

## CAPSTONE PROJECT

### TECHNICAL NOTE :

Choose to be an full-time or a part-time entrepreneur :

What are the elements to take into account when the student-entrepreneur graduates?

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## 1. Executive summary

Today, more and more students are jumping into entrepreneurship. There are over 5,000 in Belgium to benefit from the student-entrepreneur status. However, what happens when they finish their studies? Students face several options. He or she may decide to start as a full-time entrepreneur, to combine his project with another professional activity and thus to undertake part-time work, or to abandon entrepreneurship. One of them told us: "In our studies, we were in a strict framework. Then, comes the graduation ceremony and there, we are released in nature. The big problem today is that there is almost no support once we finish our studies". This technical note's intention is to inform the student-entrepreneur on the elements to be taken into account to make their choice and thus, to allow them to better understand the transition from the student world to the professional world.

In this technical note, we will discuss the advantages and disadvantages of entrepreneurship at full-time or part-time based on scientific studies and testimonials. The influence of the country where you live in will also be developed. Then, we will discover the concept of "opportunity cost" that sometimes tilts the balance on one side or the other. Subsequently, we will highlight the various existing financial assistance, whether regional or federal, to meet the main fear expressed by young people wishing to invest 100% in their project (to be short of money to live). We will then discuss the Woople effect concept in order to understand better the fear of difficulties to combine several professional activities expressed by young people wishing to become a part-time entrepreneur after their studies.

Before discovering two testimonials from young entrepreneurs who made this choice a few years ago in order to illustrate this decision-making process, we will answer three questions. Will my project or business be less successful if I am a part-time entrepreneur? Is starting a part-time business is it a step towards full-time entrepreneurship? Are there differences between men and women? Finally, in the last section you will find various resources available if you want to learn more about the subject.

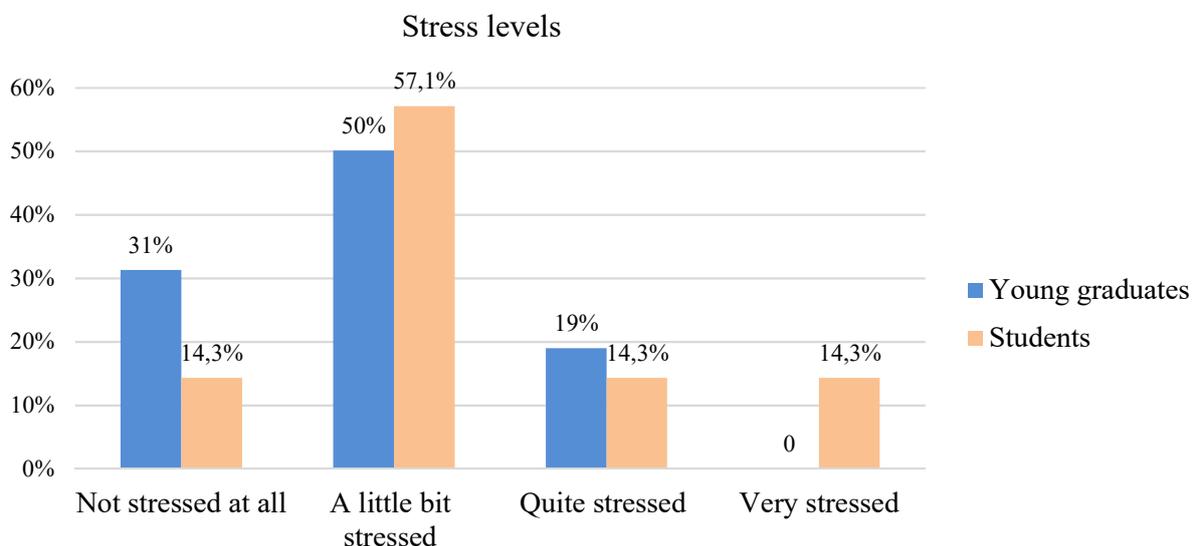
## 2. Current situation

This is Martin. Martin is a 22-year-old entrepreneur. He will graduate in a month. Martin is quite stressed because he does not know what he plans to do once his degree is obtained: start as a full-time entrepreneur or combine it with another professional activity and therefore undertake part-time work?



In 2016, the number of independents in Belgium increased compared to 2015. They were 1,058,522 (65% men for 35% women). Full-time independents were more than 710,000 while the independent as complementary activity reached 240,000 (about 23%).

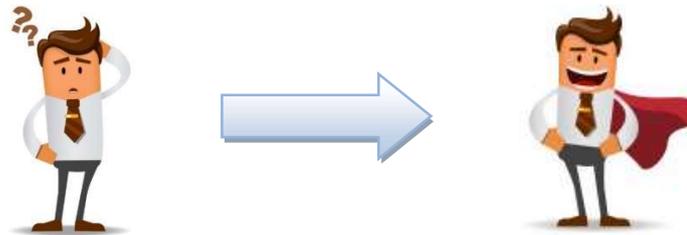
To understand Martin's situation, we conducted a survey of 30 young incubated at the VentureLab. 16 of them already have their diploma while 14 are still students. We asked them if, like Martin, they were or are feeling stressed while apprehending this choice. To the question, how much do you define your level of stress about this choice when you finish your studies; about 70% of them reported feeling a little bit or quite stressed.



Although these figures are not alarming, the results for the question "do you have enough information to make this choice at the end of your studies?" are worrying. Indeed, 36% of student-entrepreneurs and 38% of young graduates declared that they did not have (or did not

have) any information to make their choice! If we add the incubated that estimated to have some information but insufficient, they are about 70%!

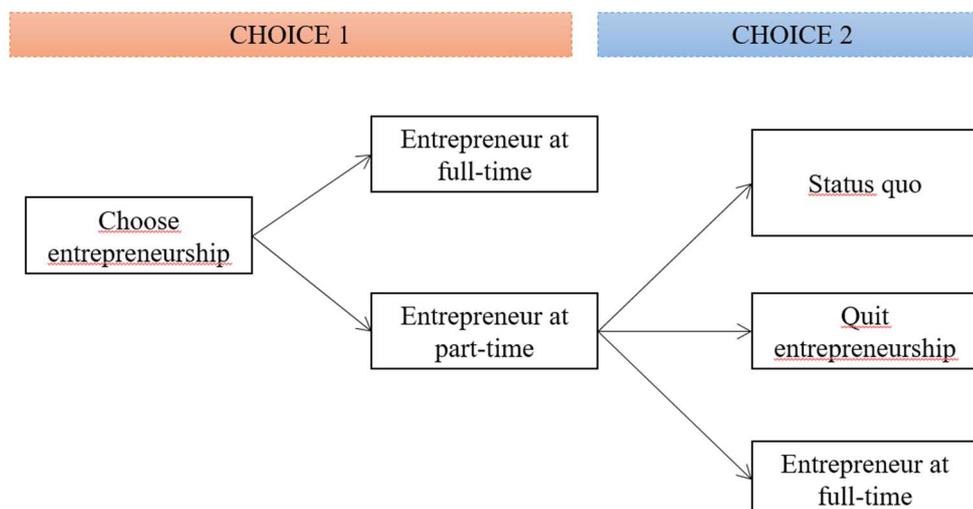
This technical note's intention is to fill this gap, to provide you with more information to make you feel better armed with this choice and to be able to guide you to find the best way to your situation, your needs and your desires.



### 3. Development of key lessons

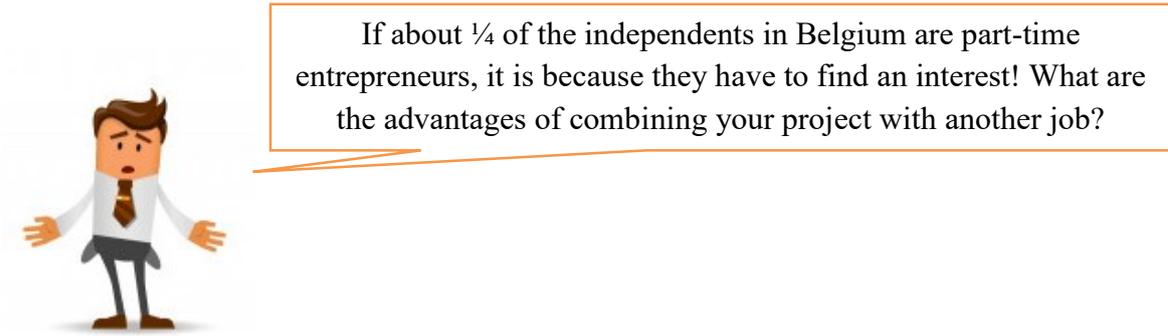
Before any development, it is necessary to define some key concepts. First, Martin, our young entrepreneur, is in a two-step decision process that can be described as follows. The chart below represents this process.

1. The first choice is the choice of entrepreneurship. As a student, we can choose to continue our studies or to stop them to develop our project. The vast majority of students interviewed chose to continue their studies as Martin. Therefore they chose to be part-time entrepreneurs.



2. Once graduated, Martin is in front of a second choice. There are three main possibilities: abandoning entrepreneurship, continuing to work part-time while accepting another professional activity, or become a full-time entrepreneur.

We mean by a part-time or "hybrid" entrepreneur, an individual who develops his project while keeping a job or another professional activity.



We can divide these benefits into two categories.

- Monetary benefits: Entrepreneurs may be attracted by the financial security offered by this dual status diversifying their sources of income. They put less financial strain on their business especially during the early stages. As resources are limited, entrepreneurs are more able to make other expenses or investments instead of their remuneration. Some also explain working alongside their company in order to reinvest the money earned as well, in their project.
- Non-monetary benefits: Among the non-monetary benefits sought, we can point work experience, skill development and accomplishment of personal goals in a larger structure. In addition, some said they appreciated the feeling of belonging to a workplace community in comparison to a certain isolation or loneliness of the entrepreneur.

Furthermore, full-time entrepreneurs who went through this part-time work stage would have a higher survival rate for their project than individuals who started directly full-time. Nevertheless, these companies would be less successful. This point will be further developed in the next section.

Choosing to do part-time work would also allow you to test and validate your business model, to develop your entrepreneurial skills and to start developing a customer base. If your approach to entrepreneurship is recent and / or many uncertainties persist in your business model, this option seems to be the ideal solution to minimize risks and to develop your project with less financial pressure. Indeed, the greater the uncertainty, the higher our risk aversion and the more we choose to keep a job beside. Once the business model is validated and the lights turned green, the entrepreneur will be able to assess whether or not it is attractive to start a full-time job. Reducing uncertainties would therefore reduce our perception of risk.

Is there a typical profile of the part-time entrepreneur? Yes! He is younger, has a higher level of education and has less entrepreneurial experience than the full-time entrepreneurs. This choice will also depend on the cost of opportunity (also called the cost of renunciation). It is the potential loss of profit: what Martin will give up if he decides to dedicate all his time to his project. The higher the cost of opportunity is, the greater the attractiveness of part-time work will be. If Martin is being offered a prestigious well-paid job, he will be more likely to choose to combine these two professional activities.

In addition, part-time entrepreneurs would be more likely to start their project on their own and therefore less likely to work in a team. Indeed, their main occupation complicate the collaboration with other people. Moreover, when they create their company, their starting capital would be lower and their growth expectations as well.

This choice is also influenced by the country you live in. Countries such as Belgium with a highly developed social security system for employees do not encourage entrepreneurship as a main occupation. Independents do not receive the same financial benefits for their incapacity to work for example. It increases the cost of opportunity. The culture of the country in question and the type of jobs valued by society can also play a role in your choice as well as the perception of failure. Keeping a traditional job alongside his project is therefore a "social" safety net for Martin in case of failure. However, the fear of what others may think should not influence his choice.

In our survey, the first fear expressed by the incubated wishing to move towards full-time entrepreneurship concerns the risk of not having sufficient financial income. How can Martin

reduce his perception of financial risk? How can it narrow the gap between the cost of opportunity of keeping a traditional job on the side and full-time entrepreneurship?



First, there are different financial aids depending on the Region in which you live. In the table below, we have compiled financial aids in Wallonia and in the Brussels-Capital Region. Be careful, these aids are often not cumulative.

The different grant conditions for these financial aid schemes are described in the resources in the "Learn More" section.

	Aide fédérale	En Wallonie	À Bruxelles
Name	« Tremplin-indépendant »	« Airbag »	« Prime pour indépendants »
Target	Jobseekers wishing to start or continue a self-employment activity	Individuals wishing to start as full-time entrepreneur	Individuals wishing to start as full-time entrepreneur
Type	Retention of unemployment benefits	Discounting financial incentive	Discounting financial incentive
Amount and length	Max. 12 months	Max. 12.500€ given in 4 times during 2 years	4.000€ during max. 6 months
Institution in charge	ONEM	Forem	Actiris

According to the entrepreneurs met, it is necessary to have enough personal funds to live for a minimum of 6 months if you want to start a full-time project.

Martin's future choice will also impact his welfare benefits for social security. Choosing to be a full-time or part-time entrepreneur will determine the amount of social security contributions to pay.

- If Martin wants to start his project or to run his company as his main activity, he will have to pay his contributions in order to be socially covered even if Martin decides not to pay himself. However his salary level will influence the amount to be paid.
- In case Martin chooses to work as a full-time or at least part-time employee, he will be covered by this job. His activity as an independent will be complementary. He will thus pay reduced contributions.

Okay, there are plenty of benefits to part-time entrepreneurship but I'm really scared of not being able to combine everything!



What Martin has just expressed is the main fear of incubates wishing to become part-time entrepreneurs during our investigation. They are afraid of not having enough time for their company and to miss something. They are also afraid of not being able to combine everything. It is the fear of the Wooble effect, the pressure or the struggle to juggle between different activities. Indeed, part-time entrepreneurs are under a swing effect. They are swaying between pressures and desires to devote more time to their work and to perform on one hand, and the desire to grow their project on the other hand. When tensions arise and instability sets in, a sense of dissonance between what we want to do (our thoughts and feelings) and what we actually do (our behaviors) can occur.

Thanks to our interviews, we were able to identify the existence of a break point where it becomes untenable to combine these activities. It is particularly the case when new entrepreneurial opportunities become incompatible with a part-time job or when the company presents a good growth. Stress management also plays a key role. By combining several professional activities, stress can quickly appear and intensify. It is defined as an individual's response to demands (internal and external demands) that he feels he must face and for which he doubts having the necessary resources. Facing this stress, we develop two types of coping strategies: the first focused on the problem and the others, on the emotional response generated by the problem.

- The first strategy is to control or modify the problem that causes our stress, in other words to act at the source. In this case, it might be turning to full-time entrepreneurship.
- Focused on the emotional response to the problem, the second strategy concerns the thoughts and actions put in place to reduce the impact of stress on our emotions. We no longer act on the source of the stress but on its symptoms. There are several possibilities for us, such as minimizing the problem, reassessing it positively, self-accusing, avoiding it or fleeing it. However, if the entrepreneur keeps going this way, he may encounter a burnout that will ruin all efforts.

We therefore recommend the first option more beneficial in the long run.

#### 4. Questioning

Will my project or business be less successful if I am at part-time?



Although companies created by hybrid entrepreneurs have a higher survival rate, they would be less likely to reach important milestones during their development and less rapidly (first sales, first profits, first hired worker, etc.). They would also make fewer sales and profits. By comparison, full-time entrepreneurs make three times more sales and 2.1 times more profits. They would also hire their first worker faster. By taking fewer risks, the entrepreneur renounces a certain level of performance. However, once shut down, businesses created by part-time independents would have accumulated fewer losses.

#### **Is starting a part-time business is a step towards full-time entrepreneurship?**

It is possible. Some considers entrepreneurship more as a source of additional income. This activity is often a leisure activity and does not aim to become a main activity. It is also possible to see part-time entrepreneurship as a step towards full time. This smooth transition reassures the entrepreneur and his family. This allows him to maintain certain social and

financial benefits related to his activity as an employee. The entrepreneur can assess if this situation suits him before making the leap.

### **Are there differences between men and women?**

In 2016, women would be more likely to move to part-time entrepreneurship than full-time, 28.5% versus 24% for men. The number of independents (as a complementary activity) is up by 5.45% compared to 2015, against 1.71% for men. It is interesting to note that incomes of women are much lower than the men's ones. Moreover, this gap is much more unequal than the differences in remuneration among employees. For more information on this subject, we invite you to read the article of Ghesquière and O'Dorchai based on data from INASTI, called "Self-employment and Gender Inequalities in Belgium".

Some women prefer to combine their activity with a "traditional" job in order to keep their social and tax benefits attached as well as some security. For example, since 2017, the maternity leave of the independent has increased from 8 to 12 weeks, compared to 15 weeks for an employee. During this leave, they are exempt from payment of social security contributions. Such measures would likely encourage more women to become full-time entrepreneurs.

Being in charge of a family makes it difficult to take significant financial risks. We might think that having dependent children would impact both men and women in their choice between full-time or part-time entrepreneurship. It is not the case! It has no influence on men, but a negative influence on women. In addition, independent women do not necessarily combine this activity with another job. Caring for the children or a sick relative is also mentioned. We hope that future changes in family roles and a better distribution of domestic tasks will have a positive impact on women's full-time entrepreneurship.

## 5. Examples and illustrations

To illustrate this decision process, let's find out about Romain and Thomas's experiences on this subject.

Romain started his project alone when he was still a student. He immediately started as a part-time entrepreneur. His private sphere played an important role in his choice. His father, also an entrepreneur, pushed him to invest full time in his project. As for her mother, she wanted him to work as a consultant in a big company for the salary and the different benefits. What has been decisive for him is the support of his incubator and in particular his coach. He explained him the pros and cons of both possibilities.

When we questioned the 30 incubated, we asked them to tell us to which people they turned to (or will turn to) for information or advice to make their choice. They indicated that they turn to relatives (family and friends) as first and second to their mentor / coach. Romain's experience confirms our results.

When he finished his studies, he had the opportunity to work for an incubator 4 days a week and he seized it. He wanted to work in an organization to gain experience, learn to work in a team and develop his soft skills. His job was therefore in the field of entrepreneurship, which allowed him to make links with his own activity. This job was also very flexible, which facilitated the situation. The money he earned from his job was invested in his company. Combining these two types of activities allowed him to weigh the advantages and disadvantages of both sides.

Once his business grew, he worked more than 80 to 90 hours a week, which was very complicated. He could no longer allow himself any spare time. For him, the biggest difficulty in being a part-time entrepreneur was to miss business opportunities. To him, it was a big frustration. Romain had thus reached the point of rupture and acted at the source of the "problem". He made a decision: to resign from his job at the incubator to expand his business and hire staff, which he felt was more difficult on a part-time basis.

An advice from Romain? One year in a life is very short. "If you want to develop your project, take a year. It's not a year of your life that will change anything. There are solutions (eg "tremplin-independent") to have the minimum to live. If you want to start something, you have to go for it!

Unlike Romain, Thomas started his entrepreneurial career once he graduated. After his studies, he work as a full-time consultant in Luxembourg to gain experience. Seeing how other companies worked helped him to start his own company. With two associates working also full time, he created the company. To him, maintaining a full-time job has allowed them to not have immediate financial pressure and not feeling forced to develop the project prematurely. It allowed them to let the concept mature. Obviously, they were very frustrated because their company had started very well and was very popular and they could only work on it early in the morning or late at night.

After 3 years in the private sector, Thomas decided to resign and invest 100% of his time to take the project to the next level and seize new opportunities by duplicating the concept elsewhere. So they met the breaking point. Later, the second partner did the same.

To him, undertaking a part-time job is a good solution when you are young. It allows you to test your idea, to see if you are ready and if this choice of life suits you. It can also be an interesting step to let your project mature and create a first customer base.

## 6. Learn more

This section presents a list of resources that may help you if you want to know more. This one is divided into sub-themes.



### Event:

- Transition ceremony for young graduates of VentureLab, Liège.  
Contact : Aurélie Neirinck (aurelie.neirinck@venturelab.be)

### Financial aids:

- Airbag service : 071 20 68 30 or info.airbag@forem.be
- Activa-Job service : 02 435 40 90 or pipz@actiris.be

### Contributions and plan differences:

- UCM Liège (Liliane Navarra) : +32 4 221 65 65 or starter-liege@ucm.be
- Group S (Marc Lecomte) : +32 61 23 96 27 or marc.lecomte@formalis.be

### Articles on the differences between full-time and part-time self-employed:

- Revue Entreprendre & Innover, n°34 (2017/3) « Hybrid entrepreneurship »
- BLOCK J. H., LANDGRAF A., (2016), “Transition from part-time entrepreneurship to full-time entrepreneurship: The role of financial and non-financial motives”, *International Entrepreneurship and Management Journal*, 12(1), pp. 259-282.
- FOLTA T. B., et al., (2010), “Hybrid Entrepreneurship”, *Management Science*, 56(2), pp. 253-269.
- PETROVA K., (2005), “Part-time Entrepreneurship and Wealth Effects : New Evidence from the Panel Study of Entrepreneurial Dynamics”, 50th ICSB Conference, Washington, DC, June, 15–18.
- PETROVA K., (2012), “Part-Time Entrepreneurship and Financial Constraints: Evidence from the Panel Study of Entrepreneurial Dynamics.”, *Small Business Economics*, 39(2), pp. 473-493

- RAFFIIE J., JIE F., (2014), “Should I Quit My Day Job?: A Hybrid Path to Entrepreneurship”, *Academy of Management Journal*, 57(4), pp. 936-963.
- SOLESVIK M. Z., (2017), “Hybrid Entrepreneurship: How and Why Entrepreneurs Combine Employment with Self-Employment”, *Technology Innovation Management Review*, 7(3), pp. 33-41.
- THORGREN S. et al., (2016), “Hybrid entrepreneurs' second-step choice: The nonlinear relationship between age and intention to enter full-time entrepreneurship”, *Journal of Business Venturing Insights*, 5, pp. 14-18.

### Gender differences:

- AGARWAL S., LENKA U., (2015), “Work-life balance of women entrepreneur”, *Industrial and commercial training*, 47(7), pp. 356-362.
- BOURGAIN M., CHAUDAT P., (2015), “Vie professionnelle et maternité : représentations comparées de jeunes entrepreneures et cadres en TPE et PME en croissance”, *Revue de l'Entrepreneuriat*, 14(2), pp. 83-108.
- BURKE A. et al., (2008), “What makes a die-hard entrepreneur? Beyond the ‘employee or entrepreneur’ dichotomy”, *Small Business Economics*, 31, pp. 93-115.
- CHABAUD D., LEBÈGUE T., (2013), “Femmes dirigeantes en PME : Bilan et perspectives”, *RIMHE : Revue Interdisciplinaire Management, Homme & Entreprise*, 7(3), pp. 43-60.
- GHESQUIÈRE F., O’DORCHAI S., (2016), “Travail indépendant et inégalités de genre en Belgique ”, *Reflets et perspectives de la vie économique*, Tome LV(4), pp. 23-40.

### Statistics:

- Rapport annuel de l’INASTI (Institut national d'assurances sociales pour travailleurs indépendants) : [www.inasti.be](http://www.inasti.be)