

The background of the entire page is a large, dense crowd of people, rendered in a blue-tinted, hazy, and slightly blurred style. In the foreground, three individuals are clearly visible: a man on the left in a dark suit and light blue tie, a woman in the center with short brown hair wearing a purple shirt under a dark blazer, and a woman on the right with long dark hair wearing sunglasses and a striped shirt. The overall mood is one of a vast, anonymous population.

Is SELF- EMPLOYMENT *for* YOU?

ANYONE *can start a business...*
only FEW *can SUSTAIN a business.*

PAUL E. CASEY

(1,499 words)

The following “Self-Employment Test” is designed to measure your prospects for success if you are thinking about going into business for yourself. The Test is from the book, “Is Self-Employment for You? This book goes beyond the ABC’s of how to write a business plan but examines the potential entrepreneur’s emotional readiness and personality traits that ultimately make the difference between success and failure. “Is Self-Employment for You?” Author Paul Casey has been successfully sustaining his communications business for over fifteen years. The book costs \$15.95 and can be purchased by visiting Amazon.com and inputting Is Self-Employment for You?

BUSINESS OVERHEAD: THE DANGERS OF HAVING TOO MUCH MONEY

By Paul Casey

Many start-up businesses suffer from the curse of being over-capitalized, rather than under-capitalized. They have too much money in the beginning, rather than too little.

The problem with having too much money when you start a business is that you feel obliged to do more, be more, spend more, grow faster. You feel as if you should maximize your business, make it as big as possible, when in fact you should be keeping your business and its expenditures at an absolute minimum until you establish yourself. The dot-coms were notorious for having too much capital. They spent themselves into oblivion while trying to establish themselves as big names on the Internet frontier.

You might think that having too much money is the last thing a small business owner would need to worry about, but I have seen entrepreneurs fail in their ventures for exactly this reason. About the time I started my business, a colleague of mine started her

own public relations firm. She opened her doors with beautiful offices in a prime location, and had a good-sized staff to help launch her business. I knew that her father was quite wealthy, and that he was financing most of her start-up costs.

I fully expected her public relations firm to be successful. She was (and is) an extremely bright person, and was well-connected in the community. But, once more, her problem turned out to be too much overhead. I don't know exactly what her expenses were on a monthly basis, but they had to be quite high. Office rent was at least \$5,000-7,000 per month. Add another \$15,000 in salaries for her employees, and you can see the trouble coming. If her overhead was, at a minimum, \$20,000 per month, that comes to \$240,000 over 12 months in the first year! Not long after she started her business, a recession set in and there weren't too many new clients around who were looking for public relations work. As you can probably guess, her business soon folded.

In the years since this happened, I have learned a lot about running a business. Looking back, I think I might have been lucky, in a way, not to start out with a ton of money to finance my entrepreneurship. I think if I'd had the same financial resources as my colleague, I might have done exactly what she did. That is, I might have started my own small business with a few employees, high-profile office space, and lots of expenses. And I might very well have *lost* that same business later on, when those expenses started to get out of hand.

As a self-employed business owner, keeping your expenses at an absolute minimum is essential for the survival of your business. Many businesses fail because their overhead is just too high. The dot-coms in particular were notorious for losing hundreds of millions of dollars because they didn't have the slightest concern or

discipline for controlling their money. Their losses were equated to a "burn rate." If you are self-employed, a burn rate is the equivalent of watching your business go up in smoke.

Be absolutely ruthless in hanging on to every dollar you own. Again, before you make any huge purchases, ask yourself how much your business really *needs* what you are buying, and whether or not you can get along without it. Look around for bargains. Check secondhand stores and outlets for low-priced office furniture, look around at surplus houses for used computers and electronic equipment, and try to buy office supplies wholesale. Let the big boys sit in the glass towers, drive expensive cars, and strategize about how and when to launch an IPO. By limiting your expenditures to *necessities* and avoiding *luxuries* as you build your business, you can avoid the trouble spots that often plague startups.

DON'T BE CHEAP EITHER

Keeping your overhead low doesn't mean being cheap. It just means knowing how to spend your money wisely and where to invest. For example, it is critical that you have a good appearance when you meet with potential clients or customers. You don't have to spend \$2,500 on a business suit, but you shouldn't spend \$99 either. Instead, you could spend \$650 to \$850 on two or three high-quality suits, rather than five cheap suits.

GETTING STARTED

How much money do you really need to start your business? It depends on what type of business you start. My best advice is to make a list of the bare minimum that you will need to get your business going, and stick to that list. Do not make any huge investments to build your business until you know if it is going to work or not.

I had about \$20,000 when I started my business fifteen years ago. One reason I started out as a publisher was that publishing didn't require a huge cash outlay up front. I didn't need to sign a long-term lease agreement for equipment or office space. The success of my newspaper rested largely on my imagination for strong editorial content, and on my ability to sell advertising. If I'd found that I wasn't able to cut it in either department, I could have easily shut the business down with minimal loss.

Before you start your business, it is best to make sure that your personal expenses will be taken care of, as well as your business expenses. If you decide to quit your job, it is a good idea to have enough money saved to cover about six months worth of expenses before taking the plunge into full-time entrepreneurship.

FINANCING: FORGET BANKS

If you think that banks will help you to finance your business, think again. With banks, the general rule is: *If you need the money, it's not available. If you don't need the money, bank lenders will break down your door trying to lend it to you.*

Banks treat small-business owners like second-class citizens. They don't trust us because we don't have a "traditional job," meaning an eight-to-five office job with a regular pre-determined salary. It doesn't matter if you have been in business for fifteen years, are making excellent profits, and have a stellar credit history. If you try to borrow money, bank lenders look at you as if you have some kind of infectious disease.

If you wish to finance your own business, your best options are:

- A loan from a relative.
- Money from your own personal savings account.
- A second mortgage on your home. Banks will always give you a second

mortgage on property you own, although they may charge you a slightly-higher interest rate if you are self-employed.

A LITTLE FEAR CAN BE A GOOD THING

When I first started my business, there was another publisher in the office next

door to mine, who was publishing his own bi-monthly newspaper. This publisher's business soon folded because he spent too much time working on his computer and not enough time making sales calls to potential advertisers for his paper. While I believe that lack of organization was one of the major reasons his business failed, I think that was only part of it.

This publisher happened to be married to a very wealthy spouse, who was a highly-paid executive at one of Seattle's most famous corporations. And while the publisher wasn't a freeloader (prior to starting his own business, he himself had been a successful executive), the fact that he had other financial resources meant that he didn't have to worry as much about the success or failure of his business. If his business failed, he would still have food on the table.

Because of his shared wealth, this publisher lost an important incentive to succeed: Fear! He would come in late to the office, and would leave early. I never once saw him come in and work on the weekends.

While it's certainly best to start a business when you have another source of steady income (i.e. support from your spouse), a little fear can be a good thing. Those who worry about the success or failure of their business have an advantage, in that they are inclined to try harder, do better, and work longer hours to ensure that their business survives. As my friend Larry Coffman would often say, that "*knot in your gut*" isn't necessarily a bad thing.