The Entrepreneur in You: A Designers Perspective

Steven Schain - Spectra3D Technologies - President

BM5193   So you want to be independent? Freelancing and running your own small business can be fun and rewarding. However, there's more than just being good at what you do. This course is an indoctrination on the business of being an independent business owner. We will cover topics relating to what type of business you should form, marketing and advertising, financing and paying yourself. Many freelance designers are very skilled engineers and artists. This course takes an approach that keeps that in mind. You will learn about community resources and online tools that make managing your business easier so you can focus on your clients.

Learning Objectives

At the end of this class, you will be able to:

- Identify what it takes to start and run your own freelance business.

- Understand the different types of business entities and which one could be best for your business.

- Find local, state, and federal business resources to help you establish and grow as a freelancer.

- Discover online tools that can make operating your business simpler.

About the Speaker

Steven attended R.I.T.'s film/animation in 1989 & A-B Tech's Entrepreneurship in 2011. Opened Spectralight Images in 1989 to deliver 3D training and animation. Moved to Orlando, FL in 1990. As VP of Computer Animators Plus (1995) began teaching 3D at Seminole State College. With a love of art, opened Gallery 611 in 1997, and formed the Orlando Visual Artists League in 2000, president until 2004. In 1998 he became an Autodesk® training specialist, and has contributed to Autodesk's certified training material for 9 releases of 3ds Max®. He was a co-developer of Autodesk's ACI Program, and Autodesk's 3ds Max® fundamental standards. Now he develops 3ds Max / Maya training courseware for CAD Learning's online training. Spectra3D Technologies provides 3ds Max, Maya & AutoCAD training. Steven teaches classes for end users, companies, Autodesk University, & others. Past trainees: Disney, Guess, US Army, and more. In 2014 Spectra3D Technologies expanded into 3D printer sales and support offering an array of 3D printers, design services and 3D printing training.

steve@sli-3d.com

Running your own business:
Are you ready?

The Entrepreneur in You

Who is an independent business owner?

One of the core properties that defines an independent business owner is that he or she has limited or no outside control. In most cases, an independent business is not traded on the stock market and it will rarely answer to a larger entity. This sort of freedom is both exciting and a little bit scary. As an independent business owner, you have tons of control over your product development, financial decisions, and customer relationships. However, this degree of control also means that an independent business can be riskier financially and often requires a high degree of commitment, especially during the initial startup phase.

What type of business do you own? Should you own?

Sole Proprietorship

A sole proprietorship is an unincorporated business that is owned by one individual. This is the most common type of independent business that you will find. Sole proprietorships are relatively easy to start, as they don't require any legal action. If you have been freelancing already, you are the proud owner of a sole proprietorship whether you knew it or not. With this business structure, you, as the owner, are entitled to all profits. Unfortunately, this also means that you are solely responsible for any debts that your business may accrue and any taxes that the company may owe.

Partnership

A partnership is a business relationship between two or more persons. In this type of relationship, all partners pledge to contribute in some manner toward the advancement of the business, whether with investments, property, skills, or labor.

There are many benefits to forming a partnership. Having other people that you trust as part of your independent business gives you a great source for collaboration and decision making. You may also feel better about making the leap into an independent business because there is safety in numbers. Finally, it can be easier to gather investors and acquire capital when there is more than one qualified person in the organization.

The downside of a partnership is that there is no separation between the business and your personal assets. This can leave you personally vulnerable if the partnership dissolves.

Limited Liability Company

A Limited Liability Company (LLC) lies somewhere between a sole proprietorship and a corporation. Independent businesses with this structure benefit from the flow-through taxation found in a sole proprietorship or partnership, which means that income generated is taxed as if it were the owner's income. Meanwhile, LLC holders also receive the limited liability granted to a corporation. This gives an LLC business greater flexibility than a corporation and is a great option for a single owner independent business.

Limited Liability Partnership

As you might have guessed, a Limited Liability Partnership is a combination of a traditional partnership and an LLC structure. In this arrangement, partners share limited liability. The biggest benefit of this relationship is that one partner is not legally responsible for the misconduct of another. If you are considering this type of independent business, be sure to check the laws in your state, as they can vary significantly.

S Corporation

An S Corporation is a business entity that has elected to be taxed under Subchapter S. This type of business doesn't typically pay federal income taxes. Furthermore, any income and loss will be passed through or divided between shareholders

C Corporation

A C corporation is the most common type of corporation and is the business structure adopted by most major corporations. In a C corporation, the business entity is taxed separately from owners.

Not-for-Profit

Charitable, philanthropic, and educational organizations are typically structured as a non-profit or not-for-profit organization. There are three legal forms a not-for-profit can take: corporation, unincorporated association, and charitable trust. Prior to receiving an official non-profit designation, the organization must be incorporated as a business. After the paperwork is completed, you can file for a 501(c), typically a 501(c)(3). This is an IRS status that officially qualifies you for non-profit status. When running a non-profit organization, you are often accountable to funders, the public, and, in many cases, granting or governmental bodies.

What are the hurdles you had to overcome?

No matter how successful it may be now, every company has faced an obstacle or two. Even before it gets off the ground, there are a number of hurdles that have to be addressed. Some of your first steps should help you lay a good core foundation for your business. While it is very common and, in fact, necessary, that your company will expand, shrink, and shift gears, you should go in with a clear business concept. Help to narrow your focus and identity the true nature of your business by creating an initial business plan, complete with mission statement, vision statement, and growth projections.

Another initial step should be to determine which of the already discussed independent business structures work best for your company. If you do decide to go the partnership route, it is important that you locate knowledgeable people that you can trust.

Once you have your basic business plan and an outline of your business structure in place, you will be much better positioned to begin looking for startup capital. While traditional funding mechanisms like banks are still a viable option, take some time to explore more modern funding mechanisms, such as crowd sourced financing and angel investors.

One of the biggest hurdles that many new business owners face is the time commitment. If you are planning to start the business on your own, it is important to know that it will be unlike any full-time job you have ever had. In its infancy, your new business will need constant care and attention. Free time and vacations may be difficult to come by.

 No matter how well conceived your business plan is, it won't get you anywhere without clients and customers. This can take a ton of research. Find out where your customers hang out. Are

they in online chat rooms? Do they do their purchasing at brick and mortar stores? Are you pulling from a strictly local base or can you expand your geographic target? Answering questions like this will help you identify your customer base and help you figure out how your message should be structured in order to reach your clientele.

Taking your business to the next level can be more a lot harder than it seems. Let's say that you have grown your customer base and have a line of clients seeking your design services. Soon, you have more projects than you can possibly handle yourself. What do you do? Do you outsource? Do you bring on a dedicated staff? What if you can't find a qualified staff to produce quality work at a price you can afford? Maybe you find a business partner at this stage. Maybe you are happy where you are at and you start to be more selective with the type of work that you take on. If you do choose to go the expansion route, you will often be faced with a whole new set of hurdles, as you have to figure out how to pay more salaries, buy equipment, and navigate new accounting and regulatory challenges that come with hiring employees. For many business owners, the expansion stage is the most difficult hurdle of all.

How do you market your product or service?

Traditional marketing services, such as TV, radio, and print can still attract a great deal of attention. This type of advertising, however, can often be prohibitively expensive for a startup. If you don't have the budget for traditional media, social media, including websites, blogs, videos, and chat rooms, can be a great alternative. Attend a class or read a couple books about SEO or online advertising, and you can see a massive uptick in online traffic. Again, the most important factor is that you have identified your customer base, located where they hang out, and figured out how to present your message.

How do you pay yourself?

When starting a business, you will want to think long and hard about how to pay yourself. Although individuals have tons of different reasons for wanting to start a business, money is nearly always one of these. For starters, do your research. Different business structures have different requirements about how you can generate personal income.

After you are certain that you know any restrictions on payment, it is time to determine your salary. One good place to start is to think about what you want to get out of your business. Are you willing to delay your pay day in order to sink extra money into your business and reap the

benefits later? If so, you may choose a payment structure that allows you to cover your basic expenses while reinvesting the rest into the business. To determine your payroll in this case, sit down and figure out your monthly, quarterly, and annual expenses. Then, simply divide by 12 and you have your monthly salary.

Another philosophy for paying yourself is to determine how much you are worth and pay yourself accordingly. If you feel like you left the daily grind behind to finally feel more comfortable, you may be looking to give yourself a raise. If you decide to go this route, you may be more comfortable, but your business growth could be slowed.

Finally, some startup business owners choose to take a specific percentage of the monthly profits as their salary. This is only really advisable if you have a bit of a nest egg to draw from if the profits aren't initially enough to cover your personal expenses. However, in the long run, a percentage-based salary plan can lead to huge personal gains.

Another consideration to address upfront is what you plan to do with any extra money. Some small business owners take any unexpected profits as bonuses while others invest it back into the business.

Goals and benchmarks are important. How much do you want to make this year? How about next year? In five years? What about your employees; what sort of salary growth do you want to be able to offer to others?

How do you pay your taxes?

As with your salary, how you pay your taxes will depend on how the business is structured. Since so many business-related expenses, including utilities for your home office, mileage on your car for business-related events, and the cost of any business-related materials, can be deducted, you are going to have to be better than ever at organizing your receipts and bills.

Accounting?

With accounting, there are really two options: do it yourself or hire a professional. While software programs can make filling your taxes easier than ever, there is still plenty of room for error when taking care of your own taxes. The obvious benefit of doing your own is that it can save some of your hard-earned dollars.

One of the biggest benefits of opting for a professional accountant, however, is that it can save you lots of time and plenty of headaches. Although paying somebody to do your taxes can seem

like it is the more costly option, a professional's knowledge of deductions can actually be a net-gain.

Resources… (Federal)

Small Business Administration (http://www.sba.gov/)

The SBA site provides tons of information and educational resources, as well as links to loans and grants. If you would like to learn more about government contracting, the SBA is a great resource.

Business USA (http://business.usa.gov/)

This government-ran website is a one-stop-shop for American businesses. The site connects businesses to services and relevant information and offers help for everything from training to exporting.

SCORE (http://www.score.org/)

SCORE offers help with a wide-range of business development issues, including legal advice, startup information, creating a business plan, marketing, getting financing, and more. In addition to online resources, there are also local SCORE chapters that can be quite helpful.

Resources… (State/Local)

Small Business Development Centers

An offshoot of the SBA, Small Business Development Centers help with technical and managerial assistance, offer free counseling and training, and run a number of special programs, such as international trade assistance, procurement assistance, and help seeking venture capital. You can find your regional office at http://www.sba.gov/tools/local-assistance/regionaloffices.

Chamber of Commerce

Your local Chamber of Commerce can give you tons of access to the local business community and plenty of marketing opportunities.

Business Incubators

Typically ran by the state or a college, business incubators can be an amazing resource for startups. These incubators offer a full slate of resources, including office and production space, the use of office equipment, mentoring and educational services, and much more. To see a great example of a business incubator in action, check out BASE (Business Acceleration Site at Enka) at http://www.abtech.edu/base.

Tools…

Project Management:

CreativePro Office (http://mycpohq.com/)

This free app is a great starting point for project management. The tabbed navigation on the interface gives you easy access to information about clients, projects, timesheets, finances, and your team. The integrated client tracking is another great feature.

Basecamp (https://basecamp.com/)

When you are ready to purchase a project management program, Basecamp is a great option. For a mid-tier priced point, you get tons of features. The interface is extremely easy to use and third-party integrated features help you customize the program to suit your workflow.

ActiveCollab (https://www.activecollab.com/)

If you are virtually managing projects, you will want to have good collaboration software. ActiveCollab puts the collaboration space right on your website. You can also enjoy file sharing, discussions, collaborative writing, assignments, and reminders. Optional plug-ins give you the ability to further customize your online space.

DimDim (http://dimdim.en.softonic.com/web-apps)

DimDim helps you host online meetings. With this program, you are able to share your desktop and documents virtually. Voice-over-IP and teleconferencing features help you host a full-scale meeting from anywhere.

A few more handy resources

Zoho (https://www.zoho.com)

Zoho offers a whole suite of business, collaboration, and productivity applications.

ASANA (https://asana.com/)

Asana gives you a new way to communication with your team without the use of email.

Trello (https://trello.com/)

Trello is a highly visual way to track your project with drag and drop features that vividly show your progress.

Social Media Management:

99 Social (http://www.99dollarsocial.com/)

Hire a content manager to post on your accounts seven days a week for just $99.

Hoot Suite (https://hootsuite.com)

Hoot Suite has plenty of analytics to help you track your campaigns and measure results.

Swayy (www.swayy.co)

Swayy has tools to help you figure out what content your audience best responds to.

Compfight

Compfight helps you identify images from Flickr to accompany your posts.

Website tools:

Google Analytics (http://www.google.com/analytics)

A slate of tools help you identify what is working the best on your site and to what your clients are responding.

Webmaster tools (https://www.google.com/webmasters/tools)

Google tools can help you check your site for issues, explore how users are finding your site, and help you optimize your content.

AdWords (http://www.google.com/adwords)

Helps you strategically advertise on other sites. You only pay for advertising when somebody clicks on your site.

AsSense (http://www.google.com/adsense)

Earn money by placing ads on your website or blog.