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# IS IT YOUR TIME TO MOVE TO INDEPENDENCE?

**D**oes your current work situation bother you? Does it get to you beyond the ordinary, day-to-day frustrations of working in business or in the professions? If it does, is that caused by the environment in which you work? Or is it caused by the people on whom you depend for new business or for servicing your existing business? Is the revenue or cost sharing unfair? Are your ethics or values in conflict with your employer's?

Do you often ask yourself if you might be more comfortable in a business of your own?

If you are answering, "yes" to any of this, and if your blood pressure is rising while thinking about it, you are a candidate for independence.

But wait before taking action! Let's spend some time on your reasons for wanting business and professional independence. Those reasons will tell you a lot about your chance for success in your potential new venture. And if you do this correctly, this should be your last venture because you will own it. As the saying goes, be careful what you wish for because you may get it. So let's dwell on you and your motivations for a while.

Often, the first thought concerning self-employment deals with money. But rarely do individuals go into business for themselves

solely for more income. It is usually more complex than that. See if you can find your feelings in any of the following scenarios:

- The young attorney works hard to bring new business to the firm, and the senior partners do not recognize him for those efforts with an appropriate sharing of the profits or with elevation to partner status. Is that about money, or is it about something more?
- A female certified public accountant (CPA) spends a lot of time on the road representing the firm well in site audits. Meanwhile, her male peer back at the home office has been promoted to supervisor with a hefty raise in salary. Is this just about money?
- And finally, a stockbroker working for a large, national investment firm is pressured to represent his company's internally manufactured products to the exclusion of the independent investment products that are also, ostensibly, offered by his firm. He knows his company has good products, but not all of them are best for his clients. He feels limited in his ability to work ethically on behalf of his clients. That's definitely not about money.

Years ago during the Great Depression, Alfonso Fragasso managed the men's tailoring department for a major department store in Pittsburgh. He had dozens of people working for him and held a prestigious position for a person of his background. He was a master technician who could make a fine suit from a bolt of cloth and also a good manager who was liked and respected by his coworkers. Yet it was the Depression, and the department store's ownership brought in time and motion study people, then called "efficiency experts" to find how to do more with less. Their recommendations, if implemented, would result, in Al's opinion, in diminished quality of goods produced. He also felt it just was not workable because the experts had never done any of the activities they were advocating. He chose to quit rather than oversee what he felt would result in lessened quality and an unworkable situation. It doesn't matter if Al Fragasso was

right. He felt he was and acted on it. He spent the rest of his life owning and operating a specialty tailor shop, and he couldn't have been happier. He was well known in his community and respected for the quality of work that he did. And he did it his way.

There is an unspoken word threading through all of these examples and with all of the other examples that we could add to our list. That word is *control*. You do not have to control the company for which you work to feel in control. But if you feel that you are not in control of your outcomes, then you begin to focus on all of the ills that you perceive in your surroundings. If you are bringing in new business to your company but not being compensated or promoted for your efforts, you feel cheated and lacking in control over your destiny. If you see others being promoted for seemingly non-achievement-related reasons, you feel that your career path cannot be influenced by your efforts. You are not in control of those outcomes. If you cannot service your clients ethically and cannot engage in a corporate dialog to rectify it, then you also have no control over your outcomes.

So, what seems to be about money is really about controlling your desired outcomes and guiding your own destiny. True candidates for owning their own business say that they wish to control their own outcomes and destiny—and will earn the income they deserve as a result! So, business ownership is all about deciding which outcomes are desired, how those outcomes are obtained, who helps you do that, in what time frame, and with freedom of ethical action.

## THE FINANCIAL BENEFITS

The bonus is that you also control the income you receive for doing it your way—and you build and own the equity in your business. Consider the role that business ownership plays in building wealth. Drs. Thomas Stanley and William Danko examined the accumulation of wealth in their book, *The Millionaire Next Door*. They determined that four out of five U.S. millionaires are still working, while one of the five is retired. Of those still working, two-thirds are self-employed, and 80 percent of those are first-generation affluent and have not re-

ceived a sizable inheritance. Those folks have six and one-half times the wealth of those not in that category. So there is ample evidence supporting the hypothesis that business ownership is a principal road to wealth and independence. Stanley and Danko state that although self-employed people represent less than 20 percent of the nation's workers, they account for more than 80 percent of the wealth. Average annual income of a business owner is \$247,000, and the 50th-percentile median was at \$131,000 as of their 1996 writing. And 13 percent of business owners make \$500,000 or more. Stanley and Danko peg the average net worth of the successful business owner at \$3.7 million with 6 percent of them at more than \$10 million.

And you will have lots of company as a business owner. Don't think of small business as a diminishing relic of past generations. Rather, it is a growing trend. The U.S. Small Business Administration published a study in December 2004 using Department of Labor data and covering the period of 1979 through 2003. Self-employed individuals (not incorporated) represented 9.8 percent of the labor force in 2003 versus 9.3 percent of a much smaller labor force in 1979. Their numbers increased by 11.5 million, or 6 percent, in the period between 2000 and 2003. This increase was reflected across both genders and most races. While 9.8 percent of the population is unincorporated self-employed, 6.8 percent of women and 12.4 percent of men are. 10.4 percent of Asian Americans, 5.2 percent of African-Americans, 7.0 percent of Latino-Americans, and 9.9 percent of immigrants are self-employed. Interestingly, while 12.4 percent of men are self-employed, 13.7 percent of male military veterans are self-employed, perhaps representing a higher incidence of marketable skills.

The point of all of these statistics is to present self-employed independence as a viable and growing avenue for marketing skills and for gaining control over one's outcomes and destiny. And that opportunity is not seemingly diminished by gender, race, country of origin, or economic background. A study of incorporated businesses that are controlled by the founder and providing personal services such as legal, accounting, investment management, architectural, and consulting may reflect similar demographics. Anecdotal evidence would indicate so. The research of Stanley and Danko compiled in *The Millionaire Next Door* presents self-employment as a

primary road to wealth. And the preceding data indicates the opportunity is available to all, regardless of background.

But you can also become wealthy working for others. You can rise in your field and be paid large sums of money to perform the services that you do well. The U.S. Department of Labor, Bureau of Labor Statistics has published a *National Compensation Survey* listing average earnings for various occupations covering the years 1997 through 2003. In the year 2003, the average corporate nonowner, manager made \$71,840; an architect made \$62,320, and an accountant made \$48,700. Civil engineers averaged \$60,440, whereas computer analysts and scientists averaged \$66,500. Those are very livable earnings levels, and remember that they are average.

But what happens when workers diligently apply themselves over a career with an employer? What do top people in management and the professions earn? *CareerJournal.com*, the *Wall Street Journal Executive Career Site*, publishes average and top earnings for various occupations. Table 1.1 shows some of their postings in January 2005.

So, if you can earn \$100,000 employed by others and not risk your own capital or lose sleep over making payroll, why have your own business? You can also build equity in some one else's business through stock options and other forms of equity incentives offered to you to help your employer build the business. If your primary intent is to earn more income, you can do so with far less risk staying where you are right now and working even harder to progress more quickly within the organization. Be the best architect you can be and, inevitably, your employer or its competitors will recognize that and pay you appropriately. If you become the most productive sales person possible in your chosen field, your employer will have no choice but to pay you commensurately, or lose you to its archrival.

**Table 1.1** Typical Earnings from Employers

Occupation	Earnings	
	Average	High
Architect	\$54,646	\$69,433
Attorney	\$72,600	\$84,093
Executive	\$68,210	\$104,970

Why go into business for yourself? Well, if you want to see your idea for a product or a service become a reality, and you want that idea to be implemented in just the right way, your most fulfilling opportunity may be with your own business. If you want to build equity and wealth directly proportional to your efforts, and not wait for someone to eventually recognize your efforts, you must be in business for yourself. If you want to prove yourself, there is no better arena. If you wish to surround yourself with people and a culture of your making, start your own business. You will not have the luxury of specializing your law practice if you work for a large firm. When employed by others, you will spend years, decades or your entire career trying the cases and accepting the clients that your firm dictates to you. As a realtor, you will show the houses and place the mortgages exactly as your supervisor dictates. Your stockbrokerage firm employer will tell just how important the selling from product inventory is to the firm's profits. As a CPA, your firm will dictate your travel schedule and whether or not you will be able to take a vacation day to see your daughter's championship-winning skating performance. As a commercial realtor, you will clearly understand which corporations you may approach and which are off limits as house accounts. *But, as a business owner, you will decide how, when, and with whom your business is conducted. And your earnings will reflect your work, energy, creativity, and your vision.*

In making this decision, there are two questions that you must answer for yourself:

1. What do you want to do each day?
2. With whom do you wish to do it?

Sound simplistic? On the contrary, those questions are both profound and defining. Consider that if you only want to work on highly technical things and not be responsible for gaining new business, you are not a candidate for entrepreneurship. No matter how proficient your skills, people will not beat a path to your door. There actually have been better mousetraps invented. You likely haven't seen them, as everything needs selling and managing. If selling your service to potential clients or customers repulses you, you should not go into

business for yourself. Representing your services to potential clients and customers will be required every day and year of your business career. You may not pound doors to tell your story, but you must present it professionally in your daily activities. If that is not what you want to do, then you must leave it to others at your current or a new employment.

A few years ago, a friend was leaving government service as a prosecuting attorney. He was well known and well respected. We had lunch and we spoke of how new business would come to him. It would not come to him simply on the basis of his exemplary government service record. How many people know of that, after all? And how would they know where to find him if they did? He would need to make new business acquisition a part of his daily activities, or he would not prosper. So will you.

So you must first answer the questions of what you want to do each day and with whom before diving into this adventure. This exercise, if performed honestly and fully, may tell you to change your place of employment rather than indicate that you should start your own business. The simple efficiency of this process, using only those two questions, will filter out the background noise provided by family, friends, and the emotional tugs of past associations as well as concerns over adequate capitalization. Although those are substantial considerations that must be properly administered, they are not central to the core decision. Only your uniquely individual answers to those questions will guide you to your self-actualization and career happiness. It will be worth the time spent.

If you determine that you should not be in business for yourself, but still feel unfulfilled in your current situation, you can obtain help through available career counseling services. Seek out psychologists with extensive career counseling experience. Their work with you will help guide you to the right situation. There is a word of caution here. Psychological testing is a commodity. By that I mean any psychologist can administer those tests. But the key is to locate the professional who can interpret the results in a meaningful manner tied to your goals. At our company, we had used various testing facilities for employment evaluations with mixed results. Then a very talented person named Al Schnur bought an agency we had used previously in Pitts-

burgh, PCI Human Resource Consulting, Inc. The quality of the analytics jumped. We now had a partner who took the time to listen and understand. And that's what you must seek. Find professionals who wish to first listen to your career goals and then account for them in the work they are proposing.

But if your two question exercise of self-exploration points to entrepreneurship and its potential monetary and emotional rewards, keep on reading. The rest of this book is meant to guide you through the design and creation of your business, its implementation, and its successful management.

## RISK

Begin with consideration of the risk of business ownership. Might that outweigh the benefits? It probably would not at this point because you have your goal and your reasons for adopting it firmly in mind as a result of your two-question exercise. But it is still worthwhile to spend some time putting risk in perspective and, thus, make it something that you can more easily handle.

The U.S. Small Business Administration in its publication, *Small Business Economics 2003*, referenced Dun & Bradstreet statistics that show 76 percent of new businesses were still open after two years, only 47 percent after four years, and 38 percent after six years. The SBA went on to state in that report that it regularly received calls from alarmed potential entrepreneurs citing the oft-repeated claim that 9 out of 10 new businesses went under, even believing that this occurred in the first year of business. The SBA called this misuse of data a "myth" and attributed its existence to a misunderstanding of generalized statistics. The SBA report stated that the closure statistics also included those businesses "closing while successful." In an SBA study covering 1989 through 1992, 29 percent of closing business owners stated that their companies were successful at time of closing. This would be typical of the otherwise successful service provider (consultant or shoemaker) who wishes to retire and does not have a successor to carry on the business.

Still, risk in business does exist. What factors may lessen risk? The SBA's 2003 report listed very clear success criteria, and that included being mature, properly educated for the business, and having previous experience in the business undertaking. By contrast, gender, race, or even sufficient desire are not meaningful predictors of success. Another large success factor is adequate capitalization. This does not mean that you must have millions of dollars. Having starting capital of even \$50,000 dramatically increased the chances of business survival in the SBA study.

So, do not focus too long on generalized statistics that may unfairly sway you from pursuing your life's dream. Instead, spend your time productively evaluating whether independence is the right course for you and arranging the success factors to help make your dream come true.

It lessens risk to stay with what you know. Yes, it is correct that management skills are transferable. But experience should be built on. You are far more likely to succeed as an attorney in building your own law practice than you would be learning to fabricate steel. You can learn the steel business, but why should you? And how much of your precious start up capital will you use while you are trying to catch up the learning curve on your more experienced competitors? So, in that example, fashion a better law firm doing things the way you feel they should be done and servicing the right kind of clients in an innovative way. Practice law over the Internet, create a prepaid legal service for small corporations, or whatever. Be as innovative as you wish, but do it in an arena where your experience-engendered creativity and energy are well placed and most productive.

Finally, risk can be diminished through the use of strategic partnerships. This lessens capital demands and reduces expenses. These partnerships can take many forms, but some of the most common include shared space, personnel, and resources. The most viable would include contracting for skills and resources with established providers instead of creating those resources within the business. Thus, those resources are gained by paying a percentage of the revenue dollar as it is earned rather than creating expense that is constant and ongoing whether or not it is used. An example might be an

investment advisor who subcontracts the creation of financial plans or portfolio management to an established provider rather than to incur heavy overhead by hiring and equipping personnel to provide it in-house. Another example would be for an advertising and public relations (PR) firm to subcontract media buying to an independent service rather than to keep a full-time buyer on staff. You determine what may be contracted out to others by determining what activities represent your highest and best use. That is, determine what you provide that is unique to you and that provides your client or customer with a value-added experience. You will make the most money, and incur the least risk, by concentrating on those activities and subcontracting out activities that you can buy cheaply elsewhere. One of the most successful and well-regarded insurance companies in the United States does not provide insurance. It subcontracts the actual insurance underwriting and risk assumption to other companies. Its true value-added experience is its expertise in finding and assessing ideal customers and then servicing them better than other companies can. Consider the overhead it does not incur, and the management focus it gains by concentrating this way and using strategic partners.

In our own firm, we subcontract all of our back-office securities processing and custody to our strategic partner, Linsco/Private Ledger. They specialize in this service, and it would cost us much more of our revenues to try to duplicate it. Plus, we would have at least twice the employees to supervise leaving less time to do what we do best, which is to interact with our clients and watch over their progress toward their financial security.

Another example of strategic partnering is the publishing of this book. Many authors self-publish so that they can gain a higher percentage of the book sales. But that could be limiting. An established publisher, seen as the strategic partner of an author, has the personnel, experience, sales contacts, and clout to sell many more books than the author can while trying to perform all of those duties. So, although the royalties may be less per book, the total books sold will be much greater by using an established strategic partner who knows more than the author can ever hope to learn.

These examples are transferable to almost every endeavor that

you may undertake. Your valuable and limited time should be spent doing only your highest and best activities where you uniquely add value. The short-term savings you might expect from trying to do or own it all are illusory when measured against the results you can have from your enterprise when you adhere strictly to your most productive activities. Get an experienced strategic partner for all of the rest.

An added benefit of strategic partnerships is that an under-performing partner can be replaced without going through a corporate downsizing and all that it entails in expense and liability. You can lessen risk considerably by doing only what you do uniquely well and leaving the rest to others. Finally, strategic partnering can allow the smallest companies to compete with the largest with no functional diminishment of resources with which to serve their customers and clients.

## THE ENTREPRENEUR'S TEST

Now it is time to take a test to help you decide if self-employment is right for you.

1. Would you do what you are contemplating if someone simply paid your monthly expenses, contributed to your kids' college savings fund and your retirement plan, and nothing more? Would you do it for the sheer fulfillment of seeing your idea come to life?

What you are looking to do should be so much a part of the fabric of your being that nothing and no one could dissuade you. Remember that it is not about the money. It is all about creating something that actualizes you.

2. Is your spouse or life partner supportive?

It is very hard to give a new venture your all if you are at odds with the person with whom you share your life. However, this does not translate to blind acceptance of your project by your spouse or partner. He or she should become a valuable reality check resource for you. It is fine to disagree,

and the resulting conversations will help shape a better business initiative. But the underlying theme is openness and helpfulness on both sides, not obstructionism.

3. Are you prepared with the necessary skills of your business or profession? And do you possess a necessary understanding of the basics of finance, marketing, and employee management? If not, are you prepared to learn what is needed, and quickly, before embarking?

It is not necessary to spend years getting ready. But functional and complete training in business management will greatly enhance your chance of success. You may already possess experience and skill. If you don't, get it before starting.

4. Will you be adequately capitalized for the planned endeavor?

This is a big part of the success formula as the SBA study indicated. Adequate does not have to mean large, just enough. Working with your accountant, you can determine the right amount for identifiable expenses and capital needs as well as a reasonable margin for the unexpected. Making it up as you go is not an acceptable substitute.

5. Can you mentally envision the inevitable tough times that business owners go through and know in your heart that you possess the will to persevere and succeed? And are you ready to do whatever is legal, ethical, and not harmful to your family to make your dream a reality?

An attitude of "I will not fail" is essential. That is not simply a mantra. It is a firm conviction that you are prepared for your business adventure and are willing to see it through to success. It is fine to feel fear. The legendary underwater explorer, Jacques-Yves Cousteau, wrote in his exciting autobiography that fear is with every brave adventurer. It should not be denied, and is even helpful to make us plan properly and stay alert to danger. So, do not subjugate your fear of the adventure ahead. Use it to your advantage.

If you can honestly answer yes to all five questions, you are a candidate for independence. This book will help you reach your dream. Follow it, stir in your own creativity and energy, and you are on your way to one of life's great adventures. As the Frank Sinatra song says, you will have done it your way. Later, when the business is successful, you will be able to sell it profitably and reap the rewards. Or, maybe you'll have children and grandchildren who will wish to carry on that legacy. Either way, you will have made your mark in the world, helped others realize their dreams, and been rewarded personally and financially for your courage, commitment, perseverance, creativity, and intelligence. That beats being given a gold watch from someone else every time.

