



The “Business” of Freelancing

By Rob Cruz

Freelance translators and interpreters need to start thinking of themselves as business owners as well as professional language service providers. Many times, however, translators and interpreters only consider themselves business owners when they operate an agency or employ other individuals. As a result, freelancers can find themselves in a competitive business environment without having learned the proper mindset to be as successful as possible. As you will learn from this article, thinking like a business owner requires skills that are quite separate from those necessary to translate or interpret.

First, the owner of any company should place the interests of the business above everything else. This can be difficult, however, when the business owner also serves as the com

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pany’s sole employee, responsible for all the translation or interpreting. It is in these situations that the rules of business can get blurred or may not even get defined. It is imperative that we recognize that as freelance translators or interpreters, we still must discipline ourselves to behave as a small business and to attend to the details of daily operation.

The Need for a Plan

There are certain fundamental principles of small businesses that can and should be applied for practical, economic, and legal reasons, even by freelancers. These principles can be woven together into what is commonly referred to as a business plan. Many believe a business plan is reserved for larger entities or different types of businesses that require such plans in order to secure financing or capital. In

my experience, successful businesses of any size, even those with “single operators,” usually have some type of concrete plan. It is precisely while creating this plan that one begins to develop the insight crucial to

every business takes time to “ramp-up” to peak cash flow. Truly analyzing this issue will allow for a projection of just how the “ends” will meet. Everyone’s situation is different, but the conclusions reached

successful small-business owners. For instance, the interests of these different “departments” may be at odds with those of the “talent.” The successful business owner will know the proper hat to wear for every decision. Although at times it is a tough lesson to learn, the “talent” should not make all the decisions. Certain decisions should be made through the eyes of the owner, not the individual rendering the services.

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becoming an effective business owner.

Some of the topics discussed in this article should be a part of every business plan, but remember that a plan need not be lengthy or complicated. It is simply where questions that are critical to the viability of your endeavor are posed and answered.

Is This the Right Type of Venture for Me?

This is usually viewed as a financial question, but it also has several other implications. From a financial standpoint, it is imperative that one’s immediate and long-term income needs be compared to the forecasted revenue that can and will be generated. For example, the first thing I did when contemplating the field of judiciary interpreting was to determine the supply and demand of court interpreters within my own market and to examine the other possible revenue streams associated with the profession based on my qualifications. I then compared that forecasted possible revenue to my long-term income needs, weighing my immediate income needs against the fact that

will help with the decision of how best to develop the business to be as profitable as possible. Be mindful that a lack of immediate profitability or positive cash flow need not be a deterrent. In certain circumstances, such as when equipment must be bought for a particular project or when a significant period of time will pass before invoicing is completed and collected, instruments like a line of credit or a purchase order loan can be obtained from financial institutions. Such issues can be discussed with an accountant or banker.

Apart from financial viability, it is important to know what other skills will be needed to build the business, especially since one must wear many hats. Usually, single operators also find themselves functioning as the sales, marketing, accounting, human resources, legal, and collections departments, in addition to doing the actual work (what I call functioning as the “talented professional,” or just the “talent” for short). Giving serious thought to the nature of the business we are creating allows us to examine the characteristics required of suc-

How Should I Organize My Business?

Creating a business entity is often referred to as “organizing,” since one must choose what type of organization that entity will be. All individuals who work as a subcontractor should consider organizing themselves as a corporation (usually a Subchapter S), a limited liability corporation, or a limited partnership. When one operates simply as a subcontractor, the Internal Revenue Service considers it a sole proprietorship. Sole proprietorships offer no legal separation between the business and the individual. In matters of liability, this places every personal asset at risk for legal remedy should something unforeseen happen through some type of litigation. The cost of organizing can range between \$500 and \$1,500 for a basic entity, and do-it-yourself websites such as Legalzoom.com or Legalresourceonline.com offer this service for under \$200. Everyone is urged to either talk to a lawyer, an accountant, or otherwise carry out extensive research to determine which structure best meets his or her needs.

Will I Need Licenses or Permits?

Apart from any possible professional licensing by individual states or trade organizations, every business, including sole proprietorships, ➡

must have a business license. The rules will vary according to the jurisdiction. A business license is usually required by the county and by the city when one operates within the city's limits. The cost is typically nominal, but it will vary. Some municipalities also require an occupational license or permit. This is done to regulate the types of commercial and home businesses that can operate within the city's limits and to comply with zoning laws where applicable.

How Will the Business Affect My Taxes?

It is highly recommended that everyone use an accountant's services to answer questions related to taxes. It is worth mentioning that Subchapter S Corporations, limited liability corporations, and partnerships usually file taxes on an attachment to an individual taxpayer's form, and therefore benefit from the lower individual tax rates. Again, you will need to consult with an accountant.

The other tax issue is whether or not to pay the “talent” as an employee or as a contractor. Although it is not a business's choice but the nature of the work that ultimately determines this, our profession lends itself to this option. In most cases, the benefits to the business of considering the “talent” as a contractor far outweigh the benefits of being an employee. However, this option should also be discussed with an accountant.

Although the above questions should be addressed in every plan, there are many other questions that the business plan can address, and they will vary with every individual situation. Some examples of questions to ask include:

- What financial institution will be used and what types of accounts will be needed?
- Will office space be needed?
- Will location be important?
- Will startup capital be needed?

Additionally, there are several concepts and factors that can be problematic for the fledgling business owner in

impact margins can be fixed expenses such as rent, telephone service, and Internet access, or variable like payments to contractors or purchases of software or equipment for a particular project. Revenue, income, and profit margin are all different concepts that are interconnected, but are not interchangeable. Translation and interpreting businesses have the potential

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general and for translation and interpreting services in particular. The following may also prove helpful.

Understand the Concept of Profit Margin

Profit margin is an indicator of a company's pricing policies and its ability to control costs. Because translators and interpreters in essence are charging for time, either by the hour or by the word, it is easy to forget to perform this elemental business task. To calculate profit margin, first subtract expenses from revenue (sales) to determine net income. That number is then divided by the revenue. It is expressed as a percentage using the simple formula:

$$PM = \text{Net Income} / \text{Revenue}$$

This calculation can be done for individual projects as well as for the business as a whole on a monthly or quarterly basis. Things that can

for a very high profit margin in comparison to other industries that often operate with margin percentages in the single digits. Knowing this measure allows for concessions that can be chalked up as a marketing or public relations expense in high margin situations. This measure can also help to determine whether the project, contract, or client is really worth having. It is a fundamental metric that should play a role in practically all decisions. For more information, see the entry on Wikipedia at http://en.wikipedia.org/wiki/Profit_margin.

Productivity is Key

As simple and basic as this may sound, time management is quite often one of the greatest obstacles to a successful business. When one is charging for time, nothing can be more important than managing that time wisely. Successful planning and forecasting of a project's duration allow for maxi-

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ATA Business Practices Education Committee Business Smarts Online

www.atanet.org/business_practices/index.php
(Compilation of the popular column in
The ATA Chronicle)

Business.gov

www.business.gov
(Official business link to the U.S. government
managed by the Small Business Administration)

BusinessWeek Small Business News

www.businessweek.com/smallbiz

BusinessWeek BizCenter Small Business Tools

<http://bw.smartonline.com/syndication/marketing.do?method=biztools>

Déjà Vu

www.atril.com

Do-it-yourself Legal Sites

Legalzoom.com
Legalresourceonline.com

Inc.com

www.inc.com/resources/solo
(Daily resource for entrepreneurs)

Internal Revenue Service

www.irs.gov

IRS Publication 1779 "Contractor or Employee"

www.irs.gov/pub/irs-pdf/p1779.pdf

Microsoft Money

<http://www.microsoft.com/money/default.msp>

Profit Margins

http://en.wikipedia.org/wiki/Profit_margin

QuickBooks

<http://quickbooks.intuit.com>

Small Business Administration

www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/serv_bp_markanal.html

Trados

www.translationzone.com

mization of earnings and can both create and maintain a healthy profit margin. Utilization of basic technology can be one way to streamline the process. E-mail and calendar programs like Outlook or Lotus Notes can help with communication and schedule management. Blackberry devices, iPhones, or a Pocket PC can allow you

to check and answer e-mails remotely at any time. Simple accounting software such as Microsoft Money or a basic edition of QuickBooks can simplify your finances tremendously. All of these programs are relatively inexpensive and quite intuitive. With plenty of tutorial software and instructional books on the market from sources like

www.videoprofessor.com and www.dummies.com, learning how to use these tools should require no more than a basic understanding of a computer.

Additionally, sophisticated translation software like Déjà Vu or Trados, for instance, can truly maximize your efficiency and consistency throughout all of your projects. Keep in ➡

mind, however, that there will be a learning curve, and since these programs are not inexpensive, one should examine whether or not the type of work that is being done merits the investment of money and time. In any event, the key to productivity is time management and maximization.

protection, but for all practical purposes, contracts require litigation to be enforced. In an industry where time literally is money, these types of situations are time consuming and can take a bite out of productivity as well as the bottom line. One may be better served by borrowing common practices from

may not work in very competitive markets, and these strategies are not necessary in every case. Experience should teach when these types of preemptive tactics will be useful. No one wants to scare off the client with cumbersome prerequisites, but that should be balanced against one's billing history and delinquency rates.

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Whether one uses the tried and true Day Runner or the latest cutting-edge digital gadget, focusing on this concept is vital to any business's success.

Be Preemptive in Order to Avoid Collection Issues

Although payment delinquency is a fact of life in almost every industry, there are steps that one can take in our industry to head off possible problems. Entering into contracts with clients can offer some semblance of

other industries when requiring partial payment to begin large projects or when dealing with individuals rather than with companies. The concept of a retainer is one that can also be implemented. To use a retainer properly, one should bill the client once the billable services have reached approximately 70% of the retainer amount. In this way, should the bill not be paid, the retainer would cover the time already spent plus any billable services rendered after submitting the bill. This

You Are Responsible for Your Success

Although there is no one simple recipe for success in business, having a plan and understanding some basic concepts will greatly improve the odds. Always remember that whether you own a translation or interpreting agency or you are a freelancer working alone out of your home, you are a business owner. When making decisions, it is important to be informed about the fundamentals of the business as well to be flexible and patient in order to adapt to different situations. If possible, attend presentations or workshops like the one this article is based on that are interactive and teach basic business and entrepreneurial skills. It will be these skills that give us the proper mindset to be not just talented professionals, but also successful and savvy business owners.

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Scam Alert Websites

Federal Bureau of Investigation/ National White Collar Crime Center The Internet Crime Complaint Center www.ic3.gov	Security Fix Brian Krebs on Computer Security http://blog.washingtonpost.com/securityfix
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