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SHOULD YOU TRY SELF-EMPLOYMENT?

by

Betty Kohlenberg, M.S., CRC, ABVE

"By working faithfully eight hours a day, you may get to be a boss and work twelve hours a day."

Benjamin Franklin, *Poor Richard's Almanac*

Are you experienced, competent, well-respected and connected in your field? Then you have probably thought about being self-employed. Should you do it? Will you succeed? Statistics show that of many new businesses started annually in the Bay Area, a large percentage fail. These examples can help you think about whether self-employment might work for you.

■ EXPERTISE

Know your field thoroughly. This means knowing much more than the basics. It's a good idea to have worked as a manager or supervisor, and to have handled uncommon problems.

Denny had worked two years as a carpenter. He was a natural at it but hadn't dealt with a wide variety of jobs. He was uncomfortable, and a little embarrassed, selling his services to a knowledgeable homeowner who knew more than Denny about what was involved in a project Denny had said he could handle. Denny confronted unexpected problems in a remodeling job on an older home. He spent so much time figuring out what to do that his final earnings, paid according to his original estimate, averaged about minimum wage.

There are some exceptions to this rule of thumb. Newly licensed beauticians, manicurists, real estate sales persons or electrologists often move directly from a training program to self-employment, as that is the expected entry-level job structure. Building a clientele can be slow and financially frustrating.

■ STAYING IN BUSINESS

Being self-employed means having many different jobs, not just delivering the product or service at which you are expert. It requires all the skills of running a business.

As your own employer, you may need to know about business banking, taxes, accounting, personnel issues, business law and contracts, computer use, insurance and licenses, collection procedures, advertising methods and sales. And this is *before* you get to do any of the work you like so much!

Anthony's newly launched plumbing service seemed to require minimal paperwork. His daughter Margie offered to help him out part time while she attended junior college.

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She soon got overwhelmed trying to learn about taxes, payroll, legal issues to collect unpaid invoices, and fixing computer files after a power surge.

When Margie left to attend a four-year college, Anthony replaced her with a full-time experienced secretary. He was pleased to have competent support, but was very surprised at how much his new employee's salary and benefits impacted his profits.

■ MARKETING

One of the biggest reasons for self-employment failure is inexperience in getting new business.

Marco had over 25 years of experience in heating and air-conditioning and had trained many apprentices. He knew where to get supplies, who his customers could be and he had a good reputation. As his own boss, he realized he had very little experience in setting up profitable contracts. He hadn't planned for the enormous amount of time - often 50% of his week - that contacting potential customers would take. Marco's pricing didn't cover this lost time and he couldn't make the income he had anticipated. He also hadn't expected to hate selling and paperwork so much!

■ LONELINESS AND ISOLATION

Often self-employed people have little contact with others who aren't their customers or clients.

Eileen decided to open her own therapy practice after working for an agency for years. She was lonely. Her own concerns, professional or personal, were left unshared during busy days. She had to make special efforts to join professional organizations and call colleagues to keep up her professional knowledge and contacts. She missed the ease of walking down the hall to find a willing listener to give her feedback and support after a difficult session.

■ ORGANIZATION

Having other people around helps you keep on schedule. If you have trouble as an employee getting things done on time, don't expect it to get easier when you don't have the structure of a boss' expectations to keep you on target.

It's sometimes hard to explain to your family that being self-employed does not mean your time is uncommitted or that you are free to do whatever you - or they - want.

Bill, an engineering consultant whose office was in his home, noticed his days could easily slip away as he picked up the dry-cleaning, chauffeured the kids to lessons, shopped and monitored the house remodeling.

■ FINANCIAL SECURITY

The irregularity of income or lack of a good benefits package can make self-employment nerve-wracking.

Chester was able to sell residential and commercial real estate fairly consistently. The slow season around the end of the year always gave him cash flow problems, sometimes lasting as late into the year as April, which made tax day harrowing. His companion Alan's job gave them a small but steady income and medical insurance, allowing them to budget with less anxiety.

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■ TRY THE CHECKLIST

To check out whether you would do well in your own business, ask yourself these questions:

■ EXPERTISE

- Really competent at almost all aspects of my job?
- Knowledgeable about suppliers, sources of information to keep up with new skills and techniques?
- Have a reputation which will make people want to hire me?
- Able and willing to train helpers if I need them?

■ STAYING IN BUSINESS

- Knowledgeable about necessary licenses and certificates?
- Aware of business permits, insurance requirements and regulations regarding my business?
- Able and willing to manage paperwork, reporting requirements?
- Able to run an organized office and keep financial records?
- If not able to run the office myself, able to afford to hire competent assistance?
- Able to schedule time to do day-to-day record keeping without excessive overtime?
- Have developed a list of resources to help with problems - computer repair, copier repair, car repair, tool repair, insurance broker, etc.
- Able to handle complaints without offense?
- Able to earn enough to cover personal expenses and business expenses without excess overtime?

■ MARKETING/SALES

- Specific about what is unique about my service or product?
- Aware of the competition?
- Have developed a list multiple sources of new business?
- Able and willing to be an active salesperson on my own behalf?
- Able to spend the time necessary to obtain new business - attend meetings, network, find new prospects?
- Don't hate selling?
- Comfortable talking about myself?

■ ISOLATION

- Enjoy working alone?
- Able to be creative without bouncing ideas around with someone else?
- Willing to spend extra time seeking out colleagues for fun and support?
- Know sources of information about new trends in my business?
- Willing to live without, or create for myself, daily social activities?

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■ ORGANIZATION

- Able to organize a work day and stick to a schedule?
- Able to meet self-imposed deadlines without excessive stress?
- Able to say "no" to get own work done?
- Able to predict accurately how long a task will take?
- Able to plan?

■ FINANCIAL SECURITY

- Have enough capital to cover six months of expenses, overhead, costs of running the business and personal expenses?
- Have written a comprehensive budget?
- Have a backup financial resource?
- Have a good financial history?
- Aware of normal time frames for receiving payment in my business?
- Able to earn enough to tide me over in periods of seasonal slumps?

■ YOUR SCORE _____

If you were not able to check more than half of the 36 items, think again - seriously - about whether self-employment is for you.

Use the checklist as a reminder to prepare carefully before you start any self-employment venture.

GOOD LUCK!