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## ***Josh is Stuck in Self Employment***

There is a huge difference between being self-employed and being a business owner. A self-employed person, for the most part, does every task (all the responsibilities) in his/her business endeavor; while a small business owner/entrepreneur hires others to perform task and manages them and the business. Josh is making the transition from functioning as a self-employed person to business owner/entrepreneur. In this Brief we will see the steps he is taking to make the transition.

### **Josh's Dilemma**





First a little background. I met with Josh at Entrepreneur Works to discuss issues in his business. Josh wants to grow the business by taking advantage of market opportunities he is positioned to pursue. However, during our discussion he revealed that the 17 hours per day he is working in the business leaves very little time to focus on anything else, to which I replied, “A 17-hour work day is for two people not one.”

I followed up my comment by asking “what was there about his business that required him to work so many hours per day. “ Josh answered by saying he does everything in the business, from making sales calls, to creating ads, to mopping floors. Even though he is dedicated to this business, he knows the path he is on is not targeted for success.

**The ultimate success of his business will come from the market opportunities he currently does not have time to go after.**

Now there are other reasons besides the 17-hour days (*that one is enough*) that are hindering Josh's progress. For the purpose of this article we will concentrate on one major reason; that is the need for Josh to make the transition from being self-employed to business owner/entrepreneur.

Quite a few people get started in business by converting a skill into an income generating business activity. This is how Josh started. Utilizing his talent as a fashion designer Josh developed a solid base of clients and a good reputation for quality work that garnered him even more business. However, as the clientele grew and sales grew Josh continued to operate as a solo act.

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Josh now finds himself in a dilemma that seemingly *locks him into a lifestyle that allows little time for anything other than work*, and an approach to doing business that requires too much of him. Frustratingly Josh asked me, "What can I do?" The short answer for Josh is, move from self-employment to business owner/entrepreneur.

## Josh's Transition

I provided Josh some perspective on his dilemma by painting a picture of the opportunity cost associated with how he allocated his time in the business.

**Opportunity cost** is the cost incurred by not realizing the benefit or potential gain provided by an alternative available choice. Specifically, we compared his time spent cleaning and maintaining the building vs. spending the same amount of time pursuing the new opportunity. That same morning Josh spent two hours cleaning/performing maintenance on the building. He stated that the new opportunity, once in place, would generate \$4000-\$5000 per month in additional revenue for the business.

I then asked how much additional income would be added by him cleaning the building and what was the value associated with that job? He answered, "No additional revenue is added

by me cleaning and the value of the job is minimum wage to \$10 per hour tops.” In essence, Josh was sacrificing growth in revenue by choosing to spend his time performing a task that rendered no income for the business.

Furthermore, Josh was actually driving up the cost of operating the business. Look at it this way. The value of cleaning the building is \$10 per hour. When Josh spends two hours cleaning, those same two hours are not being used to pursue what potentially could be \$5000 per month in revenue. As a result, the cost of him cleaning is much greater than \$10 per hour.

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Not only is he not realizing the revenue opportunity, but also the business is paying way beyond the value for what is a \$10 per hour task. It's a hidden cost but a real cost. Josh's decision was made. He decided then and there to end his self-employment days and become a business owner/entrepreneur.

Josh also understood this would not be a simple and easy transition. Being the organized, disciplined person he is, he wanted to be very deliberate and practical about the change. Here is how Josh is making the transition.

- **Mindset change** - Josh realized he would have a very different approach to his business that first required a complete change in mindset related to operating the business. For example, Josh feels no one can perform the cleaning/maintenance task as well as he can. This might be true, but now he is assessing whether his approach of mopping the floor three times is more valuable than having someone else mop who may do it twice, but still get the floor clean. And if three times is that important, let the employee know that is how he wants the job done.

The other mindset change is trust. Josh says he has to learn to trust that others will perform the job like he requires and he must learn to be a manager (i.e. describes the job, provide

the person the resources to do the job, set expectations and monitor their performance).

- **Delegate one job first** - Instead of performing a complete overhaul of operations, Josh decided to hire one person in one specific area of the business and relieve himself of certain responsibilities. As he gets comfortable with surrendering responsibilities, fine tuning the system for staffing and increasing revenues, Josh will delegate more tasks.

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Do you need to spend more time on tasks that bring value and revenue to the business? Have you gotten away from doing the things that made the business grow? If your answer is YES... Remember, the time you spend in your business is valuable. Use it wisely.

Look for my update on Josh's journey in future editions of **Earl's P&B Brief**. In the meantime, take inventory of how you are allocating your time in your business.

Please share your ideas with Josh about transitioning from self-employment to business owner or share your thoughts about his journey in the comment section below.



Earl Boyd Pitch & Brew @ Impact Hub

### About Pitch & Brew

Pitch and Brew is a free, open public meetup offering collaborative brainstorming, idea checking & concept validation, and business advice for startups, entrepreneurs, and established organizations. Pitch and Brew is sponsored by Entrepreneur Works and Impact Hub Philadelphia and is held Tuesdays at 10:30am at Impact Hub. Earl Boyd is the facilitator/business coach.

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