Rehabilitation Services For the Blind

Small Business Startup Resource Guide

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Introduction

To be self-employed means to own, manage, and operate a planned endeavor for profit or fee and is not considered to be an employee of another person, business, or organization.

A vocational goal of self-employment must reflect the individuals' interest and informed choice to the extent that those factors are consistent with the person's strengths, resources, priorities, concerns, abilities, and capabilities.

Self-employment is not for everyone and should not be based solely on such factors as inability to work for someone else, no employers exist within the geographic constraints of employment, or as compensatory strategy to deal with an inability to work as a usual and customary schedule.

This resource guide is designed to assist the **Counselor** in the provision of clear, comprehensive and **hands-on** vocational services to those clients for whom self-employment is a legitimate vocational rehabilitation outcome and to assist the **client** in making informed decisions regarding their vocational future.

COMPONENTS

Vocational rehabilitation services for individuals whose vocational goal is self-employment and involves a new start-up should address the following nine components:

1. An assessment of the individual's self-employment potential
2. Development of the business idea, with exploration of the potential market and potential for sales.
3. Assisting the client in obtaining needed education/training.
4. Obtaining technical assistance.
5. Development of the business plan.
6. Determine availability of resources for funds needed other than RSB.
7. Review of the business plan.
8. Purchases.
9. Monitor/follow-up and case closure.

Assessment of Business Potential

A decision as to whether or not to proceed with a plan of self-employment depends upon many things: assessment of basic business skills required of all business owners, evaluation of personal characteristics and traits required of the self-directed independent business owner, financial considerations, interests, abilities and capabilities needed, and a business idea that offers something new, better, a product or service that reaches an underserved market or new market or an integration of two or more of the above.

For people interested in idea of being their own boss, setting their own hours, or making lots of money is attractive. It is important to take a close look at whether they meet requirements and are ok with: longer hours, paying their own bills/taxes, doing their own supply orders, and their own marketing. For a useful self-evaluation tool see Appendix B for a pre-defined self-evaluation. Below are some traits to consider when making a decision on whether self-employment is right your client

Traits for Success:

- Basic Money Management Skills
    - Math skills and formal courses taken
    - Does client do their own checkbook
    - Does the client understand that they must pay business taxes
    - Accommodations needed to perform skills
- Self-Management/Time Management
    - Timeliness
    - Completion of tasks and can work long hours (ENERGY!!!)
    - Self-Directed and can prioritize tasks
    - Motivated to perform tasks they personally don't like
- Office Management
    - Organizational skills(Place everything and everything has its place)
    - Can operate office equipment and programs
- Marketing Mindset/Skills
    - Previous Marketing training
    - Are they known in the community
    - Interpersonal skills and enthusiasm for business
    - Sell the VRC on the idea
- Technical Skills
    - Education and Training in that area
    - Technical expertise that particular area
    - Previous Management/Supervisory Skills

Here are some of the more common reasons why some businesses do not become successful.

Common Reasons for Business Failure:

- Poor management practices

- Flawed sales and marketing ideas
- Poor location
- Lack of financing
- Inefficient or inappropriate technology

Additional Considerations:

- Is the client's family or significant others supportive of a self-employment plan? And do they plan to participate in the work and recognize the sacrifices that may need to be made?

- Does the client have adequate financial resources (source of income) to meet his/her living expenses until the business can afford to pay them a level of salary or draw to meet those needs? Please see Form A at the end of the document for a Cost of Living Assessment tool designed to help determine how much income the client will need to meet their living expenses.

- Does the client have a source for health insurance until the business can provide that benefit?

- What is the client's financial goal for the business? How much income does the client want from this business, the first year, second, third, fourth, and fifth years?

- Can the client provide collateral for needed loans and can the client provide 25% of the total needed to start the business?

If the client is seriously deficient in one or more of these basic skills and receives no remedial training, then the odds of a small business succeeding are reduced.

The Business Idea

DEVELOPMENT OF THE BUSINESS IDEA

The next step is for the client to develop a business idea. A logical first step for the undecided is to list potential areas of personal background, education, special training, job experiences, special interests, hobbies, and experiences as a client when an existing product or service did not meet their needs that could be developed into a business.

The client should summarize the business idea to help clarify the business idea. The summary should answer the following questions:

- The product or service that you plan to provide incorporates at least one of the following elements, (circle the element or elements that your product or service incorporates) Something New, Something Better, An Under Served Market, A New Market, Increased Integration.

- Is your business a retail, service, manufacturing, or distribution business?

- What industry does your business belong to?

- What products or service do you sell?

- Whom do you see as your potential customers? (Describe them in terms of their demographic, biographic, and psychographic profile)

- Describe your basic overall marketing plan and sales strategy: (How do you plan on telling your specific customers about your product or service and then how do you plan to sell your product or service?)

- Whom do you see as your competitors and what are their strengths and weaknesses that you plan to capitalize on?

- List the advantages that your business has over your competition:

Technical Assistance

The next component is to assist the client in obtaining the technical assistance that will be needed to begin the formal process of developing and writing the business plan. This may be an excellent time to obtain a business consultant from such organizations as: Small Business Development Center (SBDC), Small Business Association (SBA), or the Service Core of Retired Executives (SCORE) Counselor.

The Resources for Missouri's Startups & Small Businesses within the Department of Economic Development can provide assistance with informational resources. The Missouri Secretary of State's Office can provide additional information regarding required licenses, permits, and regulations applicable to the particular type of business the client is interested in.

It is recommended that the counselor maintain a hands-on approach to assisting clients in arranging for technical business consultation. Resources for locating an appropriate business consultant can be located in Appendix E of this guide. There are many resources that can be very valuable for the business owner starting a new business.

It is recommended that once the business consultant is chosen that an initial meeting be held with the client, counselor and business consultant.

The Business Plan

This is the phase of writing the business plan. It is critical that client, business consultant, and counselor work as a team in this effort. This phase may last for several months. There is a positive correlation between the amount of time spent preparing a business plan and the likelihood that the plan will result in a successful business.

The business plan has several important functions:

1. It is a requirement if any attempt is made to borrow money for the business. Lenders will use the business plan to make judgments on ability of the business to repay a loan on time.

2. The business plan is the road map the business. It should inform the business owner of such things as who the customers are, what strategies will be used to inform potential customers about services. The business plan can be the yard stick by which to measure progress along the path to reaching the business goals.

3. The business plan is an opportunity to try out business ideas on paper to gauge their impact on the business risk free.

4. The business planning process is an excellent opportunity to better understand the business, market, and industry the business is in.

There are business plan outlines that are specific for retail sales businesses, manufacturing businesses, or small service firms. The Small Business Administration (SBA) offers different outlines depending on the type of business you have. All business plans do have elements in common. They are: Executive Summary, Company Description, Industry Analysis, Target Market, The Competition, Marketing Plan and Sales Strategy, Operations, Management and Organization and the Financials. The process of writing a business plan is a process of doing research and asking questions, it is a business process not a writing assignment. Most small business plans can be presented in about 20 pages in length and project 3 to 5 years in the future.

For an example of a business plan outline see Appendix C which contains common elements found in most business plan outlines.

Funding Resources

As part of the business plan start-up costs clients are required to contribute a minimum of 25% funding towards the start of their business. Client contributions must be reviewed and approved by the review committee. Please note that client cash reserves are not applicable towards the 25% client contribution.

Client contributions may include contributions such as (not all inclusive):

- Deposits (Security/Utility/Water/Other Hookups)
- Improvements/Remodeling/Fixtures/Signs
- Accounting, legal, insurance, marketing and management consultants
- Advertising and promotional activities.
- Vehicles/modifications
  - Disability related modifications may be provided as an accommodative service if applicable.
- Brochures/Pamphlets/Other Descriptive Material

In addition, there are many financing options for small businesses. The business consultant can be an excellent resource to identify options that are most appropriate. Some of the more common options are listed below:

- Personal Funds
- Equity financing such as: venture capital organizations, small business investment companies.
- Banks and non-bank lenders (credit unions).
- Commercial credit involving venders delivering goods and performing services before payment is received. This can be viewed as sellers providing an interest-free loan for 30 days to the buyer.
- Credit card, a personal or business credit card
- Small Business Administration (SBA) can guarantee small business loans made by a variety of lenders through several 7(a) loan programs. The business consultant and the nearest SBA district office can offer technical assistance.
- MicroLoan Program.

- Missouri United States Department of Agriculture (USDA) Rural Development offers a Business and Industry Loans program both a Direct loan program and guarantee loan program. The nearest area and/or local office can be found in the listing provided (Appendix E).

It is important to remember, most lenders will request that the borrower provide 20 to 30% of the total monies needed and loans need to be collateralized to protect the lender's money.

Please see the "Funding Small Business Startups" in Appendix A for information regarding purchases made under a vocational goal of self-employment.

Business Plan Approval Process

Considerations of Client

To write a business plan that demonstrates the following:

- The owner has the skills to operate the business and a track record of honesty and integrity in their business and personal lives.
- Will the business generate enough income to cover expenses, including loans from other sources.
- What is pledged as collateral to protect the lender in the event of default.
- That the business or the business owners have 25% of the total funds needed.
- Evidence that the economic conditions of the industry are healthy and growing.

Recommendation of the Business Consultant

The Business Consultant should be asked if he/she can submit a written reference to the financial soundness of the business plan and a reference to the obtainability of the sales projections.

Responsibility of the Counselor and District Supervisor

The counselor will work with the client to develop a loan-worthy business plan, ensuring that it contains the required information listed above.

To determine whether the District Supervisor and Counselor agree to support the plan, prior to submission to State Office for review the following should be considered:

- Is the plan complete (i.e. does it address all elements outlined in this guide, specifically the business plan outline in Appendix C and the financial forms outlined in Appendix D)?
- Check the math on the Source and Use of Funds. Have the client make needed corrections prior to sending to state office.
- Is the plan consistent with the Source and Use of Funds and other supporting documentation? If not, have this discussion with the client and ensure the client makes the needed corrections prior to sending to state office.
- Can the business be viable?
- Does a real market exist that is large enough to sustain the business?
- Is there too much competition already? Market Saturation?

- How does the financial picture look?
- Do the District Supervisor and Counselor fully endorse and support this plan as written?

Final Review of State Office

As part of the review process clients present their business plan to the small business review committee. The RSB counselor will also attend the presentation.

Purchases

Each business plan should contain a supporting document titled Source and Use of Funds that itemizes all start-up costs and designates the specific source of the funding for each item. RSB does not provide upfront cash directly to the client, rather RSB shall either purchase the items directly from the vendor or reimburse the client for prior authorized expenses that have been procured.

The supporting Source and Use of Funds includes the signatures of the client, Vocational Rehabilitation Counselor, District Supervisor, Assistant Deputy Director and the Deputy Director. The purpose of a signed agreement is to document the agreed upon breakdown of start-up costs and sources of funding. This form also serves to outline what costs the client is covering to ensure they are covering the minimum of 25% of total start-up costs.

Appendix A—Funding Small Business Start-ups

Start-up costs for small business is everything that the business requires to open for the first day of operations. Start-up costs that RSB may fund include:

- **Facilities** – initial rent.
- **Equipment** - furniture, production machines and equipment, computers and software, cash registers, telephones, vehicles
- **Materials/Supplies** - starting inventory, production materials and components, stationery/office and packing supplies,

As part of the business plan start-up costs clients are required to contribute a minimum of 25% funding towards the start of their business. Client contributions must be reviewed and approved by the review committee. Please note that client cash reserves are not applicable towards the 25% client contribution.

Client contributions may include contributions such as (not all inclusive):

- Deposits (Security/Utility/Water/Other Hookups)
- Improvements/Remodeling/Fixtures/Signs
- Accounting, legal, insurance, marketing and management consultants
- Advertising and promotional activities.
- Vehicles/modifications
    - Disability related modifications may be provided as an accommodative service if applicable.
- Brochures/Pamphlets/Other Descriptive Material

SSI/SSDI Beneficiaries – Per TAC 22-03, VR agencies may not require cost participation as a condition for the receipt of Vocational Rehabilitation services for clients who are SSI/SSDI beneficiaries. As such, the 25% client contribution is waived for these clients. However, there remains limitations on what RSB is able to provide. The Source and Use of Funds form lists several types of costs that RSB is not able to fund, but may be necessary for small business startup. The
Source of Funding for these items is defaulted to “Client Contribution” as RSB is not able to fund these items with the VR grant.

Approval for Funding Small Business Start-ups

Each business plan should contain a supporting document titled Source and Use of Funds that itemizes all start-up costs and designates the specific source of the funding for each item. Funding sources may include Rehabilitation Services for the Blind, client resources to document the minimum 25% of total necessary to open the first day of business.

As part of the review process clients present their business plan to the small business review committee. The client will be supported by their RSB counselor.

The supporting Source and Use of Funds includes the signatures of the client, Vocational Rehabilitation Counselor, District Supervisor, Assistant Deputy Director and the Deputy Director.   The serve the purpose of a signed agreement on what RSB will fund and that the client agrees to and has the minimum of 25% of total start-up costs to open for business on the first day of business.

Authorizations for Start-Up Costs

When submitting the **initial** authorization for purchase of any itemized start-up expense, please attach the approved small business plan cover sheet/executive summary and the Source and Use of Funds document.

Any additional authorization(s) for itemized start-up expenses should reference the item's location on the Source and Use of Funds document by category.

ALL authorizations for small business start-up costs should include the statement "Small Business Start-Up Costs" in the section titled "Special Instructions - Printed on Authorization".

Appendix B – Self-evaluation

Many times the idea of being a business owner is clouded by romanticism, and excitement and one overlooks the realities of running a business. Goods and supplies must be ordered, taxes must be paid, social security must be withheld, accounts must be maintained, bills must be paid, customer complaints must be dealt with, long hours must be maintained and the goods produced or services rendered must be marketed.

Review the following questions and honestly respond and then discuss these responses with your counselor. On this check list write a **Y** if you believe the statement describes you and an **N** if it does not.

- I have a strong desire to be my own boss. ________
- I like to make my own decisions and try my own ideas.________
- I have a head for figures and I can keep good records of how much money I'm making/losing. _______
- My personal/family situation is stable and I can devout all my energy on getting my business started. _________
- I have a good credit history, I have never been late on a payment or have any leans or bankruptcy in my credit history. _______
- I pay my debts on time. _________
- I have a savings account and can save money. _________
- I like to sell and think of ways to tell people about my product or service. _______
- I know what need is met with my product or service. _________
- I know my own business will require me to work 60 to 80 hours per week and I am physically capable of this. _______
- I have significant specialized skills and business abilities based on both my education and my experience. _______
- I get things done on time and plan ahead. ________
- I'm good at understanding another person's point of view. __________
- I know how to forecast sales and expenses and how to use this information. _________
- I know how to analyze financial information and how to use this information to make business decisions. ____________

- I know how to keep inventory records, record and report sales, withhold employee taxes, including federal, state, social security, unemployment, and workman's compensation. ___________

- I know about suppliers and how they can help me meet demands of my customers. ___ _____

- I know how to collect receivables without losing customers. ________

- I understand inventory control. ________

- I relate well to people. __________

  I enjoy making decisions and taking calculated risks. _________

- I set and follow schedules and stick to projects until done. _________

- I am flexible, adaptable and a good problem solver. __________

- I know how to plan and meet deadlines. __________

- I am persistent and determined to reach my goals. ___________

Answer these questions to better understand yourself. Know your strengths and limitations. Discuss these with your counselor and/or business consultant.

Appendix C—Business Plan Outline

BUSINESS PLAN OUTLINE

One Suggested Outline for a Small Business Plan

I. COVER SHEET

Name of the business, address of the business, and telephone number of the business.

II. TITLE PAGE

a. Name, address, and telephone number of the business.

b. Applicant's name, address and telephone number.

c. Name, address, and telephone number of any other principals of the business.

III. EXECUTIVE SUMMARY

This section should be a one to two page summary of the entire plan. It is best to write this section last. It is your concept of what the business will be now and may include what it will be five years from now. Write in one sentence "bullets" that start with a verb that itemize what you wish to accomplish in the first year, the second year and the third year. These objectives should be observable and measurable and within specific time frames. Objectives can include sales, production, market share or profit.

Write a brief summary of specific qualifications that you possess that make you suited to start, manage, and control the business you envision. You should describe your unique experiences, technical skills, mental/physical strengths that clearly identify your qualifications to be successful in this venture. Who will have the major operating duties in purchasing, sales, promotion, production, record keeping, payroll, budgeting, and any other significant areas specific to your business? Include a statement of loan needs and usage and whether the loan will be used for working capital, equipment purchase, or some other purpose. Other issues which should be addressed are:

a. Company description, type of business, location, and legal status.

b. Purpose of the business (the mission statement).

c. Stage of development, products or services, target markets.

d. Marketing and sales strategy, nature of your competition and competitive advantages and distinctions.

IV. BUSINESS DESCRIPTION

This section describes your business. Include such items as the type of business (retail, wholesale, service, manufacturing), status of the business (start-up, expansion, take-over), the legal structure of the business (sole proprietorship), location, When will or did your business open

Other relevant topics to include in your description are:

- Access:
  - What will be the hours of operation
  - Location and description of the plant.
  - Is the building leased or owned? If leased, state the terms.
  - Why this is the right location.
    - Do customers have ready access to your location?
    - Is it suitable to Ship and receive inventory?
    - Do local zoning laws allow your type of business?
    - What other types of businesses are in your area?
    - Do you have ready access to your customers?
- The company's mission, services or products development to date.
  - Provide a general product/service description. Any patents and licenses held.
  - What makes your product different
- Resume of your business background in
  - related work experiences, managerial experiences
  - Your formal/informal education which would have a bearing on your managerial ability.
  - Relative experiences, talents, interests, motivations, and skills that clearly identify you as qualified.
  - What will your salary be in years one, two, and three?
- Financial status
  - amount of funds sought

- basic use of funds,

V. MARKET ANALYSIS

This is an analysis of the current status of the industry in which your business resides. It is the basis of comparison for your business. State who your market is and the geographic area which you intend to get your business from. Describe your customers or your market in demographic, geographic, and lifestyle terms (May use The Lifestyle Market Analyst). What is the total population of the market area, age group of your particular market, and their median income? What is the total size of your market and what percent of that will you be able to capture? Are there any trends in your market? Is it increasing or declining? How will you price your product to make it profitable and be competitive?

Write a brief summary on how and why the product or service you will offer will be of enough benefit to your customers to make them want to buy from you.

You might wish to use comparables in this section as evidence that your business proposal can be profitable.

VI. COMPETITION

Identify your competition. From firsthand knowledge of your competitors strengths and weaknesses describe any advantage that your business has over them. Describe the similarities and the dissimilarities between your operation and the competitor's operation. Identify as nearly as possible the percent of the total market you expect to capture and exactly how you expect to capture it. Identify your method of selling your product (direct, through distributors, retail chains). Identify the costs.

VII. MARKETING AND SALES STRATEGY

This section should contain your plan to get your message about your product/service to your customer. Describe what it is about your product/service that will make customers buy from you, what about your product or service that makes people buy it. Describe your product or service in terms of its attributes such as: low price, high quality, after the sales service, reliability. Describe the marketing methods and vehicles you will use to carry the message, this may include your promotional scheme.

Use terms that describe your Customers outlined in the section on market analysis. Use the geographic, lifestyle terms that would make them buy your product or services.

VIII. MANAGEMENT

Management is critical to the success of any business. Provide an organizational chart with job duties and responsibilities. What is your staffing plan, including number of employees, salaries, fringe benefits, and training needs.

IX. FINANCIALS

This section shows the lender(s) the need for capitalization and your ability to repay it. It is critical that the information be consistent from form to form and be consistent with the narrative portion of the plan.

Sources and uses/applications of funds:

1. Identify the items to be purchased, the capital equipment list. Include current contract and supply estimates, installation costs, freight, and contingency costs.

2. Identify proposed sources of funds. Include the cash/equipment injection by the owner, proposed bank financing, any proposed funds/financing from other sources. List the intended use of all capital and terms of finance proposals.

3. For start-up business the most important financial forms that are generally required include:

   a. Cash flow with which shows the point at which sales exceed costs and you begin to make a profit.

   b. Sources and Use of Funds which shows where you will get financing for your business and how you will spend the money invested or lent.

4. Time frames your financial forms should cover:

   a. Cash flow for the first year by monthly projections and

   b. years two and three by quarterly projections.

Generally, investors want to see financial projections for three to five years in the future, and historical records of the past three to five years for currently operating businesses. Each lender may have somewhat different requirements for what financial forms they prefer and this is where your local Small Business Development Center or S.B.A. office is most helpful.

Appendix D—Financials

This section includes resources on recommended financial forms that may be required for any business plan as well as a form to help determine start-up cost for a business.

1. ***Feasibility Study*** – Prior to development of a business plan, a feasibility study is used to make a preliminary determination if your business will generate enough profit to meet your personal living expenses and/or your objectives. Feasibility studies are complex. The best resource for assistance with feasibility studies are Missouri's Small Business Development Centers.

2. ***Cash-flow Projections*** - For almost every business, cash-flow analysis is the single most important financial assessment. This is about how much money you have in the bank. How much money is going in and ***out*** of your business on a monthly basis. Cash-flow analysis is particularly important for seasonal businesses, businesses with large inventory, or those businesses that sell a lot of merchandise on credit. SCORE (Service Corps of Retired Executives) has a financial projections resource on their site to assist with these projections.

3. ***Start-up Costs*** - This form will assist you in determining how much money you will need to get your business idea up and running. A good resource for calculating start-up costs is the Small Business Administration's page on this topic.

4. ***RSB's Source and Use of Funds*** - This form allows others to see what you are going to do with the money you raise. What sources of money that you have and if you have contributed any of your own funds. This form is beneficial if you are seeking outside financing to apply for business expansion and not just offsetting operating deficits.

Appendix E—Resources

State of Missouri Resources

Business and Community Services 573-522-4173
Office of Equal Opportunity (573) 751-8130 or (877)259-2963
Women's Council (573) 751-0810

MISSOURI CHAMBER OF COMMERCE (573) 634-3511

US SMALL BUSINESS ADMINISTRATION (SBA) (800) 827-5722
https://www.sba.gov/
SBA District Office Kansas City (816) 426-4900
SBA District Office St. Louis (314) 539-6600

MISSOURI SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)
https://sbdc.missouri.edu/
Website with search filters for locations throughout the state:
https://sbdc.missouri.edu/locations/

NATIONAL SCORE (Service Corps of Retired Executives) OFFICE 800-634-0245
SCORE St. Louis (866) 726-7340
SCORE Kansas City (816) 235-6675
www.score.org

THE DISABLED BUSINESS PERSONS ASSOCIATION (619) 594-8805
disabledbusiness.org/

RURAL DEVELOPMENT

Missouri Agriculture and Small Business Development Authority (573) 751-2129
https://agriculture.mo.gov/abd/financial/masbda/

USDA Rural Development State Office
601 Business Loop 70 West
Parkade Center Suite 235
Columbia, MO 65203-2546
573-876-0976

Form A—Cost of Living Budget

COST OF LIVING BUDGET

(Based on average month - does not cover purchase of any new items except emergency replacements.)

Detailed Budget

Regular Monthly Payments
House payments (principal, interest, taxes, insurance) or rent $____________
Car payments (including insurance) Appliance, TV payments $____________
Home improvement loan payments $____________
Personal loan, credit card payments $____________
Health plan payments $____________
Life insurance premiums $____________
Other insurance premiums $____________
Savings/investments $____________
Total $____________

Household Operating Expense
Telephone Gas and electricity $____________
Water $____________
Other household expenses, repairs, maintenance $____________
Total $___________

PERSONAL EXPENSE
Clothing, cleaning, laundry $____________
Prescription medication $____________
Physicians, dentists $____________
Education $____________
Dues $____________
Gifts and contributions Travel $____________
Newspapers, magazines, books $____________
Auto upkeep and gas $____________
Spending money and allowances $____________
Miscellaneous $____________
Total $____________

Food Expense
Food - at home $____________
Food - away from home $____________
Total $____________

Budget Summary
Regular monthly payments $____________
Household operating expense $____________
Personal expense $____________
Food expense $____________
Monthly total expenses $____________