

Joining the Free Agent Nation

By BNET Editorial

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With the millions of people who have been let go by large corporations—and the insecurity generated, even among employees who were retained—many people have seriously weighed the prospect of starting their own business. At the beginning, such a move sounds idyllic: why *not* go to work for yourself, make all the decisions, decide how to dress, and send out invoices that will soon generate a bonanza for you and your family? Becoming a free agent, or freelancing, does have its benefits. But such a work life is not for everyone. Could you make it work? To start, ask yourself the following questions:

- How much of my desire to work for myself is tied to being unhappy with my current situation?
- What is the core competency around which I will begin a new business?
- Who would be my customers/clients? Do I have enough experience and contacts?
- Who would be my competition? What edge do I have over them?
- What are the costs of starting a business? What would be my expected return?

What You Need to Know

What is a freelancer, exactly?

The idea has been around for some time; in fact, the Free Agent Nation has been covered widely in the press, which claims that there are at least 25 million free agents operating, with the number growing daily. The word “freelance” comes from the old English concept of knights-for-hire, but these days it refers to someone in the service of more than one employer. Nowadays, a freelancer can be a self-employed person in any number of industries.

Note that being a freelancer is distinctly different from starting a business in which you have employees, a storefront or office, and a much higher level of cash flow needs. Freelancing is about being independently self-employed. You might consider taking a quick test to see if this is the right path for your career.

Do freelancers possess special abilities or attitudes?

Yes. If you have been used to being told what to do each day, this might be quite a change for you. You must be—or quickly become—confident, resourceful, enterprising, adventurous, flexible, and organized. As a business owner, you also must be a manager, a bookkeeper, and a promoter. You’ll have to be able to “multi-task”—juggle a number of diverse projects, each with different deadlines, for

your clients. But, most importantly, you have to be able to set priorities and move quickly each day to achieve them. You might consider reading a Web log that's tied to working from home; if you feel like you're "among friends" when you read the content, it could easily signal that you're moving your career in the right direction.

How do I decide what to charge?

The best advice is to find out what others who do anything close to what you are planning to do are now charging. However, you can find books and Web sites that give general guidelines about the value of your profession in terms of an hourly rate. Another way to determine your starting hourly rate is to work out what people in that field earn per hour as employees, then add 25–50% to account for the overhead you'll have (such as taxes, insurance, retirement savings, equipment, and supplies).

Remember, too, that as a business owner, at least a quarter of your workload will involve activities you may not invoice for, such as research, marketing, promotion, and bookkeeping. Again, if possible, find out what established freelancers in your field are charging. You may want to start at a reduced rate for the first year, especially if you're going to be competing against more established freelancers.

What to Do

Think It Through

Making a jump to freelancing requires a kind of "inside-out" approach. Ask yourself:

- Am I pulled toward freelancing—or am I just seeing an escape? (Many believe that being a free agent is simply the best way to dodge a bad boss, bad job, etc. That's not a good reason to become a freelancer.)
- Do I have what it takes? (You'll need people skills, energy, promotional creativity, a love of your chosen profession, and a devotion to detail.)
- Do you sense there is a need? (Every open marketplace operates on supply-and-demand principles. Does the marketplace need what you are about to offer? Or is the demand already amply supplied?)

Develop a Business Plan

Even though you are aiming to become an independent, self-employed free agent, you need some type of business plan, which is nothing more than an organized, coherent, and convincing blueprint for what your business will be, what it will cost to begin, what you will charge customers, and how you

will compete and win enough clients to generate a profit. Whether you are moving into freelancing on a full-time or part-time basis, you need a credible plan in your mind before you can begin; more than that, should you seek any kind of bank loan (or line of credit) to get started, a business plan will be required.

Where do you begin? Jane Lommel gives some excellent advice in this regard: "Check with SCORE (Service Corps of Retired Executives) and SBA (U.S. Small Business Administration) in your area to set up a business plan to find out... self-employment taxes, income taxes of all kinds, and how to deduct relevant expenses to your business. If you're weak in accounting and financial planning, get professional help and software packages to streamline these mundane but very important tasks. Community colleges often offer short courses for entrepreneurial wannabes. Call the local Business and Industry division or Corporate Education center to find out when they will be offering classes."SCORE even has numerous business plan templates that you can download. One Web site offers a "60-Second Guide to Writing a Business Plan"; it may be too simple to help you, but it does give you the mindset you'll need to begin.

You need to convince other people to be as committed to the business as you are, so remember to:

- Be as specific as possible about the kind of business you're starting
- Describe your business in terms of a mission statement or "executive summary" that clearly summarizes your business's purpose;
- Make sure your purpose can be easily understood by you, your customers, and potential investors. If you can't describe your business in this way, you really need to rethink your business idea and focus on the core activities and direction.

Market and Promote Your Services

It's easy to find articles that talk about freelancing as a "hot" career path. But that will only be true if you can offer a service that will be in high demand *and* if you can find people who want to pay for your service. In sum, you must market your new business. Whether or not your freelance business is in the industry you're currently employed in, you'll need to develop a target list of companies that you'd like to work for. Once you've done that, learn all you can about each company, its products and services, its financial health, its challenges, and its history with contract employment. Find out who in those companies makes contract decisions. Aim your marketing and proposals at them; invite them to lunch if they happen to live nearby.

Marketing can also include letters, brochures, or e-mails sent to potential customers, as well as personal networking, advertising, and promotional activities, even a Web site. Ideally, you'll have built enough of a network before you start your business to reduce the amount of "cold calling" you must do.

Maintain Good Business Practices

Freelancers work to a set of client needs. As such, it would be rare to have a consistent client, or set of clients, for a long period of time. Business climates change, and freelancers are vulnerable to shifts in policy and personnel: If your in-house contact moves on, for example, the new person may have his or her preferred freelancers, so you may not even be considered. What's key is that you always keep on good terms with your contacts, so that they'll want you to "move" with them if the time comes.

Get used to the idea of losing clients and gaining new ones; it's part of the nature of the business. To protect themselves against this inevitability, freelancers usually have several irons in the fire—or prospects considering the idea of hiring them. As it often takes six months to a year to secure work with a prospective client, you should discipline yourself to plan at least six months ahead. Learn to anticipate when clients need more service, but also learn to predict when your tenure may be drawing to a close. Have the foresight to build enough diversity in your client base that the loss of one won't spell disaster for your business.

What to Avoid

You're Disorganized

Since the business is what you can do for others, most freelancers do not see the need to have a public office (which costs money). Instead, they work out of their own homes. Be very careful (for accounting purposes) to create a separate office that has no other purpose. Keep very good records of things you'll want to list as itemized deductions on your business tax return. More than that, it's important that your business be efficient: If a client needs it, and you can't find a key file or a past invoice, you will leave the impression that you're not organized and efficient, and that can cost you future business.

You Rely Too Much on One Client for Your Income

If you derive more than 25% of your annual income from any one client, you are in serious danger of finding your entire business beached if that company decides to trim its operating costs by suspending its business dealings with you. You need many clients who provide many streams of cash flow.

You Don't Save

Inevitably, there will be lean times in your freelance business. Putting aside enough money to get you through, say, two or three months of basic expenses is advisable. Besides that, however, remember that as a freelancer, you're also responsible for paying taxes. Make sure you're aware of what these are likely to be and create a reserve in readiness for this eventuality. However, don't forget to pay yourself, including your subscription to a private health insurer and appropriate provision for your retirement.

You Don't Serve Your Customer Well

Inside a company, it's important to keep your boss happy. In the marketplace, you have to keep your customers happy. They are, really, two different things. With a boss, you have to be concerned about the corporate hierarchy, whether you are making him or her look successful, not surprising the chain of command with bad news, attending staff meetings, and getting along with peers so conflicts don't arise that the boss has to manage.

Delivering good customer service is, in many ways, much more basic. Susan Ward points out that pleasing customers comes down to things like answering your phone and not making promises that you can't keep. In sum, whether it's written or not, customer service is all about delivering on a contract that's tied to services or products delivered against a stated customer need. If you allow your delivery of promised goods or services to slide, your business will slide as well.

Where to Learn More

Book:

Florzak, Douglas. *The Free Agent Marketing Guide: 100+ Marketing Tips for Free Agents, Independent Consultants, and Freelancers*. Logical Directions, 2004.

Web Sites:

Home-Based Business... Is It For Me?: www.ag.ndsu.edu/pubs/yf/leaddev/eb44w.htm

Tips For Free Agents: www.quintcareers.com/tips/free_agent_tips.html

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