How Does Life Satisfaction Impact Success and Profitability in U.S. Small Business Owners?

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With all the decisions that must be made in day-to-day life as a small business owner, an aspect of life such as satisfaction may get lost in the commotion. U.S. small business owners face many challenges: balancing home and business finances, being integrated into their community, making time allocation decisions between family and business, and managing a successful and profitable business.

To help answer the question of life satisfaction association with success and profitability, data collected during COVID-19 was utilized to explore associations between COVID-19, business factors, and owner characteristics. The owner characteristic, life satisfaction, was defined by Shin and Johnson (1978) as a person's quality of life assessment and was measured on a scale from 1 to 7, where 1 is the lowest possible rating of life satisfaction and 7 indicates an ideal life. On average, small business owners in the U.S. had a mean life satisfaction score of roughly four. However, life satisfaction was found to be highly correlated with both success and profitability. Predictably, life satisfaction was found to increase as the level of profitability increased and as the level of success increased.

Similarly, businesses that were very successful pre-COVID-19 were more likely to have higher levels of success and profitability during COVID-19. Female business owners were less likely to be associated with high levels of profitability and success when compared to male business owners. Minority (BIPOC) business owners were more likely to have higher levels of success when compared to non-minority business owners.

When data was collected in the summer of 2020 (early in the pandemic), major disruptions were occurring for many small businesses, with some industries being more heavily affected than others. At these early stages of the pandemic, retail and tourism industries were especially associated with lower levels of success during COVID-19, not surprisingly, given the mandates of social distancing and unplanned closings in the initial phases of the pandemic.

During this period, many factors could affect business operations. With schools shutting down, some business owners were transformed into full-time teachers and caregivers. As researchers, we anticipated that women business owners would be disproportionately and adversely affected during the COVID-19 pandemic. Indeed, early research data from the U.S. Chamber of Commerce (Fallon, 2020) in the early phases of the pandemic indicated that the percentage of female business owners rating their business's overall health as "somewhat or very good" dropped by 13 points from January to July 2020. However, later research indicates findings in different directions.

For example, a report by Wells Fargo found that more women-owned businesses were started than ended during the pandemic (Wells Fargo, 2024). Further, more women-owned businesses that were owned by Black or Hispanic women opened during the pandemic and shortly following. Black and Hispanic-owned women business owners experienced large revenue increases (roughly 33% and 17%, respectively) compared to a roughly 12% increase when compared to all women-owned businesses.

In general, research findings on entrepreneurial life satisfaction indicate that age, education, and sometimes gender are all significant predictors of entrepreneurs' life satisfaction evaluations. A two-wave longitudinal study conducted with 121 entrepreneurs in The Netherlands explored the reciprocal relationships between well-being and performance (Dijkhuizen et al., 2018). Results revealed that positive well-being at the initial time point (including work engagement, life satisfaction, and job satisfaction) predicted subjective entrepreneurial success two years later. This success was reflected in the entrepreneurs' reports of financial achievements (such as personal income security, wealth, business turnover, sales, and profit growth) and personal success (including personal fulfillment, community impact, and employee relations).

We note it as encouraging that as entrepreneurs mature, their needs change with time, and once these needs are satisfied this process increases self-esteem, a sense of accomplishment, and high ratings of life satisfaction. So older, educated people and entrepreneurs maintain high life satisfaction even when facing complex challenges.

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PIFB provides multi-generational family businesses with research-based business management resources aimed at improving personal leadership performance and driving operational growth. Our ambition is to prepare family business owners, managers, and stakeholders (including non-owner spouses and future owners) to be effective stewards of their family enterprises.

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