

SELF-EMPLOYMENT ENTERPRISES (SMALL-BUSINESS)

INTRODUCTION

For many DVR consumers, self-employment is a viable option. The DVR counselor need not be an expert in small business development or in the intricacies of business administration. What is crucial to success, however, is willingness on the part of the counselor to coordinate closely with the consumer and all available resources. Adopting a proactive approach with clearly outlined steps in the process can lead to the consumer's joining the ranks of the successfully self-employed.

DEFINITIONS

Self-employment - Work done for a profit in an individual's own business, profession, or trade.

Home-Based Business - Enterprise based in and operated out of Consumer's residence, including contract work. This is considered self-employment.

Telecommuting - Work done out of Consumer's home for an employer. This should not be confused with self-employment.

SCOPE OF SERVICES

Self-employment, as one of several employment options for consumers, should be considered as early in the process as possible. It is imperative that the decision to explore self-employment be based upon:

- thorough preliminary exploration by the counselor and consumer;
- matching of the individual's skills and abilities to the local employment market.

Services provided by DVR when self-employment is the goal may include, but may not be limited to:

- training in the actual field;
- specific entrepreneurial training such as that offered by the SBA and SBDC;
- referral and coordination with all available resources;
- initial stock, supplies, tools, and equipment during the initial establishment period, which may not exceed 6 months;
- coordination and referral for small business loans;
- initial business licenses;

- startup marketing and accounting costs which may not exceed 6 months;
- site preparation;
- rehabilitation technology;
- independent appraisal of existing business or franchise.

All services provided in accordance with established current Department guidelines. Refer to appropriate Manual section.

GUIDELINES

DVR best practice precludes the following:

- Payment of franchise fees or purchase of existing business. This does not preclude the provision of other services for the business, including payment for independent appraisal.
- Businesses that are speculative in nature, such as investments in real estate, etc.
- Businesses organized as non-profit.
- Construction and/or purchase of real estate.
- Purchase of land.
- Refinancing of existing debt.
- Multiple businesses.
- Operating capital.

Other considerations:

- Any amount over \$10,000 (excluding assistive technology) must be approved by designee of Director of Program Services, and field administrator.
- DVR should not be used for on-going business expenses.
- Property modifications should not be provided for leased or rented property.
- All other applicable State and Federal laws, policies and procedures must be followed, including State purchasing laws and zoning regulations.
- If consumer plans to purchase an existing business or franchise, an independent appraisal is required before DVR makes a determination of services to be provided.

- Other funding sources may be available and are to be pursued before expenditure of DVR funds.
- In a partnership, all partners' contributions should be considered prior to determination of DVR sponsorship.

SELF-EMPLOYMENT REHABILITATION PROCESS

- Counselor will conduct a basic vocational assessment with self-employment as the tentative goal. Counselor will also fully inform the consumer of the process by reviewing the "Self-Employment Rehabilitation Process" form and obtaining the consumer's signature.
- Consumer shall obtain all required professional licenses and certifications prior to submission of a business plan.
- Counselor advises consumer that final selection of self-employment as the vocational goal will be contingent upon the consumer's completion and submission of an acceptable business plan.
- Counselor refers consumer to best available Small Business Development Center (SBDC) or Service Corps of Retired Executives (SCORE) for counseling, basic classes, and completion of a Business Plan. Follow agency guidelines on confidentiality when working directly with SCORE, SBA, and SBDC.
- Counselor refers consumers who are SSI/SSDI recipients to Social Security Work Incentive Liaison regarding impact of self-employment on benefits. Counselors should work closely with the DVR SSI/SSDI Coordinator.
- Counselor provides ongoing guidance during this process to ensure that each stage of the endeavor is successful. Upon completion of the above requirements, the counselor and consumer will complete the Individualized Plan for Employment (IPE) with self-employment as the final vocational goal.
- The completed unsigned IPE, Business Plan, criminal record check, consumer's resume, signed release, the entire case record, and if required, the independent appraisal, will be forwarded to the Self-Employment Committee for review and recommendations. Counselor should submit a cover letter addressed to the Self-Employment Committee that includes a brief description of the business venture, and counselor's support and/or reservations regarding the proposal.
- The Self-Employment Committee will evaluate the feasibility of the business plan and provide a written response on the Self-Employment Proposal Review Form. The specific planning, negotiation, and approval of expenditures is the decision and responsibility of the counselor and management staff as required under agency policy.
- In accordance with recommendations, the counselor and consumer should implement the IPE. The counselor will complete an Items Transfer Agreement (DVR-10) and Security Agreement (DVR-10-A) as appropriate.

I have been fully informed at the onset that my plan for self-employment and business plan must be reviewed and approved before they can be initiated.

Consumer Signature

Date

KEEP A COPY FOR YOUR RECORDS

COUNSELING GUIDE

A. Questions and Issues

It is critical for the counselor to put maximum effort into determining, before referral to workshops and counseling on self-employment, that the consumer has considered all the various aspects of self-employment. Discussion should focus on specific experiences and will provide a starting point for developing the Business Plan. The following are examples of questions that may be explored early in the counseling process with the consumer.

- Why have you selected this particular business?
- Does this occupation require you to complete a training program and/or obtain a license or certification?
- What experiences have you had in this or related areas of business?
- What has been your experience in dealing with the public? Do you enjoy meeting people?
- What is your experience in managing people, money, and time?
- Would you consider working for someone else as a training experience in this particular field before establishing your own business?
- Are you prepared to put in the extra effort and long hours which are required when establishing and operating a business?
- What income are you expecting initially from this business? What do you expect will be your annual income a year from now or five years from now? How will you meet your basic living expenses while establishing your business?
- What financial and other resources will be available to you in the operation of your business? Who would these people be and in what areas would you utilize such assistance? Would this assistance be paid or voluntary?
- What are the results of your investigation or research into this business? Have you assessed the potential market, the local competition, the cost and possible profits, the location possibilities of the business? Will you rent or purchase your business location or operate from your own home?
- Have you secured cost figures on the equipment or initial stock needed? Will you be renting or purchasing?

B. Self-Employment Survey - Consumer Success Indicators

There appear to be some personality traits that are the hallmark of a successful businessperson. Here is a list that has been gleaned from *Small Business Enterprises for Workers with Disabilities*:

A successful entrepreneur:

- has the total backing of his immediate family, spiritually and if possible materially
- is a risk taker
- exudes enthusiasm and endurance
- possesses the courage to withstand setbacks
- commits totally to his/her business, “eats, drinks, and plays with it”, works long hours and seems to thrive on it
- values his/her autonomy more than immediate financial gain
- is an optimist in that he/she believes his/her business will succeed, but a realist about the time and money required to realize his/her dream
- demonstrates conclusiveness-an ability to make prompt decisions with limited facts, deal decisively with personnel, financial, technical and other management problems
- is profit oriented
- is a leader and able to inspire the loyalty of others
- epitomizes marketing and sales skills
- judges people soundly from a business perspective
- deals successfully with reverses
- can either do his/her own accounting and manage the money side of the business, or has available competent accounting and cash flow assistance, complies with tax laws and regulations

THE BUSINESS PLAN

The counselor's responsibility is to review the Business Plan prior to developing the Work Plan. The consumer is responsible for generating the entire Business Plan, with assistance from recommended resources (SBA, SBDC, etc.)

The effective Business Plan should address the following topics:

Revised 3/2002

- The product or service
- The market (consumers)
- The industry (competitors)
- Marketing (distributing/pricing)
- Production costs
- Management
- Financing

The Business Plan should start with an Executive Summary, which concisely states key points. This should be written last, although it will be the first portion of the plan the readers sees.

The product or service being offered should be described, including any aspects that make this product or service unique (and therefore marketable).

A realistic assessment of available consumers should be included. Facts about local demographics and market research should be presented to support the estimate of potential consumers.

Competitors already in operation, and planning to establish territories in the local area, should be addressed. The plan should state why this business would be preferred over the competitors.

A plan for marketing should be presented, including schedule, cost/benefit analysis, and alternatives.

Cost of production must be addressed. This includes facility, supplies, salaries, license(s), taxes, insurance, shipping, transportation, and utilities.

The management section should present all persons involved in the business along with the credentials and experience which they will contribute and proposed work schedules and responsibilities.

The finance section should show equity/debt structure. If a loan is taken, it should include a schedule for repayment. Anticipated return on investment should be realistic (any new business will take 1 to 3 years to begin turning a profit). It is important to remember that 90% of funding for small businesses comes from private sources (either investors or lenders.).

See resource section for guidance and information on writing a Business Plan. There is a Business Plan outline to be used in presentations in PowerPoint in Windows 95.

CASE FOLLOW-UP AND CLOSURE

A case should be closed when planned services are completed and the business shows definite signs of stability. Ideally, the revenues from the business venture should equal or exceed operating costs. The financial statement should show that the consumer is making enough money to cover long-term cost without external support. In most cases, this will require a minimum of one year in operation.

During the initial year of operation, the counselor should have quarterly meetings (preferably on-site) that include discussion of adequate cash flow, and monthly telephone contacts with the consumer. The department may review record keeping systems until the case is closed or until liens on any department equipment expire. Referral to appropriate guidance services, such as SCORE or SBDC should be made if signs of instability in the business venture surface.

The counselor will make arrangements for the retrieval of items no longer being used in the business by the consumer. Refer to the Items Transfer Agreement (DVR-10) for life expectancy of the item(s). Reassignment will be made as appropriate.

Small business enterprise owners who receive DVR assistance will be monitored yearly for a five-year period after closure. These yearly reviews will include the following questions:

Is your business still in operation?

If **no...**

- ...Why did business close, i.e. death, illness, business too demanding, tax problems, other financial problems, competitors, unforeseen market factors, etc.?
- ...Are you working in competitive employment?
- ...Is there retrievable equipment for DVR?

If **yes...**

- ...Has the business started turning a profit?
- ...Have you started drawing a salary?
- ...Have you expanded the business or planned for expansion?
- ...What changes has the business experienced in the past year?

What assistance in planning, developing and starting your business...

- ...Was it helpful and did it adequately prepare you to run a business?
- ...Was it not helpful?
- ...Do you wish you had received, based on your experience this past year?

RESOURCES

- Business section of local newspaper which provides information about workshops, etc.
- Carl D. Perkins Comprehensive Rehabilitation Center
- Chambers of Commerce
- Colleges, universities, junior colleges
- Libraries - trade association information, books, magazines, newspaper articles, marketing information
- Mentors
- Small Business Administrations
 - Workshops - at a minimal cost
 - Service Corps of Retired Executives (SCORE) - counseling is free
- Small Business Development Centers
- Small business resource and information centers
- Web sites

Business Environmental Assistance Program (BEAP)

University of Kentucky
227 C.M. Gatton Business & Economics Bldg.
Lexington, KY 40506-0034
(606) 257-1131/FAX: (606) 323-1907

Suggested publications: Check with bookstore chains, who offer assistance to locate and order books by phone and on the Internet.

- *Guide to Writing a High-Impact Business Plan* by James B. Arkebauer
- *The Home Office and Small Business Answer Book* by Janet Attard
- *Finding Money, The Small Business Guide to Financing* by Tom Harnish & Kate Lister
- *The Guerilla Marketing Handbook* by Jay Conrad Levinson and Seth Godin
- *The Legal Guide for Starting and Running a Small Business* by Fred Steingold

Recommended by the SBDC, Lexington:

- *Checklist for Going Into Business* prepared by members of SCORE
- *Entrepreneurial Start-up Guides* published by Entrepreneurial Magazine
- *SBA Business Development Publications*
- *How to Access the Federal Government on the Internet* by Bruce Maxwell
- *Small Business Profiles: A Guide to Today's Top Opportunities for Entrepreneurship* edited by Suzanne Bourgin.
- *Financial Management Techniques for Small Business* Oasis Press, 1995
- *Start Your Business: A Beginner's Guide* Oasis Press, 1993
- *How to Build a Successful One Person Business* by Veltisezar B. Bautista
- *Starting a Limited Liability Company* by Shankman et al.
- *Starting and Operating a Business in Kentucky: A Step by Step Guide* by Jenkins et al.
- *Starting on a Shoestring: Building a Business Without a Bankroll* by Arnold Goldstein
- *The Start-up Guide: A One Year Plan for Entrepreneurs* by David Bangs, Jr.
- *Writing Business Plans That Get Results: A Step by Step Guide* by Michael O'Donnell
- *101 Best Small Businesses for Women* by Priscilla Y. Huff

INTERNET RESOURCES FOR SMALL BUSINESS

These sites are suggested as a starting point to locate resources and information on Self-Employment Enterprises.

NOTICE: The Internet is a wide open market, and there are numerous web sites that are there solely for sales of services and goods. **Use extreme caution in providing personal information.**

General Business Applications

www.hoaa.com SoHo Central Home Office Resources - SoHo is an acronym, which stands for Small office/Home office, and SoHo Central is the office World Wide Web address of the Home Office Association of America. This site is for full-time home-based professionals, telecommuters, and the millions who use a home office.

www.webcom.com:80/seaquest/sbrc/reports.html Small Business Resource Center Free Reports - This site is full of useful, free information for entrepreneurs. The reports are quite

complete, but they have added a section at the end of each report listing additional materials available for ordering through the Small Business Research Center if more information is required.

www.yahoo.com/Business_and_Economy/Small_Business_Information/ - Yahoo! - Business and Economy: Small Business Information - Directories and reports on many business topics.

www.sba.gov - Small Business Administration Home Page - *Highly recommended*. This serves as an introduction to the SBA. There are links to SAB Resources by region and state as well as information on starting, financing or expanding your business, including the SCORE on-line counseling center.

www.nebs.com/ - NEBS Resource Center - NEBS is a site to purchase office supplies, but also has some very good articles and business tips.

www.lib.umich.edu/libhome/documents.center/federal.html - Federal Government Resources on the Web - This site has direct links to most government agencies.

www.business.gov/ - US Business Advisor - The US Business Advisor provides business with one-stop access to federal government information, services, and transactions. The goal is to made the relationship between business and government more productive.

www.irs.ustreas.gov/plain/ - Internal Revenue Service - This site presents the latest electronic publication as part of continuing efforts to provide broad and immediate access to IRS tax information and services.

www.workingsolo.com/ - Lists 1,200 business resources for those seeking self-employment.

www.businessfinance.com/index.htm - America's Business Funding Directory. Lists funding sources, includes free funding workbook and other business tools

www.smartbiz.com/ - How-to resources geared to help run a business

www.state.ky.us/ - Commonwealth of Kentucky Homepage, to make Kentucky resources easily accessible, including the Cabinet for Economic Development.

www.dol.gov/ - Information is available on all agencies under the US Dept. of Labor, including such topics as Small Business Regulatory Compliance Assistance.

Patents/Copyrights/Licensing

patent.womplex.ibm.com/ - IBM Patent Server Home Page - This IBM patent server accesses over 26 years of U.S. Patent & Trademark Office (USPTO) patent descriptions as well as the last 23 years of images. Search, retrieve and study over two million patents.

Lcweb.loc.gov/copyright - United States Copyright Office - U.S. Copyright Office general information and publications.

www.uspto.gov/ - US Patent and Trademark Office. Information such as current announcements, press releases, PTO information contact, basic facts about patents are available at this site.

http://www.greatinfo.com/business_cntr/bus_res.html - The Information Center's Business Resource Center has information on patents, copyrights, NAFTA, etc.

http://www.yahoo.com/ - Once you are at the site, choose "**Business**", then "**Intellectual Property**".

http://www.excite.com - Once you are at the site, choose "**NetDirectory**", then "**Business**", then "**Patents and Intellectual Property**".

www.sos.state.ky.us/onestop.html - One-Stop Business Licensing. This site is intended to identify the state licenses a new business will need in Kentucky. The aim is to enable new business owner to understand the state's licensing requirements and expedite tracking down licenses.

Market Research

www.louisville.edu/cbpa/kpr/ - Kentucky Population Research - Demographics are available at this site as well as demographics of the US.

www.census.gov/ - US Census Bureau, a source for social, demographic, and economic information

http://www.worldopinion.com/ - Market research web site. Learn about this topic and check out resources.