

Self Employed Thinking vs. Business Owner Thinking

By Robert Kiyosaki



Each of us resides in at least one of the four quadrants of the CASHFLOW Quadrant.

Where we are is determined by where our main source of income comes from.

Many of us rely on pay cheques and are therefore employees, while others are self-employed.

Employees and self-employed individuals reside on the left side of the CASHFLOW Quadrant.

The right side of the CASHFLOW Quadrant is for individuals who receive their cash from businesses or investments they own.

My Rich Dad told me a simple story when I was 12 years old that has guided me to great wealth and financial freedom. It was Rich Dad's way of explaining the difference between the

left side of the CASHFLOW Quadrant, the "E" and "S" quadrants, from the right side of the "B" and "I" quadrants.

It goes:

"Once upon a time there was this quaint little village. It was a great place to live except for one problem. The village had no water unless it rained. To solve this problem once and for all, the village elders decided to put out to bid the contract to have water delivered to the village on a daily basis. Two people volunteered to take on the task and the elders awarded the contract to both of them. They felt that a little competition would keep prices low and ensure a back-up supply of water.

Self Employed Thinking

The first of the two people who won the contract, Ed, immediately ran out, bought two galvanised steel buckets and began running back and forth along the trail to the lake which was a mile away. He immediately began making money as he laboured morning to dusk hauling water from the lake with his two buckets. He would empty them into the large concrete holding tank the village had built. Each morning he had to get up before the rest of the village awoke to make sure there was enough water for the village when it wanted it. It was hard work, but he was very happy to be making money and for having one of the two exclusive contracts for this business.

Business Owner Thinking

The second winning contractor, Bill, disappeared for a while. He was not seen for months, which made Ed very happy since he had no competition. Ed was making all the money.

Instead of buying two buckets to compete with Ed, Bill had written a business plan, created a corporation, found four investors, employed a president to do the work and returned

six months later with a construction crew.

Within a year his team had built a large volume stainless steel pipeline, which connected the village to the lake.

At the grand opening celebration, Bill announced that his water was cleaner than Ed's water.

Bill knew that there had been complaints about dirt in Ed's water.

Bill also announced that he could supply the village with water 24 hours a day, 7 days a week.

Ed could only deliver water on the weekdays... he did not work on weekends.

Then Bill announced that he would charge 75% less than Ed did for this higher quality and more reliable source of water.

The village cheered and ran immediately for the faucet at the end of Bill's pipeline.

In order to compete, Ed immediately lowered his rates by 75%, bought two more buckets, added covers to his buckets and began hauling four buckets each trip.

In order to provide better service, he hired his two sons to give him a hand for the night shift and on weekends.

When his boys went off to college, he said to them, "Hurry back because someday this business will belong to you."

For some reason, after college, his two sons never returned.

Eventually Ed had employees and union problems.

The union was demanding higher wages, better benefits and wanted its members to only haul one bucket at a time.

Bill, on the other hand, realised that if this village needed water then other villages must need water too.

He rewrote his business plan and went off to sell his high speed, high volume,

and low cost and clean water delivery system to villages throughout the world.

He only makes a penny per bucket of water delivered, but he delivers billions of buckets of water, and all that money pours into his bank account.

Bill had developed a pipeline to deliver money to himself as well as water to the villages.

Bill lived happily ever after and

Ed worked hard for the rest of his life and had financial problems forever after.

The end

That story about Bill and Ed has guided me for years.

It has assisted me in my life's decision making process.

I often ask myself,

"Am I building a pipeline or hauling buckets?"

"Am I working hard or am I working smart?"

And the answers to those questions have made me financially free.

The CASHFLOW Quadrant is about the four different types of people who make up the world of business, who they are and what makes individuals in each quadrant unique.

It will help you define where you are in the Quadrant today and help you chart a course for where you want to be in the future as you choose your own path to financial freedom.

While financial freedom can be found in all four of the quadrants, the skills of a "B" or "I" will help you reach your financial goals more quickly.

A successful "E" should also become a successful "I".