

Business Financing Network

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Going from Pay Check to Payoff: Making the Transition from a Job to Owning Your Own Business

Introduction

by Alan Kenyon

The absence of a “real” pay check in the early days dooms many new businesses before they really get underway. New entrepreneurs can easily conclude they made mistakes in leaving their old jobs when they’ve missed a few “pay days,” and both old and new bills keep coming due.

Concern about the lack of a regular income is especially acute on days when the former pay check was received. That day, perhaps at the end of the month, can seem especially grim. The wisdom of the starting the new business seems more and more dubious on those days.

“New business remorse” starts to set in, and the entrepreneurs begin looking for escape hatches—most likely back towards salaried jobs. That refocusing diverts attention from their new businesses, adversely affecting them before they’ve been given a good chance of success.

Fortunately, you can take effective measures to alleviate the mental stress of not receiving a regular pay check. Anticipate the probable scenario early on, and take remedial steps to overcome the almost inevitable anxieties you’ll face. Acting early will help you sleep better at night and face your daily tasks with much more vigor and optimism.

Action Steps

Try the following ways to overcome your income anxieties:

- **Start a Part-Time Business**
- **Do Free-Lance Work for Your Former Employer**
- **Think of Your Experience as an Exciting Journey**
- **Associate with Other Entrepreneurs**
- **Finding the Inner Courage.**

Some of these action steps can help you make the transition from pay check to the payoff of business ownership!

Start a Part-Time Business

You've heard the axiom about the desirability of starting a business while you're still employed. That's only commonsense advice. Of course you'll worry less if you have a steady pay check coming in while launching your new business. As the business grows, you can plan to transition into it full-time, if that's what is ultimately needed.

Note that there are many dubious "models" that purport to be paths for people to start part-time businesses. Late night "infomercials," the various entrepreneurial magazines, and even acquaintances trying to sign you up for their sales programs should be looked at with a very healthy degree of skepticism. If they sound too good to be true, then they probably are not worthy of consideration. There is no quick, easy road to starting a truly viable business, and it will take time, effort, and money.

However, some of the various "opportunities" do turn out to be businesses for certain types of entrepreneurs. Multi-level marketing, for one, is not necessarily a bad business model—assuming, of course, that there is a viable product to sell and a real market (in contrast to those models that depend on signing up friends, family, associates, and strangers "under" you).

Such businesses can be managed during evening and week-end hours. Those businesses let you maintain control over how many extra hours a week you want to spend starting your business.

Selling items over the Internet is a variation of the mail order business model. Internet customers shop 24 hours a day, and you can manage your Web site when it is convenient for you.

Of course, you have to have product to sell, but legions of people across the globe are engaged in at least part-time businesses with the buying and selling of goods via popular services such as e-Bay. If you can manage a few hours

a week and have or can develop a viable product to sell via the Internet, you may be able to build a thriving small business without having to give up your regular job.

If you have a passion for a hobby or craft, some aspiring entrepreneurs with a passion for a hobby or craft are able to build part-time businesses while still employed. They start by building an inventory of most popular craft items, and then participating in weekend arts and crafts shows. They often sell their creations over the Internet.

Another approach is to participate in artisans' or crafts cooperative. Antique dealers have used that model for years, either in anticipation of opening their own shops, or simply to capitalize on their enjoyable past-time. They then have the freedom of later making them full-time businesses when they are generating a steady income stream and offer growth potential.

Of course, "get rich quick in real estate" programs always are available. The fact that they often are about selling tapes, books, and other educational information, does not obscure the fact that many wealthy entrepreneurs have build thriving real estate business.

The chances are that you know someone who has one or more apartments or houses they rent out. Other people buy properties, fix them up, and then sell them quickly for a profit. Those entrepreneurs are in business, even though they may be holding down full-time jobs. Perhaps real estate could work for you. Even if your ultimate business dream is not about owning real estate, it could help you build net worth and assets that could later be applied to your ultimate business.

Other entrepreneurs start businesses mowing lawns and taking care of yards, doing wall-papering and painting jobs, and pet sitting, etc. If you look carefully, you will find many part-time business opportunities all around you. Even if they do not evolve into full-time businesses, they can still provide supplemental income and satisfy some of your entrepreneurial needs.

If you aren't ready for the shock of going directly from a regular pay check to a business lacking a regular income in its early stages, then a part-time venture could be just right for you.

Do Free-Lance Work for Your Former Employer

Another way to overcome anxieties about no pay check while starting your new business is to line up consulting jobs with your former employer. Professional consultants often launch their own businesses with former employers as their first clients.

Many fields today face critical shortages of qualified professionals. Companies increasingly use free-lance professionals for special projects and rush jobs. Downsizing firms often still need services previously performed by their employees. Those situations create opportunities for aspiring entrepreneurs and make it easier for them to transition into their own businesses.

Entrepreneurs often find it difficult to move right into a brand new business environment without such a transitional phase—both emotionally and financially. Taking on projects for former employers on a free lance basis can be a great transition into own businesses.

Anticipate the Problem in Your Business Plan

A good business plan is an excellent tool to overcome your initial anxieties about not receiving an income when you first start the business. In addition to helping you plan for startup expenses and unexpected contingencies, the plan will predict when you will hit positive cash flow and can start to receive personal compensation from actual earnings.

You will be better prepared to weather startup anxieties when you know the point at which you will be able to “pay yourself” from business profits, rather than from diminishing loan or financial resources. You may not be totally relaxed during the period, but at least you will know what to expect.

Calculate how much you need for normal living expenses, and plan to “pay yourself” from your loan proceeds or savings when you make your financial projections. You know you will continue eating. Rent or mortgage payments still will be due each month.

You have to keep the electricity on and the telephone hooked up. Premiums for your auto insurance will keep coming due. That’s just life, and don’t want to overlook or minimize those facts in the euphoria of starting your new business. A business plan will keep those realities in focus.

Business advisors usually recommend setting aside anywhere from six months to two years of living expenses to cover your daily living expenses. That, of course, is sound advice, but not always possible.

New entrepreneurs often can’t set aside large amounts of capital for extended periods of living expenses. A good plan, however, will help you address the fact that you will have a period when you receive no income. That knowledge will help you come up with creative ways to deal with the situation.

Your business plan will make your “dream” real. It will help you know that the short-term sacrifices you’re making ultimately will be rewarded. The plan also will point out when you can expect problem periods, such when you have no regular pay check.

The balance of minimum income in the early phases of your business combined with the fruits of success will bring a new perspective to how you view your non-business expenses.

When you incorporate your necessary living expenses into your financial projections—either directly or indirectly—you can make allowances to “pay yourself” a salary from your loan or savings. At the same time, it likely will prompt you to find new ways you can be frugal to cut down on monthly expenditures.

It will be much easier to ruthlessly cut down on unnecessary expenses once you’ve clearly articulated the rewards you expect of your business. For example, it will much easier drive the old car another year or two when you know it will help you attain you long-term dream of owning a business.

Is it really important to eat out at expensive restaurants quite so often? Maybe the new 60” HDTV television set you would like to buy can wait. Could you sell that boat you use only a few times a year in order to put more cash in your business?

A good business plan will bring those and other financial issues into focus. It will help blend personal lifestyle issues with your business needs and dreams. The plan will prepare you to strategically approach both personal and business goals with a unified campaign of action. Doing so inevitably will put short-term anxieties over little or no income into a more endurable perspective.

Associate with Other Entrepreneurs

It is important to associate with other entrepreneurs during the startup phase of your business. They likely will have been in your situation when they launched their enterprises. You also may meet others facing the same concerns right now. Such individuals can be a source of inspiration—and support—when you are experiencing anxieties about your current lack of income. They may even become customers.

It’s natural to feel isolated during your business startup phase, particularly in a home-based venture or one with little face-to-face interactions with staff or customers. Your sense of isolation may be compounded by feelings of being overwhelmed with work that just has to be done to get the business moving.

You may believe you have to focus exclusively on your business activities, and don't have time for "socializing." If you don't occasionally get away from your work, though, you will miss opportunities to create informal support systems with other entrepreneurs, resource people, and possible business contacts. You lose a valuable way to overcome your apprehensions about your current income status.

Take positive steps to help emotionally cope with your startup anxieties. Become active in a civic group, especially if it includes other business people. Join your local chamber of commerce and participate in its small business activities. It's a good way to "connect" with other entrepreneurs.

Your city may have an association for home based business owners. Its members almost certainly will empathize and relate to your experiences. You also may find that you can join forces for work projects, or trade services.

You might find it helpful to enroll in business and career development courses offered by your local college or school district. Those activities enhance your knowledge base at nominal costs, and also can bring you together with other small business owners and entrepreneurs.

Finding the Inner Courage to Act

Perhaps the hardest part of starting a new business is finding the self-confidence to finally act on your dreams. Would-be entrepreneurs often endlessly research their prospective ventures, preparing countless spread sheets and asking everyone, "*What do you think?*" It's almost like they are looking for reasons why they should not go into business. Their business becomes "re-search," and they become victims of "analysis paralysis."

Other aspiring entrepreneurs convince themselves that they must have a partner to go into business with them. When they just talk their friend or brother-in-law into going into business with them, they believe they will go ahead. However, such individuals often are seeking a "security blanket," and seldom go into business.

Emotions and feelings of uncertainty and fear are natural when starting one's first business. It's a rare individual who goes from the "security" (perceived or real) of a job to business ownership without experiencing such concerns.

What separates the dreamers from the doers, though, ultimately becomes a matter of self-confidence. After the research has been done, the market evaluated, the business plan well developed, and the light is "green," the self-confident move ahead, while the dreamers find other distractions or turn their attention to other interests.

Summary

Apprehension about the lack of a regular pay check during your business startup phase is normal and something experienced by most new entrepreneurs. The point, though, is to not let yourself become so paralyzed with fear that you start second-guessing and doubting yourself to the point that you doom your business.

Words on a printed page and personal encouragement from family members and friends will not alone overcome your apprehensions. While some of the steps outlined above can help in your transition, only motivation, determination, and will power to move ahead can overcome your anxieties and put you on the path to becoming a true entrepreneur.