downs. The most obvious advantage is the opportunity to be your own boss. Being in charge and making the important decisions regarding your business can be fulfilling, but it can also be challenging. This research paper discuss in detail of advantages and disadvantages of being an entrepreneur.

Some of the advantages associated with are Control, Excitement, Flexibility, Freedom, and Rational Salary.

**Key Words :** Entrepreneurship, Inventiveness, Income potential, Self Fulfilment

## Objectives

- To analyze advantages and disadvantages associated with being an entrepreneur.
- To analyze the qualities required to be an entrepreneur
- To study the cases of management graduates who thought out of the box and became successful entrepreneurs.

## Research Methodology

The research is based on the information collected from various secondary sources.

1. Books, journals, working and white papers are used for reviewing the academic literature on the topic.
2. Newspapers, online news channels, industry reports and websites are accessed for the collection of any other required information related to the topic.

## Introduction

Many businesses start as one person's idea. The creator is often an entrepreneur who spots a gap in the market or a commercial opportunity. It is entrepreneur's time, effort and energy which converts this business idea into product or service..Types of businesses can be classified into manufacturing, wholesale, retail and service. Some characteristics found in successful entrepreneurs, show they are:

- Prepared to take risks
- Driven by achievement
- Not put off by failure
- Self motivated
- Determined to stay ahead of the competition.

## Advantages of being an Entrepreneur

### **Doing what you love and Independence and freedom**

Having control over your work schedule means that you can choose when to take time off and work the schedule that suits you best. Independence and freedom never means going on prolonged holidays and doing work and business at your ease with all whims and fancies intact.. It is going to be harmful if one enjoys these kind of luxuries in earlier years of business. That's because your business is weak, helpless and if you don't mind it carefully probably will die. Sounds like a baby? Probably is a good similarity. Entrepreneurs

are able to make all of the decisions relating to their company themselves; they have complete control. This allows for a huge degree of independence and a chance to shape one's own career.

On the other hand when your business is mature, strong and self sufficient, it begins to give you that independence and financial freedom you always wanted. It takes time but don't forget that the reward is worth your time, patience and efforts.

Of all the advantages of being an entrepreneur this is probably the most important because we are conscious or unconsciously looking for it.

### **Recognition and self fulfillment**

One of the basic needs of human being is recognition by family, spouse and society. Entrepreneurship comes with self fulfillment and sense of satisfaction.

These are additional advantages of being an entrepreneur and a logic consequence of doing what you love.

### **Income potential**

It is human being's mentality to be compensated fully for their work and efforts. Often people do not feel fully compensated for the work they do. Becoming an entrepreneur means you can reap the benefits of all your hard work. Many of the India's people are successful entrepreneurs. This is a big one because when you're an entrepreneur you can create a direct relationship between your efforts and your income. In other words: if your efforts are higher your reward should be higher too. Of course that happens if your efforts are well planned, effective and well focused.

For many people across globe this is most rewarding and motivating factor. Many people really believe that of all the advantages of being an entrepreneur this is the best. That's probably because in comparison to a job where your boss, the company's financial budget, the Board and the economy decides your salary and if you can stay in the company or not; when you're an entrepreneur nobody else except the market forces and you can define your income.

Of course don't forget the market will be the hardest judge of your entrepreneurial skills, harder than your boss or company. But if you pay attention you'll see the market's signals and you can make better decisions accordingly. That will never happen if you are an employee. Watch how this entrepreneur turns his passion into checks:

**Developing personal relationships** – Small businesses give closer relationship with customers, employees, and suppliers. You are well aware that whom you are dealing with; you can 'put a face' to the person you are in contact with. Person-to-person interaction is as important as ever in building strong relationships.

**Responding flexibly to problems and challenges** – Decision making is centralized in small business and thus quick and prompt decision can be made in them. Large businesses may have set ways of operating and establish procedures that are hard to change. Small businesses are often far more flexible. It can also reach a quick decision on whether or not it can do what is required.

**Inventiveness and innovation** - small businesses are well positioned to introduce and develop new ideas. This is due to their owners not having to report or seek approval from anyone else. For example, when Anita Roddick set up The Body Shop, she developed a range of environmentally friendly cosmetics in unsophisticated packaging. This would have been frowned on in a conventional cosmetics company.

**Low overheads** - due to the small scale of operation, small businesses have lower overhead costs. They operate in small premises with low heating and lighting costs, and limited rent and rates to pay. Low costs result in lower prices for consumers.

**Catering for limited or niche markets** - large firms with high overheads must produce high levels of output to spread costs. By contrast, small firms are able to make a profit on much lower sales figures. They can therefore sell into much smaller markets: e.g. a local window cleaner serving a few hundred houses, a specialist jewelry maker with personal clients

Excitement: Becoming an entrepreneur is a very exciting time, from the idea and start-up to the development and realization of the product or service and thus there is a lot of adventure.

- Rules and regulations: Work in a current job is difficult to do because of all the "red tape" and consistent administration approval needed.
- Originality: Some people feel that they can offer a new service/product that no one else has offered before.
- Competition: Employees feel they can offer their current company's product/service at a lesser expense to the public.
- Independence: Some people wish to be their own boss and make all the important decisions him/herself.
- Salary potential: Generally, people want to be paid for the amount of work they do in full; they do not want to be "short-changed."
- Rational salary: They are not being paid what they're worth and would rather work on their own and earn the money they should be earning for their efforts.

## Disadvantages of Being an entrepreneur

- Becoming an entrepreneur means you have to leave behind the security of having a paycheck each month.
- Although entrepreneurs benefit from a flexible schedule they often have to work very long hours particularly in the start-up phase. Furthermore entrepreneurs' work schedules are never predictable and they must deal with emergencies that may occur at any time.
- Being responsible for all decisions can be quite stressful and handling such responsibility can be difficult.
- There is also great risk attached to entrepreneurship. The success or failure of the business rests with the entrepreneur.
- **Benefits:** There will undoubtedly be fewer benefits, especially when considering that your business will be just starting off and till breakeven point is reached
- **Work schedule:** The work schedule of an entrepreneur is never predictable; an emergency can come up in a matter of a second and late hours will have to be put in.
- **Administration:** All the decisions of the business must be made on your own; there is no one ranked higher than you on the chain of command in YOUR business.
- **Incompetent staff:** Often times, you will find yourself working with an employee who "doesn't know the ropes" as well as you do due to lack of experience.
- **Procedures:** Many times during your entrepreneurial life, you will find that many policies do not make sense, nor will they ever make sense.

After comparing the advantages and disadvantages, you will have to decide if you can realistically handle the responsibility of running your own business. Being an entrepreneur is a huge responsibility with many risks attached. In business decisions should be carefully considered. Risk assessment (giving thoughtful consideration to potential costs and benefits) and the collection of relevant information are keys to successful decision making.

Entrepreneurship can offer levels of fulfillment and achievement that are hard matched by any other type of employment. A great idea teamed with passion and commitment will certainly help a new entrepreneur overcome many of the challenges posed by starting their own business

## Challenges of a small business

Small businesses do have some disadvantages. Running an enterprise on your own involves hard work and making most decisions on your own. Initially there is little time for holidays and considerable risks involved. Also, as the business is small, it is harder to find the economies of scale from which big firms are able to benefit. For example, because small businesses tend to buy relatively small quantities of raw

materials and other supplies, they receive lower discounts than larger firms. The small firm cannot afford to employ a range of specialists and also find it more costly to raise finance.

Setting up and running a business is something to be tackled by people who are energetic and enthusiastic. These people like hard work, enjoy challenges, are adaptable and are not put off by failure. Perhaps you are like that! Starting up on your own is a big step. It is vital to carry out careful research and think things through thoroughly, rather than rushing into it.

### **Changed face of Entrepreneurship today among management graduates**

- Young B-School graduates give up dream jobs, choose 'entrepreneurship' over crore-plus salaries: Reema Mukherjee of the class of 2012 at IIM Bangalore and Angana Jacob (IIM Ahmedabad, 2008) opted to strike out on their own during economic downturns.
- Jacob quit her job as VP, index strategy at Deutsche Bank last year to launch a social gaming website, Couch Gaming. Mukherjee, on the other hand, quit Barclays, Hong Kong two months ago to further her batchmate's idea, SMERGERS, an SME-focused mergers and acquisitions consultancy firm.
- Vineeta Singh and her batchmate Devashish Chakravarty from IIM Ahmedabad, too gave up offers from Deutsche Bank London and New York respectively, to start India's first high-end lingerie retail chain in 2007 with two other batchmates.
- A degree from IIM Ahmedabad could have easily landed Nirmal Kumar a job with a fat pay packet at a multinational company. However, Kumar chose to earn Rs45,000 a month, managing a fleet of 10,000 autorickshaws in Gujarat. Haggling with an autorickshaw driver over fare changed the course of life for this physically challenged, 2008 batch graduate from the country's premier management school. Kumar comes from a modest background, with the family based in Siwan district of Bihar. His father is employed as a primary schoolteacher. Kumar was overcharged by an auto while coming back to the college from a restaurant. He felt cheated, and the idea for a business came to him.

### **Conclusion**

In the modern world people can no longer expect large enterprises to guarantee them jobs for life. Individuals are increasingly expected to seek out their own opportunities, actively create value and behave ethically, rather than faithfully follow rules and routines set by others. In particular, today's young people need to learn to be enterprising, both when working for others and when setting up their own businesses. Being enterprising involves taking responsibility for decision making, becoming increasingly self reliant, pioneering, adventurous, daring, dynamic, progressive, opportunist, ambitious and holding your values, as well as being able to initiate ideas and see them through into action.

The benefits of being an entrepreneur are being one's own boss and having the freedom and flexibility to directly handle problems and be creative. While the realities of being an entrepreneur are often glorified, there is some truth to the stereotype. Reporting to no one but clients, having the freedom to adopt pet projects, and being able to drop the task at hand for something more important are benefits people around the world strive for. These benefits are usually acquired by becoming an entrepreneur or at least thinking outside the box like one.

Being one's own boss is a major benefit of being an entrepreneur. In fact, many say they cannot imagine working the standard nine-to-five job. Becoming self-employed means having a lot of freedom and flexibility, but it is also a practice in self-discipline. It is common to hear business owners state that they put in a full-time job's worth of hours for months or even years before their businesses began to thrive, usually for little income. People who lack the drive to work hard often fail at starting or maintaining the business.

Of many people, the primary benefit of being an entrepreneur is freedom and creativity. Sometimes large corporations are stifling with inefficient policies and restrictions that hinder employees on a daily basis. Entrepreneurs are often free to do whatever might benefit their business, provided it does not break local laws. For example, an entrepreneur does not have to complain to a human resources department about a client who is too friendly; he or she can simply no longer work with that person. The freedom to immediately and directly act on a problem or try out a new pet project is what some entrepreneurs value most.

The flexibility of being self-employed is also prized, especially among those who used to work for inflexible employers. Entrepreneurship generally means a person can set his or her own schedule to a certain degree; for example, he or she can pause work for a last-minute dinner party or more everyday tasks like picking up the kids from school. If the work is performed primarily on a computer, he or she can take a laptop to work in exotic or calming locations. Even when bound by the demands of customers, affiliates, or other obligations, an entrepreneur often has more flexibility than most workers. After a certain point, a successful entrepreneur might need to hire his or her own employees, lest he or she lose the benefits of being an entrepreneur by an overwhelming amount of work.

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