

**SE-33**

## **Eight Attributes Needed for Successful Self-Employment**

**by**

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### **Your Future after Job Loss**

You may have wanted to try self-employment for a variety of reasons. Maybe you are an independent type, tired of corporate bureaucracy, politics and bosses. Or maybe you are ready to ease into retirement, knowing that the extra income will be welcome. Most likely you are also in good health, with high energy, and have time that you want to fill with interesting and rewarding work.

Or, you might just be one of the many thousands of skilled professionals and accomplished executives who have been permanently downsized—maybe the euphemism is "right sized"—but face it, you have been terminated. You don't have a job.

Consider the fact that companies are not replacing downsized talent and are banking the savings. Unemployment is at record levels, as are corporate profits, as companies lower payroll costs while maintaining efficiency and productivity. Hiring is frozen and more work is squeezed out of existing staff. Some predict that this smaller employment picture is the new normal.

You may be going through the grieving process of losing a job you loved with great pay, benefits and, you thought, security. *A tip: Get over your job loss, don't live in the past, and move on to the next phase of your life.*

So you dutifully get on the job search merry-go-round, listen to your outplacement counselor, send resumes, network and interview, yet here you are 18 months later, no job, no income, bills, dwindling cash, and stresses on the home front. What next? Maybe self-employment, working for yourself? Do you have what it takes to be self-employed?

### **Self-Employment as an Option**

You may possess a business skill or a professional certification that would lend itself to self-employment. You could be, for example, an IT director, web developer, HRM

executive, advertising executive, banker, investment analyst, financial manager, designer, lawyer, editor, architect, etc. Over and above your marketable skills, you need to uncover the attributes you have to help you succeed in self-employment.

## **Eight Attributes for Self-Employment**

I have identified eight personal attributes that contribute to self-employment success. You don't need all of these attributes to succeed, but having most of them will be helpful. The eight attributes are: *initiative; risk tolerance; aggressiveness; tenacity; creativity; salesmanship; project management ability; and optimism.*

How did I come to this list of attributes? First of all, my own experience and struggles to become self-employed led me to believe these were the key components that helped me to succeed. The notes and work journals that I have kept over the years helped me develop this list of eight attributes. A great deal of reflection was part of the process. You will learn what attributes you possess as you go through your own process of self-discovery.

Second, my list of eight attributes comes from observing others who serve me as self-employed professionals such as my accountant, lawyer, insurance agent, and photographer. And finally, I observe the many self-employed people in the publishing business—editors, designers, web developers, and competing consultants. I observe how they develop new business and discuss with them various techniques for successful self-employment.

### **Initiative**

Being self-employed means you must make things happen on your behalf. When you start out on your own, you do it all. I like to think of the starting point for self-employment as creating something out of nothing. You used to have a boss pushing you to get things done. Now you are your own boss. You must now act on your own account.

Most likely you will need to promote your service, perform the service, prepare client reports, keep your books, pay taxes, manage a website, etc. Your only boss will be your client.

### **Risk Tolerance**

Most of us have built-in risk aversion when it comes to financial matters. This is a good thing, as our intuitive risk aversion keeps us solvent and prevents us from making poor financial decisions.

When you worked for a corporation, you were generally isolated from taking major financial risks, unless you were a top-echelon executive or a CFO. And add to this, it is rare in a company for one person to unilaterally make decisions that entail significant

financial risk, as there are a number of sign-offs for any significant investment of corporate resources.

Now you are on your own and can spend your money any way you choose. But if you are self-employed, you must spend money judiciously. That's smart business, but it's also poor business to starve a new self-employment start-up of the investment needed to launch it, to sustain it, and to make it grow. For example, money spent on attractive promotional materials or on a first-class website is money well spent. For the most part, money invested in your self-employment venture is fully deductible when you file a Schedule C with your U.S. tax return. (Consult with your qualified tax preparer on this and all tax matters.)

Where should you get your start-up money? That depends. If you are bounced from a corporate job, you may be able to use part of your severance pay. Or you might cash in a liquid investment, such as a bond, or maybe you have substantial cash savings to invest in yourself.

You might be tempted to cash in your IRA and 401k. This is usually a poor choice. You will pay income taxes on the money you withdraw and, if you are under age 59½, you will pay an additional 10 % IRS penalty on premature withdrawal of an IRA, which adds up to very expensive financing. And, definitely avoid the temptation to use those checks that the mega-banks send, mostly unsolicited. You could pay interest in excess of 20 %.

*Tip: For any debt you might incur, ask this question: "Based on projected self-employment income, how much time will it take to pay off this debt?"*

### **Aggressiveness**

Most of us instinctively shy away from wanting to bother people. However, you have to be aggressive in pursuing opportunities for new business. You must take every opportunity to self-promote in a dignified and professional manner, whether you are sending an email, making a phone call, or using social media.

Some will be offended with your self-promotion. If you worry about that sort of thing, you need to rethink whether self-employment is for you. There is a thin line between being aggressive and being pushy. Being pushy can drive prospective clients/customers away.

Many newly self-employed people have been terminated from their full-time jobs. When one is downsized and money is tight, it is easy to come across as desperate. And when a person is desperate, that person can be perceived as pushy. Ask yourself: "Who wants to work with someone who is desperate (for example, an attorney or a CPA or a surgeon)?"

### **Tenacity**

When you start on your self-employment journey you will receive many rejections from prospective clients/customers. Sometimes you will spend an enormous amount of time pursuing that big account and come up empty. You may also discover that what you thought was a major prospect was a fraud; namely, someone who had no intention of using your services. He/she just wanted to see what you could tell them for free or used your proposal to squeeze a better offer from a competitor. Or it might be that you extended credit to a client who now won't pay you. Or maybe business is just plain lousy with money going out the door and no income coming in, and you wonder when you will turn the corner.

Every self-employed person has had these negative experiences. It is easy to feel discouraged and want to quit. But if you have a plan, a quality service and self-confidence, you should stick with it. You must be tenacious to succeed. (The good news is that with more experience you can avoid prospects who have no potential to become clients or those who are not credit worthy.)

## **Creativity**

Psychologists have studied creativity for ages. Clearly there isn't one definition of what creativity is. For most of us, creativity doesn't mean producing work on a par with an Einstein, Mozart or Hemingway. Rather, creativity occurs when familiar ideas are reconfigured with new ideas producing an original idea.

You will be amazed at the creative ideas you come up with when you work alone, your back is to the wall and you must make something happen. Creativity is important because when you work alone you are the director of R&D and responsible for bringing new ideas to your business.

Important note: *Do not prejudge your ideas until you have thoroughly evaluated them.* Many people say to themselves, "This won't work." "This is a dumb idea." "I don't have the time or the money." Far too many people "self-edit" their ideas. Don't.

Put your idea out in the open, discuss it with others, and give your idea the gift of life by letting it incubate. Maybe your new idea will be a marketing breakthrough for your business or maybe it could bankrupt you. Who knows? Give your idea some time and benefit from the expert critiques of others.

What do I do to enhance my creativity? Here are 12 things that work for me.

- *Associate with bright, opinionated people.*
- *Learn from people with different skill- sets.*
- *Read fiction.*
- *Write essays.*
- *Read biographies of innovators, such as Edison and the Wright Brothers.*
- *Listen to politicians. (Explanation: Creative spin on facts, evidence and truth, with a heavy dose of b.s.)*

- *Read biographies and memoirs of movie directors. Movies directors have many insights to offer on creativity.*
- *Keep a journal.*
- *Write down your ideas in pocket notebooks.*
- *Read quotes and aphorisms.*
- *Work on changing your perspective. "Perspective is worth 50 IQ points."*
- *Exercise — particularly the cardiovascular type that increases heart rate.*

## **Salesmanship**

"I can't sell anything, I am not a salesperson." Is that you? If you are self-employed, you need to be able to sell yourself to your client. That means a couple of things. First, understand the psychological dynamics of selling; namely, it's about what the client thinks of you and your service, not what you think about it. The client's perception is paramount. You need to understand that first you are selling yourself and then the benefits of working with you.

Second (and this is the hard part for most of us), selling means at some point you must close the deal, by asking: "Do you have any more questions? Are you ready to proceed with an agreement to use my services?"

*Ask for the business.* The reality is that if you don't reach this stage of client closure, then you are having a lovely conversation, the prospect is getting free advice, and you are wasting your time.

Finally, do some reading about salesmanship. Read an introductory book on salesmanship, which stresses the interpersonal dynamics of selling. Learn about the psychology of buyer behavior in selling situations.

## **Project Management Ability**

Being self-employed means you must manage many tasks simultaneously. For example, you might be working on a number of major client projects, working on your quarterly taxes, preparing for a presentation, and writing a major client report. Can you manage these many projects simultaneously? Can you set priorities? Can you keep all your projects on schedule? Can you provide quality work under pressure?

A big part of project management is time management as you simply need to get handle your most valuable asset, your time. Many who are new to the world of self-employment lose control of their time and let deadlines slip. Don't underestimate the time client work will take. Once you get a sense of how long certain tasks will take, schedule projects carefully. If you charge a flat fee for your service, once you have projected a completion time, add at least 10% slippage margin, then figure 110% of the time you estimated. Multiply those hours by your hourly rate and then you have an idea of the flat fee before adding in overhead, benefits and marketing costs. (The

methodology of figuring out an hourly fee that enables you to earn a profit working for yourself is another topic.)

And finally, use a spreadsheet or pencil and paper to annotate progress, where you are in a project, tasks completed and next steps. It might be weeks before you resume work on a specific project, and you need to know where you left off and where you should start work.

## Optimism

Self-employment can be rewarding financially and emotionally. But the journey to success can be long and arduous. It takes a while to get established. Disappointments are many. For example, you don't land that big assignment you have pursued for two months. Or a client stops paying you in the middle of an assignment. Maybe the bill for your quarterly self-employment taxes exceeds the balance in your bank account. Sometimes a major client won't give you a referral. A lot can happen to dampen your spirit during the self-employment journey.

Self-employed professionals must endure many disappointments without the security of a paycheck. You won't have work colleagues to help cushion the disappointments. But you must keep on going, trying, and thinking positively. You must have faith in your ability to do what is needed to be successful. Business will come in if you are self-confident and optimistic.

## Services for Self-Employed Individuals

If you are interested in self-employment, consider McHugh's ***Self-Employment Evaluation Interview***, which consists of 24 questions and a self-assessment of the eight key attributes in order to judge your potential for self-employment success. For a modest fee, McHugh will evaluate your self-employment plan or, if you are self-employed, offer an evaluation of your current efforts. A written report is part of this service. Included also in your fee are complementary copies of the four papers listed below, which are for sale (\$26.00). See contact information at the end.

## McHugh Papers on Self-Employment

SE-30, *Self-Employment Tactics and Tips*, 2012, 2 pages, Free

SE-31, *Ten Tips for an Effective Website*, 2012, 1 page Free

SE-32, *Self-Employment 101: Questions & Answers, Starting Out*, 2012, 9 pages, \$6

SE-33, *Eight Attributes Needed for Successful Self-Employment*, 2012, 6 pages, \$4

SE-34, *How to Establish a Profitable Hourly Rate*, 2012, 6 pages, \$6

SE-35, *Self-Employment 102, Questions & Answers, Suggestions for Success*, 2012, 14 pages, \$10

## Self-Employment Forum

John B. McHugh's Self-Employment Forum provides regular tips and serves as a venue to exchange ideas with others on self-employment. Join now to participate in this informative exchange and to grow your self-employment expertise. The [-Self-Employment Forum](#).

### **About John B. "Jack" McHugh**

Jack McHugh is a self-employed publishing advisor and publisher. Over the last 30 years, he has created and refined his own self-employment business model. During this period of trial, error, mistakes, and successes, he kept a journal on his self-employment efforts and now has distilled them into succinct "how to's" for those who aspire to be self-employed.

McHugh contends that "there is precious little information on the 'how to's' of self-employment." Much of what is available amounts to either get-rich-quick scams or pyramid deals. He also states "the needs of those aspiring to become self-employed are not met. I have much practical wisdom to share with folks. I am the living proof of the cliché, 'You ought to write a book.'"

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