



Community Economics

A Newsletter from the Center for Community Economic Development; Department of Agricultural and Applied Economics; Community, Natural Resource and Economic Development Programs, and University of Wisconsin-Extension, Cooperative Extension Service

No. 322

Community Economics Newsletter

August 2003

Home-Based Businesses as a Community Economic Development Option

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University of Maine Cooperative Extension Bulletin #4190

Operating a home-based business usually requires a greater commitment of time, energy and money than most jobs.

For more and more people, home is not only where the family is — it is where the business is. During the last 20 years, large numbers of people have chosen to market their skills and talents from home. Recent studies estimate that as many as 20 percent of new small business enterprises are operated out of the home, and this trend is growing. Many home-based businesses are started on a part-time basis and then expand into full-time businesses as the market for the business develops and grows. The majority of home-based businesses are started by women and typically employ other family members.

Types of home-based businesses range from service-oriented child care businesses to product-oriented craft outlets. Other examples include: farming, catering, specialty mail-order, home horticulture, computer software consulting, woodworking and bed and breakfast establishments.

People are attracted to home enterprises for many different reasons. These include: experiencing the personal satisfaction of making their own decisions, expressing their own ideas and being their own boss. Those starting home-based businesses come from many different groups, such as homemakers, single parents, youth, dislocated workers, hobbyists and people interested in adding to their incomes.

Operating a home business can give you a sense of independence and personal satisfaction. However, to be successful, you will need to make a total commitment to the business and its needs. Being your own boss does not give you total independence. Meeting the various business needs (e.g., customers, suppliers, employees, etc.) will limit your independence. Operating a home-based business usually requires a greater commitment of time, energy and money than most jobs. It also requires a great deal of sacrifice, making it difficult to balance business and family needs.

Getting Started: Factors to Consider

There are many factors to consider before starting a business in your home. Do you have the personality and business skills to run a business? Does it make sense to operate the business out of your home? How will this business affect the family environment? Is there sufficient demand for your product or service? These and other important questions can be answered by writing a sound business plan. A business plan is a basic description of the goals and objectives of your business and how you plan to achieve them. Developing a business plan will help you answer important questions about your business idea before you actually start your business.

Management of a home-based business is similar to any other business in many respects. However, there are special circumstances that are unique to home businesses that need to be explored. The advantages and disadvantages of operating a business in your home, especially the impacts on the family, are important to explore as a first step in the process of deciding whether or not to start a home business.

The list of advantages and disadvantages of operating a business in your home (see below) was compiled from experiences of people who own a business and people who work with home-based business owners. Of course, there are other factors that you'll want to consider for your specific business.

There are both pros and cons to starting a business in your home. Many of these factors in one way or another impact the family environment. While the business involves a great deal of your time, energy and money, it does not have to come at the expense of your family. There isn't a strict trade-off between a good family environment

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and a successful business. However, you need to set priorities and effectively manage your time to maintain a balance between your business life and family life.

Operating a Home-Based Business

Advantages:

- Can start as a part-time business.
- More flexible lifestyle and more integrated with the family.
- Lower start-up and operating costs.
- Cost-savings on child/adult care.
- No commuting.
- Flexible work hours.
- Satisfaction of being own boss.
- Increased tax benefits and write-offs.
- Outlet for creative/unique talents.
- Employment of family members by the business.

Disadvantages:

- Space may be cramped, limiting growth potential and family use.
- Personal and family lifestyle patterns may be disturbed.
- Business and family privacy may be disrupted.
- Long work hours and time away from family.
- Lack of fringe benefits.
- Lack of informal social contacts or opportunities to network.
- Stress due to inability to balance family and business needs.
- Family members and friends may demand more of you when you're home all day.
- Business activities may cause problems with neighbors.
- Discipline is required to establish steady, homework patterns.

Balancing Family and Business Needs

Having the support of your family will help achieve the balance you need for a happy family life and successful business. Here are some suggestions for helping you strike such a balance:

- Involve family members, where it makes sense, in developing the business plan, and communicate intentions to all family members.
- Maintain a clear distinction between your business life and family life.
- Share home responsibilities with other members of the family.
- Manage your time effectively by developing good time management skills.
- Allow time for family vacations, and limit business hours to specific times of the day and week.
- Start your business when your children are older or consider operating part-time when they are young.

The support of family members is extremely important to the success of your business. It is essential that each member of the family be given the chance to share his or her thoughts and feelings about starting a business in their home. Family members need to be kept informed of plans likely to affect the family. Take time to establish an atmosphere of open communication within the family to help generate trust and support, which will help you grow your own business.

Operating a home business can give you a sense of independence and personal satisfaction.

Running a home-based business can be an exciting and rewarding experience. However, operating a business out of your home is risky and requires good business management skills and careful planning. One of the first steps in considering a home business is to look carefully at the advantages and disadvantages of starting a business in your home, paying particular attention to how the business will affect the family environment.

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Issued in furtherance of Cooperative Extension work, Acts of May 8, and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Carl O'Connor, Cooperative Extension, University of Wisconsin-Extension.

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