

Small business and self-employment

Small businesses are a significant component of the economy and can provide gainful opportunities for employment of people with disabilities. Self-employment is a legitimate vocational rehabilitation (VR) objective.

Self-employment or small business entrepreneurship may be appropriate for a client when he or she has experience operating a business; when he or she requires a work setting or schedule under his or her own control; when the client has a marketable business idea with sound prospects for success; or when the competitive labor market is tight and placement is otherwise unlikely.

If a client is interested in such an employment opportunity, the following steps are required:

- Assess the client's business potential. Assessments may include vocational and psychological testing. Informal assessments include observations of the client's planning skills, ability to formulate a marketing and business plan, degree of enthusiasm, initiative and the ability to meet deadlines.
- Develop the business idea, explore its feasibility, and conduct a market analysis. The client should be responsible for the majority of this work, but should have resources to assist with the development, such as information from the counselor, the Small Business Administration, a business development consultant, a market analysis expert, etc. The client should research the market to determine the need for the business and who the customers would be. Counselors may also use this step to assess the client's initiative and commitment by expecting him or her to perform many of these steps with minimum guidance. Such initiative is a key characteristic of successful entrepreneurs. If the counselor does not feel the individual is performing these steps as expected, it should be discussed with the client.
- The client obtains needed education or training. The client is expected to be knowledgeable about the product or service being offered and all aspects of running a business such as personnel, management, bookkeeping and marketing. Attending seminars, participating in training courses, or working in another business are some of the ways this step can be accomplished.
- The client obtains technical assistance for every aspect of the business, such as funding sources, loans, tax information, licensing, use of attorneys, inventory, and insurance. Sources of technical assistance include similar businesses, industry associations, chambers of commerce, banks, economic development programs, community colleges or universities and the Small Business Administration (SBA).
- A business plan is developed. Development of a comprehensive small business plan is an essential step for prospective small business owners or entrepreneurs, and is an integral part of an Individualized Plan for Employment (IPE) that has a small business or entrepreneurial vocational objective. Adequate time must be allowed for

development of the plan and consultation with available business development resources. The plan is used as a basis of evaluating the request for funding from VR and other sources. Significant points that should be included in a business plan are the following:

- Description of the proposed business
 - Market analysis (including proprietary features of the products of services and target customers)
 - Marketing plan (advertising and promotion)
 - Financial plan (breakeven analysis, cash flow analysis, balance sheet, plan for bookkeeping, identification of loans and financial assistance)
 - Operating budget
 - Analysis of needs for initial inventory or equipment
 - Legal issues, such as zoning or licenses
 - Analysis of possible risks and competition from similar existing businesses
 - Implementation schedule
- Explore and apply for resources available from other sources. Financial participation in the costs of establishing a small business enterprise is required. If personal financial resources are not available, the plan must clearly state the investments of time and effort on the part of the client. The client should apply for funding from other sources, such as venture capital, banks, SBA, etc.
 - Agency reviews plan. The entire plan should be reviewed by one or more individuals knowledgeable about the proposed business, the geographic and market areas, and small business operation. The projected income should be adequate to make a meaningful contribution to the client's self-sufficiency and there should be reasonable prospects for success of the business. Rehabilitation Services (RS) staff may seek assistance from business consultants in reviewing plans if appropriate.
 - Follow up should include a review of the business profit and loss statements by individuals who are qualified to judge such issues. This review should be done on a periodic basis until the case is closed.

IPEs with vocational objectives in small business or self-employment must define the point of stability at which time the 90-day employment period prior to case closure will begin. Considerations in defining stability may include:

- Implementation of the business plan to a specific step.
- Measurable income contributing to the client's self-sufficiency.
- The likelihood that no additional VR services will be needed.

(Reference: NIDRR #G0087C0228, Research and Training Center on Rural Rehabilitation Services, Montana University Affiliated Rural Institute on Disabilities, January 1996)