

PHILADELPHIA BUSINESS JOURNAL



ENTERPRISE

From the June 3, 2005 print edition

Capital Concerns

His own business allowed him to take the helm of his own life

Larry Rulison

For Karl Schneider, starting his own technical staffing firm one year ago wasn't just about owning his own business. It was about taking back his life.

Schneider, who had been working as director of sales and operations for a large regional information-technology staffing firm, was working 12-hour days that included a long commute.

That type of work schedule didn't give Schneider much time to spend with his three young sons. Plus, nothing is ever all that secure, he reasoned, when you are working for someone else, especially in the cutthroat staffing industry, and he wanted to feel more secure. Although owning a business may scare some, Schneider didn't see it that way.

"It's always been a thought of mine to be self-employed," Schneider said. "The best way to be secure in life is to secure your own destiny. Good people make things happen."

So, in April 2004, Schneider started his own staffing firm, Thomas-Matthew Associates. The business is located in Newtown, just a mile and a half from his home. The name comes from the name of one of his sons and the name of a son of a partner who ended up backing out of the deal.

Instead of a workday that went from 7 a.m. to 7 p.m., Schneider can now leave the office when he needs to do things outside work that are most important to him, like coaching soccer and baseball for his sons, and serving as treasurer of the youth wrestling club for Council Rock.

"That's where the quality of life has been fantastic," Schneider said.

Luckily for Schneider, who just turned 40, he works in the professional services business, so the barriers to entry were not that high in terms of raising capital to get his business off the ground.

To start, Schneider just needed to rent office space and buy office and computer equipment.

Schneider took on all the risk himself. He took out a home equity loan on his house -- roughly \$60,000 -- to help fund operations while he was getting his business off the ground.

Schneider spent about \$30,000 of the loan during the four or five months that it took the business to turn cash-flow positive, and he didn't take a salary until after December.

While the home equity loan went just to pay for operations, he supported his family and his lifestyle on his savings.

Schneider also has a family member who has extended him a low-interest line of credit under \$100,000 to pay for the "float" -- or the payroll of the employees he hires for companies.

In the staffing business, the staffing company pays the hourly salaries of the people it finds for companies, but the staffing firm doesn't get paid by the company for a month or two, so the staffing firm needs to have a "float" of cash to fund the payroll.

Schneider turned to a family member because banks do not like aggressively lending to start-up firms like his own.

There is little risk involved for Schneider's family member who is lending him the money. The line of credit is secured by his receivables, which are the fees paid him by the companies that are using the workers he finds. Schneider makes money because the fees he collects from the companies are more than the wages he pays their workers, often IT workers making six-figure salaries.

The business has been doing great. Because of a non-compete agreement, Schneider couldn't tap any old clients. He had to establish his own client base by cold calling and networking, and that is why it took him nearly half a year to get money flowing into the business.

Schneider said the economy has also improved greatly and, for whatever reason, IT hiring picked up last fall after three years of stagnation. He had \$500,000 in revenue during his first year, and he is expecting to have \$2 million in revenue this year. He was able to recently hire his first full-time salesperson, and he would like to hire a second one in the fall if sales keep pace.

Schneider also has part-time help for administrative chores, and he outsources work such as accounting so he can focus on developing and nurturing clients, which is important because that's what Schneider does best.

"People believe in me," Schneider said. "They trust me. I'm consistent. I'm almost a methodical salesperson."

Schneider said he wants to grow the business, but he isn't going to go out and get more capital to do it. His plan is to grow organically, supported by increased revenue that he will reinvest back into the business.

"My goal is probably not to be that large but to be larger," he said.

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