

Escaping the Cubicle

by Chris Poindexter

So you want to leave Cubicle World behind and strike out on your own. Get in line. Many people dream of the day but what separates the dreamers from the doers is having an escape plan. It takes sacrifice, preparation and the nerve to actually brave the open waters and take the plunge. Making it on your own is hard and you should not underestimate the difficulty. Athletes train for years before attempting difficult sports. Don't think that escaping Cubicle Hell is going to be any less challenging in terms of training and preparation.

There Be Dragons

If you want to escape the tyranny of the alarm clock and that overbearing boss it's going to take a lot of research. Usually about here someone asks about those two teenagers who started a web site in their spare time and now they're millionaires? If that's your escape plan, best of luck. It's right up there with hoping for the lottery. There are always going to be a few people who luck into massive fame and fortune. The rest of us have to make it the hard way and brave the dragons for survival.

A Moment of Introspection

Having your own business can be very fulfilling, it can also be a massive amount of work. There are a lot of good reasons for starting your own business, which I've written about extensively over the years. One thing that it won't do is make you happy. Let me emphasize that having your own business will not make you happy if you're not already happy. The same goes for money. Having money is better than being poor, but if you're unhappy now, you'll be just as unhappy with a higher income.

That may sound somewhat ironic but it's true. If you're not happy at your day job, there's a very good chance you're not going to be any happier running your own business. Setting your own hours, having a flexible working environment, doing something you love, keeping a bigger slice of the pie are all good reasons for starting a business. Making yourself happy...not a good reason. Before you embark on this journey I'd highly recommend spending some time thinking through why you want to do this. A day job is limiting in a lot of ways, but there are advantages.

In my experience, there are usually one or two things, sometimes minor things, that make a day job far more stressful than it needs to be. Many times those minor annoyances can be negotiated. If your boss is the problem you could explore moving to another department. If enough people request transfers it might alert upper management that they have a problem. If you're having child care issues, many companies offer flex time and some have other programs for schedule flexibility. On more than one occasion I lowered my stress level on a job by taking a lower paying position. Taking a step down runs counter to the corporate instincts most of us have honed over the years but in every instance it worked out for me. Twice it resulted in promotions to better jobs, but that's a story for another time. The point here is to be sure that you're going out on your own for the right reasons. If you're doing it because you think you'll be happy getting away from a bad job, that may be a red flag that you want to think through carefully. Finding a gravy job is far easier than starting your own company. If your job sucks

make sure you consider all your options, including just getting another job, before embarking down the difficult path of entrepreneurship.

Get Motivated

Along with the introspection of motives it's also good to question your ability to motivate yourself. Being self-motivated is harder than you think. I had a friend who used to joke that entrepreneur is French for "grave digger." That's not true, but it's closer than most people realize. Every day you're going to have to find a way to launch yourself out of bed and tackle the obstacles between you and making money. Sometimes you'll work for days or weeks just to watch all your profits go up in smoke. You have to really care about what you're doing. That's the only thing that will sustain you during dark times and there will definitely be dark times.

There will be setbacks and everyone needs down time. Some people toss in time for themselves as an afterthought. If you do that you'll get burned out and quit before you get anywhere.

If I still haven't talked you out of this madness, read on.

Career Choice Influences Mobility

Not every job is portable enough to go independent but many are. The best choices for going on your own are professional services and trade skills like carpentry, welding and HVAC. Even if you're a professional, don't overlook the option of starting a trade job. How many unemployed A/C repairmen do you see during the summer? How many unemployed welders do you know? The most valuable trades and job security today can frequently be found in fixing the machines that bring us gains in productivity. Think about it this way, who's more likely to lose their job? An operator in a call center or the copier repair person? I rest my case.

For this article I'm going to assume your work skills are of a type that are routinely contracted or outsourced.

Can't Do A Thing If You Ain't Got The Bling

If you don't want to be stuck in a cubicle the rest of your life, then start saving money. You will need lots and lots of money. The number one killer of new businesses is debt. To survive you'll need to avoid borrowing money like it's a death sentence and that will take cash. I've talked to people thinking about maxing out credit cards or taking out a home equity line of credit to start their business. Personally, I think that's a really BAD idea. Interest rates on credit cards are bordering on legal extortion and home equity loans are getting harder to find. You'll have your best shot at independent success being debt free.

To engineer my last escape I save and invested for years. I paid off credit cards and vehicles, bagged my lunch and ate at my desk while watching my coworkers heading out for long lunches. My fellow employees bought brand new computers on credit so they could play online video games. I built my own vanilla boxes and tried to develop skills and hobbies that would make money. During the go-go days of real estate, they bought 3,500 square foot new homes. I sold my 2,400 square foot house in a trendy neighborhood and traded down so I could lower my payments. They bought hot tubs, I bought a fax machine, hard drives, a copier and office supplies. They went to concerts, I saved money. It didn't bother me that they were having more fun, I didn't want to be stuck working in a cubicle the rest of my life. Today I'm out on my own while they're still working those same dead end day jobs.

If you imagine you'd be able to go solo without sacrifice you are sadly mistaken. Your first step is to pay off your bills, downgrade your lifestyle to an affordable level, bank cash, and invest money so you have a cushion to get started.

Every new business I've started came from money I saved. You get a lot more practical about expenses when it's coming out of your checking account instead of money you borrowed. The problem with borrowing money is coming up with those payments every month. At first most businesses are going to lose money until they get established. All will go through slow periods and have unexpected expenses, the same as any household budget. Just one of those monthly bills comes due when you don't have the cash and your venture is over and you're back on the street looking for another cubicle. And you're going to be there a long time because it's going to take you 10 years to pay all that money back on your cubicle salary.

Some businesses are capital intensive and there's no option but to borrow. In that case you're better off borrowing from friends and relatives than a bank. Your uncle most likely won't ruin your credit and push you into bankruptcy if you hit a rough patch. If the people who care about you the most doubt your business plan, you may want to reconsider it. Another option for borrowing is a collective lending organization like Prosper.com. That's more like borrowing from a bank in that Prosper reports your payment record to your credit report. But you'll have a better chance finding investors more willing to loan money on projects a bank would never touch. People with money to lend look over you and your business idea. If they like what they see they have the option of sending some cash your way. I personally invested in several small businesses through Prosper, including a doggy day care.

Realistic Expenses

I was talking to a friend in the marketing department one day who confessed she also dreamed someday of starting her own marketing company. She then proceeded to list off all the things she thought she'd need to get started. Offices, computers, phone systems, employees...it was quite the exhaustive list. She wrapped it up by concluding that she would never have the millions it would take to get started.

There are two equal and opposite mistakes I see when contemplating starting a business: Too much overhead and not enough. My friend's idea of hiring other talented, creative people to get her business off the ground is pretty much a non-starter without some pretty substantial backing. On the other hand it's hard to do something with nothing. I started accumulating

supplies for a home office months before I was ready to leave. The best time to outfit your home office is while you're still working (no, I don't mean stealing office supplies). Spread those expenses out and pay them as you can afford them.

Employees

Employees are a money-sucking black hole of paperwork, expense, and potential liability. They also take time to manage, time you're not going to have right away. On the flip side of that coin, to get rich you will need employees. That's how rich people get wealthy. By hiring people like you to sit in a cubicle all day and make more money for them than they're paying you. But you'll want to ease into that gradually. At first the only person you're going to be able to count on to be reliable and work cheap is yourself.

The cheapest office space you'll be able to manage is space in your home or apartment. The downside to that is not having anyone to talk to besides your cat and trying to work at home if you have a large family can be distracting. If you're trying to talk to customers with kids yelling in the background or dogs barking it may leave your potential client wondering about your professionalism. Some types of professional businesses can't be operated from a home office so you may need office space because of licensing limitations or when you notice that your cat is talking back. There are many options available short of signing an expensive lease.

In most metropolitan areas there are group offices where you rent a desk or small office for a nominal monthly charge. Some have a shared receptionist, copy and fax machines, customer parking and many now offer broadband internet service. A few will rent you space on daily or monthly basis at a slightly higher rate depending on your needs. I try to avoid any long-term commitment unless I know I've got the billing to support it. The professional centers renting desks in a shared work area are the ones I like best because it gives you a chance to network with other freelancers. One of my sources of freelance work is teaming up with web designers to supply scripting, programming and the back end data services for their designs. Shared offices are the kind of places you meet other professionals like yourself. You may even want to spend a couple days at a professional center while you're still working, just to get a feel for the atmosphere. Who knows, a chance meeting and you might be off on your own before you know it.

If your business is a trade many industrial parks have similar small space options for industrial trades. Web sites like Elance and Guru not only make shopping for work easier, but provide forums and collaboration tools for networking with other freelancers.

The bottom line is that you don't need Trump Tower to get started. If your home isn't an option look into shared office space. Try to avoid long-term leases until you get established. You should avoid hiring anyone until you can no longer avoid it.

Partnering Up

Employees are staggeringly expensive and fraught with potential liability but a lot of businesses can't be effectively managed by a single person. Sometimes you'll need to consider a partner(s). Choose carefully. Teaming up with the wrong people can not only destroy whatever initial contracts you might be lucky enough to land, but could end up leaving you in a world of financial

hurt if the relationship goes sour. One way to avoid potential conflict is to have both a partnership agreement that provides a framework for the internal functioning of the company, specifically how income is divided up, and the protection of some type of corporate structure. Spend some money on a good lawyer and have an honest discussion about ways to mitigate potential liability. Forming a corporation is not terribly expensive and may provide a lot of legal cover for your personal finances.

Never, ever, sign any type of personal guarantee unless you're absolutely certain you have the money to cover it by yourself. Because 99% of the time that's exactly what's going to happen. I never sign anything in my own name if it's for the company, I sign "On Behalf Of" the artificial corporate person. That's not always going to shield you in our litigation happy society but it's better than nothing. I also keep company money out of my personal bank account and my money out of the company account. Respect that corporate veil, it can save your bacon if something bad happens.

Partners are better than employees but make sure you understand the legal issues and have a framework for operating your company.

The Insurance Salesman Is Your Friend

Most of us put insurance salesmen in the same class as bill collectors but a good one is invaluable. If you're a professional launching out on your own, the minimum you'll want to carry is professional liability insurance. For most small businesses this is usually quite affordable and it might also be deductible. For some types of businesses your city or state may require that you carry certain types of insurance, which might include liability or E&O (Errors and Omissions) coverage. For a trade type job don't be surprised if your liability insurance is quite expensive.

You'll want to spend some time understanding what type of insurance you're going to need, going without it is a disaster waiting to happen. Consult your insurance carrier, add it to your list of things to go over with your lawyer, and talk to other people in the same type business you're contemplating. Only talking to your insurance person might mean paying more for coverage you don't really need.

For some businesses there are professional organizations that sometimes offer group rates. An example would be WEVA, Wedding & Event Videographers Association International, an association for wedding photographers and videographers. Members can purchase discount liability and other types of coverage through the association.

Don't shy away from insurance because it's tedious and complicated. Having the right coverage is imperative to the health of your business, while having too much coverage you don't need is detrimental to the health of your checking account.

Another type of coverage that keeps many people chained to cubicle jobs is health insurance and these days it is still frustratingly expensive, but so is bankruptcy if you risk going without it.

I'm going to digress here and suggest that if we had universal health care coverage the US would become a nation of entrepreneurs overnight. Health insurance is the number one reason most people I know offer for not being able to go out on their own, bills and mortgage payments

are a close second.

The Tax Man Cometh

Getting the first check from running your own shop is an exhilarating experience, but writing your first quarterly tax payment to the IRS will be somewhat less exciting. One of the things your employer does for you is take out tax money and send it in for you. When you're working for yourself you'll have to write those checks, usually once a quarter. A good accountant can help you understand your tax reporting responsibilities for federal quarterly reports and your state, which may be on a different schedule. You'll usually have to file a quarterly tax report whether you make any money or not. The alternative is something called a 1099, where a company you contract with pays you a lump sum and reports the transaction to the IRS. They will then check to make sure you took out taxes from that amount and filed the appropriate return with the feds, state and sometimes local business taxes. Now you understand why you need an accountant.

Many companies hesitate to use 1099 labor because the IRS keeps trying to find ways to turn them into employees and dock them for back payroll taxes. A lot of places simply reject them out of hand because of the potential liability. Your best bet to cover both parties is having your own company and paying quarterly taxes.

Taxes are another one of those topics that are both tedious and fraught with potential liability. The IRS can levy some eye-popping fines for not paying on time. Spend the money, learn the process. It seems daunting at first but over time you'll get into the routine.

Cash Makes The World Go 'Round

The theory is quite simple. Someone hires you to do work, you do your usual fantastic job, talented and charming as usual. At the conclusion of the job, which only lasts a few minutes in your head, you hand them an invoice and the delighted company writes you a big fat check.

And right then is when your boss walks into your cubicle and chides you for day dreaming on the job again. That's not exactly how it will work.

One of the first survival skills you have to learn is the difference between accounts receivable, the money others owe you, and cash. You can't spend accounts receivable or use it to pay bills. Those invoices must be turned into actual collections. Some companies will pay their invoices on time, some won't. In my experience some of the biggest companies I've worked for were the slowest paying their bills. One extremely large cellular phone manufacturer I worked for used to take up to 9 months to pay some of their invoices. That's a long time. I've had companies over \$100,000 in arrears. Many companies attempt to address this problem by charging interest to the slow payers. Some will pay the interest and fees, most will not. Some of my biggest customers would merely line through the interest and penalties and leave it to me to file a collection action, which I probably could have won after an expensive legal battle and then end up losing the customer. Besides, they have a legal department, you don't.

If you want to survive you have to turn your services into cash. A smaller customer that pays on time is worth more to me than a big customer that takes three months to clear an invoice.

The way I've solved this problem is being up front that payment is due at the time of service

unless arrangements are made in advance. That usually prompts a discussion about getting paid and what happens if invoices aren't paid in a timely manner. All my contractor agreements and invoices state that if I'm forced to litigate unpaid invoices, the customer agrees to pay my attorney fees. Most companies you work with will appreciate that you're a small business and that you need to get paid in order to eat. It doesn't have to be an unpleasant conversation. Save that until you have unpaid invoices and have to cut off a deadbeat customer. Once it goes that far it can be difficult to recover the relationship.

Another advantage to working with Elance and Guru are that they offer escrow services.

Employers put up the money for the job in an escrow account. When you deliver the product and the customer signs off, the money is released to your account, minus a small fee. If for some reason you don't finish the project, the money is returned to the customer. Both sides are protected.

Let The Games Begin

I prefer job estimates to hourly billing. The people you're talking to will want to fix the costs. On IT projects that is difficult because of customer expectations and scope creep. On fixed price projects you could be jumping through hoops for a month trying to get customer buy off on the final product. I've had unscrupulous customers attempt to re-negotiate the cost after the project was delivered. Even the best ones will lobby for freebies and want you to knock hours off. Sometimes they have a case. You have to be prepared and don't let a customer back you into a corner during a stressful time and demand concessions. Wait until things are calmer and think it over first.

The most difficult decision can be firing a difficult or slow paying customer. To avoid complications I specify that any code I produce for the customer is work for hire and belongs to them. That way if we have to part ways they at least have the portion of the project they paid for. They have something, even if it isn't everything they wanted.

Another trick, particularly in IT, is the customer asking for an interview to determine your qualifications for their project. Sometimes they're just trying to validate their approach or confirm what another consultant told them. Most are honest and pay me for my work, a few try to slip it in during the interview. What I had to start doing was charging them for the call but rebate the call charge on their first invoice if they hire me for the job. I'll do phone interviews without the call charge but won't offer them any advice. Those options solve most of the cold calls but it's rarely necessary because of how I do my advertising.

Promoting Yourself

You have to do this because no one else is going to do it for you. After tackling the saving, planning and licensing, after putting in all that effort, you still won't have any business. Now comes the hardest part of being in business for yourself, the part that keeps many trapped in cubicle jobs. The dreaded "S" word...sales. Sales and advertising.

The problem with having two entrepreneurs in a room is getting one of them to shut up. They're usually enthusiastic about the product or service, that enthusiasm is also what drove them into business in the first place. You need some of that to succeed. But endless cold calling is for

cubicle people in the call center and advertising is expensive. I've tried every advertising medium known to man. Google ads, Facebook, newspaper, I can even shoot my own television ads. They were all expensive and all nearly totally fruitless. Fortunately, there's a better way. It's all in who you know.

These days I get my business almost exclusively from networking. I hate cold calling, but love talking to people. The great thing about networking is most of the time you're just talking. Talking to your friends, business associates, people you used to work with on other contracts, former employers. They only need to know your availability and skill set. I wouldn't advertise my charge rate, though I do try to keep current on what other companies are charging for similar services. I keep notes to keep it all together.

Taking The Plunge

Actually doing it, stepping out on your own, will be harder than you think. You've done your research, saved some cash, got some initial business to help you get going. Now it's time to put in your notice and go. You'll be surprised, when you get there, how difficult this step can be.

One time a buddy was teaching me how to rappel. On the drive there I imagined myself expertly and fearlessly sweeping down the cliff face in smooth, graceful hops. We were about 60 feet up a sheer rock face, not really that high. At least it didn't seem like it until it came time to actually lean back on that rope and hang out over the edge.

I couldn't do it. My friend was a great teacher and gently prompted me just to lean back. "No freakin' way!" My brain is screaming. Finally my friend had enough of me being a sissy and invited me to look over at the astounding view. Like a fool I looked over and he grabbed my shirt and pushed me out over the edge, just far enough I wouldn't be able to get back up. I clenched the rope with a death grip of fear as my friend stepped back out of arm's reach. I was stuck. Faced with eventual starvation, I let the rope out and eased down the cliff face. About half-way I got the hang of it and made the last 25 feet in one bound. After that it was fun. I ran back up the trail to do it all over again. By the end of the day I could push off from the face and cover the whole distance in a single, fluid jump.

The point is don't underestimate the fear factor. There will always be obstacles in your mind and in your life.

And another funny thing will happen. The discipline, financial planning, and focus it will take to go out on your own will turn you into a different person and that new person will be a better employee. If you work at success habits, you will start to think, act and talk like a business person. Learning and practicing the skills you'll need to succeed on your own will, ironically, make you more a more valuable asset to your day job. I heard my client liaison on the phone one day..."he sits at his desk and eats, always volunteers for overtime, and studies during his off hours." When she hung up she stuck her head in my office and asked if I had heard all that. I had. She said it was the regional manager and I got a huge bonus that year...which I promptly used to pay off a car loan.

The closer I got to being ready to go, the larger my cash reserve, the less fearful and political I became at the office. I was calm when others were in panic mode. I spoke up when others kept

quiet. I took chances. I told people exactly what I thought and said "no" when others tried to dump their work on me. I didn't think, work or act like an employee. The big shots would stop in to see my boss, then come in to see how I was doing. They invited me to go to lunch and later golfing. We had beers at the clubhouse. I started skipping mandatory meetings, certain that would get me fired. Instead I got a promotion and a raise, a big one. Most of the hard stuff I was doing got delegated to new hires. The stressful part of my day was the commute and spent the bulk of my time converting oxygen to carbon dioxide. When the lead programmer tried giving me a bad annual review, complaining I had a bad attitude, he was crushed by the powers above who rewrote it. After that I was untouchable. At the very moment I was ready to go out on my own I achieved the holy grail of employment. I was living in an endless rerun of the movie Office Space.

It may not be that dramatic for you but don't be surprised the more you save, the more you learn about running a business, the more your employer will start to see you as someone they want to keep. It's usually right about then circumstance will conspire to raise doubts. You'll need a new car or new roof, it will be something expensive. The kids will need braces or some other...something...some expensive kid thing, or the economy will tank. Your job will be tolerable, the money will be plentiful, outside will be dragons. The bit and bridle won't seem as bad. Maybe your spouse will start in asking how you could even THINK about walking away from all that money?

Know this: There will never be an ideal time to launch out on your own. There will always be something in the way. After about a year at my Office Space tour it became clear that they were never going to fire me and, right in the middle of a meeting, out of the blue I just set a date. Just like that. They thought I was kidding.

The Success Trap

One last piece of advice. Your greatest challenge may not be getting started. It may be the hardest phase but not the most dangerous. The most dangerous time for a new business often comes after you've achieved a measure of success. Sometimes your biggest mistakes will happen when you have money rolling in; so much so you can paper your mistakes with money.

I made that mistake. One business I started ran in a little two-room office in an out of the way suburb in a shared office. The rent was ridiculously reasonable. We had a shared receptionist and could walk to a small shopping center. We worked hard, did good work and delivered on time. Over time word got around and we secured some big-time clients. Cash was rolling in, we hired people. Our little two room office got crowded in a hurry. Then we made one of the most disastrous decisions of my working career. We rented space in a big office downtown. 5,000 square feet of corner office with windows offering a breath-taking panorama of downtown. It was gorgeous, prestigious and it was expensive. Against my better judgment, I went along with the idea to move. Big mistake.

Shortly after we moved we caught one of our employees feeding internal documents to another vendor. We didn't lose the contract, but it was close and we incurred legal bills. Another contract went soft when they decided to cut back on some projects. I was signing a lot of checks. And, every month, the big rent check for that corner office came due. Eventually the company went

under and I can trace the downfall to the misguided decision to want to show off in an upscale office. Had we stayed in our reasonably priced office, we likely could have laid off most or all of the employees and survived indefinitely. The rent was cheap and we could have gone years on just the cash we had in the bank. Instead we lost it all. There were lawsuits and legal troubles that echoed for years. It's painful to admit. The only thing I hate more than failing is admitting it was my own fault. I still beat myself up over that. We had a good thing going there and blew it.

Heed this lesson: You will make mistakes, everyone does. Just make sure you make cheap mistakes.

So, there you have it. This is just a broad outline of the tough road you have in front of you. The good news is that if you can't get past the planning, saving and sacrifice, you won't be able to make it in business anyway.