



Self-Employment Technical Assistance, Resources and Training

Self-Employment Q & A

Assistance and Assessment: Getting at the Heart of Small Business Feasibility

The big question in everyone's mind when someone suggests self-employment as a vocational option is, "Will the business be successful?" While there is almost universal agreement that this is a critical question, the literature on business feasibility testing is sparse. Fortune 500 companies have large research and development budgets to test new ideas, but these resources are not available to most prospective business owners, especially prospective business owners with disabilities.

Public funds from developmental disability services, mental health agencies, Vocational Rehabilitation (VR), Workforce Development, and/or Social Security are almost always used to fund business start-ups for a person with a disability.

Consequently, these funding agencies are anxious about risk and frequently call for a test or evaluation to predict success. Vocational testing can't always predict business success because it measures an individual's deficits, not the individual's dreams, desires, and determination. Still, the need for assessing business risk persists. Vocational counselors can predict success more accurately by analyzing the feasibility of a business concept, rather than relying on traditional vocational testing. Evaluate the business idea, not the person with disabilities. This fact sheet suggests some options for determining the feasibility of a business idea and assessing business risk for funding agencies that support individuals with disabilities.



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What are some of the typical questions that are asked when a person thinks about starting a business? Are these good indicators of whether a person with a disability will be successful?



Business feasibility for any potential business owner often begins with self-analysis. Many experts ask questions of the prospective business owner, such as:

- ◆ Are you self-motivated?
- ◆ Do you get along with people?
- ◆ Do you have a positive outlook?
- ◆ Do you enjoy making decisions?
- ◆ Are you competitive by nature?
- ◆ Do you practice self-control?
- ◆ Do you plan ahead?
- ◆ Do you get tasks done on time?
- ◆ Do you have high amounts of physical stamina and emotional energy?
- ◆ Can you work many hours every week?

All of these questions have some legitimacy for someone starting a business, but they can easily be used to screen out potential business owners with disabilities. These questions come from the folklore about entrepreneurs. Allegedly, an entrepreneur can do it all! They can single-handedly "fight off" customers with one hand while designing spreadsheets on the computer with the other! The person also must be able to make quick decisions, is in control, and never sleeps!

In reality, most people who own businesses are self-employed, but they are not entrepreneurs as characterized by the previous description. Self-employed people often do

work hard, take risks, and make decisions. However, most self-employed people rely on other people to compensate for skills or talents that they lack. People with significant disabilities are just as well equipped to run a small business as the next person, as long as they can rely on available and affordable supports.

Any feasibility study of a business design must include all forms of support. As the business idea evolves, paid supports such as accounting, sales, and marketing, must be figured into the price of the company's goods and services. A vocational counselor will save public resources by determining and creating appropriate supports for someone, instead of relying on personality testing, interest inventories, and other traditional vocational evaluations. The issue is support, not personality or readiness. If a person has a disability that does not even allow him/her to go into work everyday, he/she can still own a business if it generates income enough to hire someone who can go in everyday.



Can you compare the risk of supporting a person in becoming employed to other employment outcomes?



Most transition-aged youth and adults with significant disabilities face a life of poverty, isolation, and underemployment. Generally, their only employment option is "Plan A," day programs or high-turnover, entry level wage jobs. "Plan A" has resulted in an unemployment rate of approximately 80% for people with significant disabilities. Let's assume that a person with a disability draws down \$10,000 a year for special education services, followed by a sheltered workshop placement. Multiply that by 40 years for a total of \$400,000 spent for "Plan A" employment outcomes for one individual.

"Plan B" is self-employment. Imagine spending \$10,000 to purchase a franchise. Add another \$10,000 in job coaching services. This \$20,000 investment could lead to a conservative savings of \$380,000 over a lifetime. In an actual case example, a young man with Down syndrome and a family member who shares the income purchased just such a franchise, which cost only \$5,000. They operate the business on average two days a week. This business generated \$48,000 last year. The average financial investment for small business start-ups for people with disabilities is currently under \$5,000, not counting on-going support. Diverting only one-year's worth of day program funding to experiment with a business idea ("Plan B") is worth the risk.



Do you have any advice on how to test a business idea for its feasibility?



Rather than the questions asked earlier in this fact sheet, more relevant and cost effective questions to ask when refining a business idea might include the following.

- ◆ Does this business address a recognized need in the marketplace?
- ◆ Can this product or service be produced at a profit?
- ◆ Can this business compete with other similar businesses?
- ◆ Does this business match your dreams and goals?
- ◆ Are you really interested in owning this business?
- ◆ How much time can you invest in operating this business?
- ◆ How much money can you invest in this business?
- ◆ Do you have, or can you afford, the necessary business and personal supports required to run this enterprise?
- ◆ Do you have, or can you acquire, the skills necessary to perform the parts of the business you wish to perform?
- ◆ How will this business affect your family?



Do you have any advice on how to test a business idea for its feasibility?



One commonsense and low-cost technique for testing business ideas comes from Rosalie Sheehy-Cates, Executive Director of the Montana Community Development Corporation. Rosalie recommends simply: "Sell a few." Sell a few of your products and then assess the business idea. Selling a few items or services and having a short discussion with the customer provides crucial information. If no one buys, it might suggest there is no market for the product/service; it is overpriced; it is considered low quality; or it simply does not address a need. Some serious thought goes into the analysis, but the concept of selling an item before starting a company is logical and ecologically valid.

- ◆ What did buyers think of the product?
- ◆ Did they want more?

- ◆ Would they pay more for it?
- ◆ Should it be a different color or size?
- ◆ Can you deliver it?
- ◆ Is wholesale pricing available?
- ◆ Is it as good as other similar products or services?



Can the Internet be used to test a business idea?



The Internet provides one of the best, cheapest, and easiest ways of comparing business ideas. This includes seeing what others with similar ideas and businesses are doing as well as connecting with business owners across the globe. Not only are other existing businesses easy to find through a search engine (e.g. <http://www.yahoo.com/>), but their pricing, product line, terms of purchase and shipping, seasons of operation, advertising strategies, and other key business components are offered for the Internet researcher to see.

Another on-line resource is <http://www.zoomerang.com/>. This on-line survey service is free when used with small survey samples and has already helped several individuals poll their local communities to establish market demand. And local, state, and federal economic development assistance is available over the Internet. Local Small Business Development Centers are always listed, as are state Small Business Administration resources. A great site for finding government assistance for small business ideas and financing is <http://www.firstgov.com/> and is often the beginning point for determining available resources, regulations, and expertise.

Some important web sites for testing business ideas and getting a sense of feasibility by examining similar business plans, reading reports and research studies, checking regulations, finding financing, or other related topics are provided at the end of this fact sheet.



Do you have any other suggestions on how to test a business idea?



Another way of testing an idea is simply asking potential customers what they think. A short survey that asks a person's opinion, with no sales pitch, is an effective and inexpensive way to get advice and public opinion on a business idea. While large corporations spend millions of dollars on statistically correct surveys, most small businesses launch successfully by asking small samples of customers very simple questions.

For instance, a mobile dog wash may be of potential interest to boarding kennels, veterinarians, pet stores, and perhaps the Humane Society. Calling and/or making personal appointments to discuss their interest in the business is a terrific way of getting information on the potential demand, pricing, and grooming options. In addition, it may make sense to call citizens in the early evening. A phone survey approach to the retail mobile dog grooming might go as follows including identifying the demographic profile of a likely consumer.

- ◆ They own at least one dog.
- ◆ They have disposable income to afford the service.
- ◆ They do not have time to wash their own dog.
- ◆ They do not have children who earn their allowance washing the dog.

If there is a particular part of town where people who have these characteristics live, find their names in the phone book for phone numbers of people on those streets. Make a list to record their answers so that data can be shared with other advisors. While the same questions should be asked of everyone called, being conversational is a much better approach than a rote monotone interrogation. Call enough people that a pattern of responses begins to form. Chances are you will hear new ideas and have discussions that challenge the business idea, improve it, or spark a new idea. Follow these leads if they are promising. Rewrite or modify the questions to clarify the idea, if that's indicated.



Could you provide a sample script that could be used for testing a business idea through a phone survey?



Yes, let's use the example from the previous question regarding starting a mobile dog washing business. This is simply one hypothetical scenario. There is no one correct way to approach the survey. But do keep it simple, conversational, and friendly. The phone script might sound something like this:

"Good evening. I am developing a new business in town, and I am calling to get some advice. All I need is about three minutes of your time."

NOTE: Wait for acknowledgment. If the person is annoyed or busy, thank them and say good-bye. Otherwise, continue.

"I am considering starting a mobile dog grooming business. Customers will be able to make an appointment for their dog, and I will drive to their home and groom their dog in the rear of my van. My van is custom built and features a washing tub, hair dryers, pedicure equipment, a full line of dog grooming products and shampoos. I graduated from the "Belmont School of Dog Grooming" last year and am licensed by the state. Can you tell me if you would use this business or if you have friends or family who might use it?"

NOTE: Record response and follow up on questions they might have.

"How often do you suppose you (or your friends) might use this service?"

NOTE: Record response.

"Do you think you would use the basic washing service, or would you prefer the full-service grooming?"

NOTE: Write down people's responses. Again, pursue questions and comments in a friendly manner.

"What day(s) of the week and times do you think would work best for you and your friends?"

NOTE: Write down people's responses.

"I am thinking of charging \$11.00 for the basic grooming. Does that sound reasonable to you?"

NOTE: Write down people's responses. They may or may not agree with you. Do not argue about pricing. Collect the information and make decisions later. At this point more questions may be appropriate, but the three minutes is up. Move on and say good-night, unless the person continues to be enthusiastic.

SUMMARY

There are many ways to test a business idea, but there are no sure things in this world. In the end, the owner needs to enjoy the work. Adequate and sometimes creative supports will be neces-

sary and changing or modifying the business model to attract and retain customers is probable.

ADDITIONAL RESOURCES

- ◆ USA.Gov -- <http://www.usa.gov/>
- ◆ U.S. Small Business Administration -- <http://www.sba.gov/>
- ◆ Association of Small Business Development Centers -- <http://www.asbdc-us.org/>
- ◆ On-line Women's Business Center -- <http://www.onlinewbc.gov/>
- ◆ National Association of Women Business Owners -- <http://www.nawbo.org/>
- ◆ Office of Women's Business Ownership -- <http://tinyurl.com/ypuxfj>
- ◆ Entrepreneur.com -- <http://www.entrepreneur.com/>
- ◆ Inc Magazine -- <http://www.inc.com/>
- ◆ U.S. Dept. of Agriculture -- <http://www.usda.gov>
- ◆ Senior Corps of Retired Executives (SCORE) -- <http://www.score.org/index.html>
- ◆ The University of Montana Rural Institute -- <http://ruralinstitute.umt.edu/>
- ◆ Rural Institute Pass Plans On-line -- <http://www.passplan.org/>
- ◆ U.S. Department of Labor -- <http://www.dol.gov/>
- ◆ U.S. Department. of Education -- <http://www.ed.gov/>
- ◆ Job Accommodation Network -- <http://www.jan.wvu.edu/>
- ◆ START-UP/USA -- <http://www.start-up-usa.biz/>
- ◆ The Abilities Fund -- <http://www.abilitiesfund.org/>

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