

Un^H^HSelf-Employed

Dr Heinz Kabutz

<http://www.javaspecialists.eu>

Good morning and welcome to this talk, which is completely different to the other talks I have given at the Java Hellenic User Group. I believe that this topic is extremely relevant to us as we face one of the biggest layoff periods in recent history. Sun Microsystems, the inventors of Java, have announced that they are firing 6000 staff, that is 18% of their workers. They are the lucky ones. Lehman Brothers disappeared overnight. They had lots of excellent Java programmers working for them.

In this talk, I will explain what you need to do to become self-employed. This should not be seen as equivalent to being unemployed, although banks often view it that way. I believe that being self-employed carries a lot less risk than being employed by one company.

This month it has been 10 years since I took the plunge and started my first company. I have often been asked by programmers how they should go about doing this and this talk is my answer to their questions.

Being self-employed is not for everyone. Right from the start, you have to be willing able to sell and market yourself.

Java Specialists

- Company started in 1998
- Newsletter read in 120 countries by 50.000
- Courses presented on 4 continents

A bit of history about who I am. I started The Java Specialists' Newsletter in 2000, a publication aimed at advanced Java programmers. It is now read in about 120 countries by approximately 50.000 readers monthly.

It started really small, with just 80 readers, but the consistent work produced a large following. 99% of all my business comes through my newsletter.

1975

- 3 years
- First adventure
- Escape to visit Grandmother

The first time that I went off on my own was about 33 years ago, when I was just 3 years old. My father and older brothers had gone to visit my grandmother, living a few blocks away. For some reason they had left me behind, so I set off to also go visit granny.

To do that, I had to leave the safety and comfort of our house and venture out on the street.



First Obstacle

Before too long, I had to face my first obstacle, a broad road. I knew this road was dangerous so took great care crossing it. After looking right and left several times, I got over without incident. A great achievement for a 3 year old.

When we head off on our own, we will face obstacles. It is the fear of obstacles that keeps us stuck in jobs that we hate. An optimist thinks that there cannot be any obstacles, that everything will always work out well for them. However, 95% of businesses fail in the first 5 years. Of the remaining 5%, another 95% fail in the next 5 years.

You will have obstacles, it is what you do with them that matters.



Second Obstacle

My second obstacle was more tricky. Up the road towards my grandmother, there was a nasty little yapping dog that always scared us. He would stand on the pavement barking furiously. When my father was with me, he would pick up a few stones to chase the dog away. However, I was only three years old and this barking dog simply terrified me.

I froze. I don't know how long I stood there watching the dog bark at me, but after a while my father came walking down the street with my two brothers. He picked up some stones, chased the dog away and I was safe.

Unfortunately he was on the way home, so I did not achieve my primary objective, which was to visit my grandmother. No lemonade and cookies for me that day!

However, if I look back, my "mission" was a fantastic success. I had left the safety and comfort of my home. I had managed to cross my first obstacle without getting run over by a car. Even though I did not achieve as much as I had planned, I still can say that I managed to do **something**. I remember that day better than all the other days when I did **nothing**.

Don't Panic

- A still boat is hard to steer

- Keep moving!

Let's look back at the second obstacle and see what we can learn from that. When I panicked, I froze in my position. I did not confront my fear, but just stood still. I could have crossed to the other side of the road to avoid the obstacle. Or I could have picked up a few pebbles and at least tried to scare the dog.

Freezing when you have an obstacle can take many forms. For example, when you don't get sales, you might spend a lot of energy perfecting your product. That is a form of freezing. You are not going forward, but just in circles. You do not need a perfect product before you begin selling. Look at the products that you purchase. None of them are perfect, that's why they have guarantees.

You need to keep moving forward. When a sailing boat is stationary, it cannot be steered as the rudder needs some resistance in the water.

20 Years Ago

- Father: "Heinz, how will you ever work for a boss if you don't know how to listen to me?"
- Heinz: "I will never be self-employed like you!"

My father was self-employed all his life and he struggled constantly. I did not want to have such pressure in my life and so dreamed of a nice stable job with just enough income to survive, working 9 to 5, taking one month leave every year.

My father saw that I was not the type of person that would easily fit into a job as I asked too many questions. Even if in theory a curious nature is rewarded, in practice bosses do not want you to ask too much.

However, I was adamant that I would never start my own company. Never ever.

19 Years Ago

- Heinz: "I will never be self-employed."

Ever...

19 Years Ago

18 Years Ago

- Heinz: "I will never be self-employed."

Not me ...

18 Years Ago

17 Years Ago

- University career begins

- Heinz: "I will never be self-employed."

At this point I had entered university and was discussing with my friends the meaning of life. They were very keen to start their own companies, whereas I was adamant that I would never ever ever be self-employed. I would rather work for a company, have a nice stable career, company car, medical aid, etc.

Today, none of my university friends have their own companies.

16 Years Ago

- Heinz: "I will never be self-employed."

No ways!

16 Years Ago

15 Years Ago

- Heinz: "I will never be self-employed."

Not on your life!

15 Years Ago

14 Years Ago

- Heinz: "I will never be self-employed."

Nope, not me. Someone else.

14 Years Ago

13 Years Ago

- Heinz: "I will never be self-employed."

Not interested, sorry! Don't like the risk.

13 Years Ago

12 Years Ago

- Heinz: "I will never be self-employed."

As my PhD studies in Computer Science were coming to an end, I decided to apply for a job. I wanted a nice cushy job with great perks. Safety and comfort were what I was after.

12 Years Ago

- Full time job writing C++, VB, Java

After a little bit of searching, I found my first job, earning about \$29000 a year. After taxes, medical aid, pension scheme, disability contribution, unemployment insurance, I was pocketing about \$1285 a month. Life was sweet. We bought our first house for \$31500. And a car. And some of this and that.

For the first two years of working in a full time job, I relaxed completely, like I had not done before. I would come to work at 8:30, take half an hour lunch, then leave at 5:00. During my work I would produce Java code, some Visual Basic and C++.

I knew that if I performed good work, it did not matter how many hours I worked or which manager I drank beer with.

Double-Think

• "We are so pleased you work for us"

• "No money in the budget to pay more"

After a year of working for this company, the time came to receive my first increase. I was very confident that it would be a big increase, as I had very few bugs, the code was completed on time and I had not caused any problems in the company. When the increase came, I ran to get a statement from my bank and could not believe what I saw. After taxes had been taken off, I looked at an increase of about 3%.

Had I not spent enough time working after hours?

Maybe I should have worked weekends?

Perhaps I should have drunk beers with my boss?

But let's take a step back. A year ago, I was extremely happy with my salary. But my lifestyle had adapted to the salary, so that now I needed more than I was earning to keep up with my spending habits. There was nothing wrong with my salary, it was far more than other people were getting, there was something wrong with my management of the money.

Complacency

- Take responsibility for your own education
- Use your energy constructively

Each one of us has 24 hours available in one day. What we do with it will shape our future. We need to apply ourselves constructively if we want to grow.

When I was working for a company, I was expecting them to provide training for me. I wanted them to purchase books for me to read, to send me on courses and to pay for certification examinations. But they didn't.

I found that when I was in a job, I would worry all the time whether my leave dates were right, whether the medical aid scheme was cheating me, how my pension money was being invested, etc. I spent almost no time thinking. I'll repeat that: The worries of the "health & welfare" swamped my mind and as a result my brain stopped working. Even when I was programming, I was not really thinking. I was not using my imagination and my brain to its fullest potential, because I expected the COMPANY to do it for me.



Danger on the Street

I did not want to look for another job as I had just become established in this one. Out on the street was danger. I had absolutely no intention of becoming self-employed, even now, whilst I am writing this, I feel the same fear in my stomach.

There is danger on the streets out there. It is not safe to be self-employed. You might go bankrupt. Really.

10 Years Ago

- Good bye job security

- Hello to ...

When I was facing my second tiny pay increase, I tried to work out a scheme where I would work less days but get paid the same amount of salary. Unfortunately my employer did not understand my scheme, so we decided that it was best if I resigned and start my own company to contract to them.

So I said good-bye to job security. Good bye to the 9-5 job, perks, medical aid, pension, company parties and hello to the nasty things of being self-employed.

The biggest fear was rejection. Going to a potential customer and him telling me that they had no need for me was worse than all the other fears. I also felt that I had far more risk by being by myself. As I said before, 95% of companies close within 5 years, so bankruptcy was never far from my mind. I was scared to death of getting into huge debts. The anxiety made it hard to sleep at times.

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Company Structure

- Start small

- Change structure as you grow

I decided to try it out for a while and see how it works. From the outset, I only worked a maximum of 75% of my time for a single customer. Even during programming projects, I kept at least 3 customers. By having several sources of income, I reduced my risk significantly until it was less than a normal employee's.

The key is to start small. Start with the smallest company structure that will offer you some protection. Keep your monthly expenses as low as possible. It is 10x easier to save €10 than to earn €10, thus whenever you save on expenses, you make your company far more viable.

So far, I have started or help run:

- Maximum Solutions (Pty) Ltd
- Maxkab Solutions CC
- Playsolutions CC
- Ostiprop 1153 CC
- Kabutz OE
- Cretesoft Limited
- HIC-U CC
- HIC Straws (Pty) Ltd
- Polyglot Systems Limited
- Various Trusts

Most of these did not make very much money, some made a loss. Don't waste money creating the perfect company structure when you don't even know how well the company will do. Spend the minimum up front in creating a structure to work through, but don't work as a freelancer. It has to be a registered company, separate from yourself.

For ideas on company structures, look at <http://www.petercarruthers.com>

You need ...

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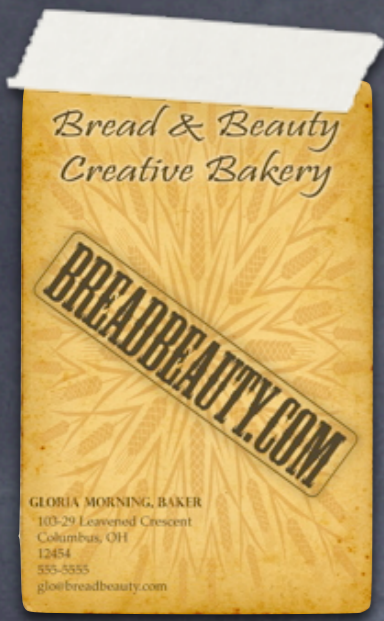
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Sales!

- No sales == no money == no business

SALES!!!

Without sales, you have nothing. You can be the best programmer in the world, but if you cannot sell yourself, you will have a mediocre job and an average salary for the rest of your life.

You cannot outsource sales to someone else. This is something **you** have to be willing to do. After I had been running for a few years, I hired a salesman to help me, but I had been selling everything myself up to then.

Sales is really important. Sales is not about twisting people's arms and making them give you money that they did not want to. It is not about squeezing maximum money out of your customers. I've tried that and you just lose business that way.

Sales is about a relationship between yourself and your customer, where you help each other to achieve goals.

Read Salesdogs by Blair Singer and Robert Kiyosaki.

Untie Your Shoelaces

- until you have sold something

My accountant used to sell things. Every morning I would arrive at work with his shoelaces untied. He would only tie them once he had made his first sale. In every business, we should focus on selling far more than we focus on product.

I have written several courses that I never sold. Nowadays, I first sell a few courses before I write them.

Marketing

- 12 months until harvest

- Market in good and bad times

One of the mysteries of marketing is that most of the time, you cannot see the fruits of your labour for many months to come. For example, I had dinner with a bunch of speakers from a Java conference in Barcelona in 2007. Last week he organised a great contract for me in London. Marketing always pays off long term, not short term. If you see that your business is becoming slower, then you probably skimmed on marketing about a year ago. If you then start getting active in marketing again, you can only expect to see results next year.

Thus, when things go well, don't rest on your laurels. When things go poorly, recognise that you didn't do your job 12 months ago and work harder at marketing for the future.

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Accounting 101

- Cash in Bank is #1

- Accountants reduce profit

A controller for one of the largest breweries in the world once told me a story, where the CEO spoke to the financial department and told them: "All I care about is how much cash we have in the bank. The job of accountants is to make profit less."

Lack of cash is why most companies go bankrupt. A customer might not pay fast enough. I have had customers take more than 6 months to pay. Some of these invoices are for large amounts. If you have lots of running expenses (employees, phone contracts, interest payments, rent), this can kill you really fast.

Another way you can go broke is to expand too quickly. You make €30.000 and spend €5.000 on purchasing office equipment and €21.000 computers. The first year you can deduct €1000 for office equipment depreciation and €7000 for computer depreciation. Officially, you have made a profit of €22.000, but you only have €4.000 left in the bank. Now you have to pay taxes of 25% on the €22.000, which comes to €5.500, which is more than you have in cash.

Cash is king!

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Debt

- Interest payments tax deductible
- Buy bigger car, faster computer?

It seems like a good idea to make debt as a business, because you can deduct the interest payments from your profit. So you might be tempted to buy a faster computer, bigger car, because you can write it off as a business.

Debt Trap

- Interest steals money
- Tax deduction is irrelevant
- Rather buy for cash

Expanding too quickly leads to shortage of cash. Grow slowly.

Debt is very deceptive. It is tempting to buy things on credit, because we get instant gratification.

Buy with cash, but expand slowly.

Capital

- Software development company € 1.000
- Restaurant Corfu € 130.000
- Injection moulding factory € 2.000.000

Software Developers can literally start a new company with just their brains as a deposit. For € 1.000, you get a company set up, a small computer, hired web space and off you go.

Mark Shuttleworth

- Started in his father's garage
- Borrowed internet connection
- Sold company for \$600.000.000

Mark Shuttleworth is a young South African entrepreneur who started Thawte Consulting, doing internet security. Started with nothing but his brains, worked hard, hired clever people and in the end sold it for more money than he could ever hope to spend.

He has now taken some of his millions to develop Ubuntu, the first version of Linux that in my opinion has a chance of going mainstream.

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Alternative: London

- Work as programmer
- Tempting – low risk
- Economic boom is not guaranteed!

The "safe" option seems to be London. You earn 5x more than in Greece and your expenses are only 3x more. However, London has been in a great boom in the last few years. It looks like this is coming to an end.

Besides, the quality of life of London just is nowhere near Greece. For those of you who have not travelled with the "tube", this is a picture of when it is not too busy. During rush hour, people wait several layers deep just to squeeze onto the train. It stops without explanation, sometimes for twenty minutes at a time. There is no air conditioning and you are squeezed in like sardines. A thoroughly unpleasant experience to have every day.

But it seems like an attractive low risk option, because you can make a very comfortable living, but still be an employee.

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Greece Advantages

- Supportive family structure
- Lower cost of living
- Good infrastructure, people

A friend of mine had been working for a university for 18 months. Due to an administrative error, they had not managed to pay him yet. He knew that he would get paid eventually, it was just a matter of a person in one office carrying a piece of paper to a person in another office. When I asked him how he was surviving financially, he told me that his father was loaning him money.

In South Africa, this would be unthinkable. First of all, the family structure would not carry you for several years whilst you wait for your salary to come through. Secondly, people would never put up with not being paid for so long.

Cost of living is cheaper than in London, but probably more expensive than in Germany. It is about three times as expensive as in South Africa, which was a great shock when we first arrived. But it is still manageable, if you live humbly, don't go out too much, don't buy an expensive car, etc.

The infrastructure is fantastic in Greece. It took only 3 months to get an ADSL line installed. In South Africa it took 3 years to get a line! Even in a village of Crete, I am getting more than 10mbit/s to my house. There is (obviously) no limit on the amount you can upload or download. In South Africa, you are limited to 3GB per month. This limit has been in place since 2002, despite the change in internet usage. From the Telkom.co.za website (2008.11.22): "For our high volume users we also offer Standard, Premium and Advanced bundles with 2, 3 or 4 GB ADSL Usage caps." and

Programmers are good and affordable, giving excellent value for money.



No fear!

Thank you for listening to me.

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Please contact me via my enquiry page on my website above, should you have any questions about the topics of my talk.