

expenses, cash flow and balance sheet series.

This is hard because you are dealing with future unknowns, but it is an essential step in securing financing. Also, it will serve as a benchmark of your success as your new business unfolds. “I said I would be here. I am here.”

The better the job you do in your upfront planning and analysis, the less risk you will be assuming when you launch your new business. Look before you leap!

### The Role of the Executive Service Corps

The Executive Service Corps is a non-profit agency with highly skilled volunteer consultants, mainly retired, whose experience is in the corporate sector. ESC volunteers also have deep experience in sheltered workshops.

We can assist with strategic planning, system design and implementation. Because we are volunteers and have a low cost structure, we can help you at costs well below the costs of comparable private management consulting firms.



# How to Select New Businesses

Third Paper In A Series  
on Sheltered Workshops

▲ All things must pass, none of life's  
strings can last,  
So I must be on my way and face  
another day.

All Things Must Pass  
George Harrison

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# How to Select New Businesses

We don't always recognize it, but our lives and the environment we live in change constantly. Subcontracting work was abundant and easy to get for the sheltered workshops when SB-40 became law. Actually, many of the sheltered workshop plants were laid out with subcontracting in mind. Now, as in the Beetle's song, this string didn't last. Many feel new directions are essential to the sheltered workshop's economic health; some feel new directions are essential to the workshop's very survival. This means new ways of doing business, including new products and services.

## Products or Services?

We all dream of proprietary products we can manufacture and sell. This would be Heaven! When one looks around Missouri, one sees very few sheltered workshops with their own proprietary products. The difficulty of coming up with a unique and competitive product and the cost of development and introduction are the main problems.

Services are a better answer,  
we think.

There are many examples of service businesses where sheltered workshops have been successful – medical laundries, document destruction, contract packaging, internet order fulfillment, recycling operations – just to name a few that have succeeded in Missouri. This paper deals with selecting appropriate services, planning your approach and getting the service offering up and running.

## How To Select A Service To Sell

Once workshop leadership has faced the fact that it cannot prosper on subcontract work, alone, the question becomes what services are appropriate to this workshop? You might start by emulating other successful workshops. Contract packaging has worked for others. How about me? Since most of these businesses are limited by transportation expense to a geographical zone, this isn't the worst idea in the world.

A more global view is to look around you and observe services being offered by others and determine if you could offer similar services cheaper or better. Selection criteria can be useful in this exercise.

- ❑ We want service businesses with many customers so the loss of a single customer won't be catastrophic.
- ❑ We want market growth because in growing markets competitors are less territorial and pricing tends to be better.
- ❑ We want to avoid very capital intensive businesses. Ideally, we want sales to asset ratios of 2.0 or higher. Similarly, we want relatively high employee to sales ratios, with emphasis on simple, repetitive tasks that can be performed by developmentally disabled employees.
- ❑ We want some form of competitive advantage – location, cost structure, high customer service requirements, etc. – that will allow us to compete effectively.

You will minimize your risk if you “look before you leap,” in this case, do appropriate due diligence before you invest. Here is a check list of the due diligence steps you should take, once you have settled on a service you might want to offer.

The Market And Competition: Is there a reachable market for the service? Are there many potential buyers? (We want to avoid markets like subcontracting where a few buyers dominate

the market.) Who are the competitors? Where are they located? What price levels prevail? Can we earn a profit at these price levels?

Market Growth: A growing market is usually an easier environment for a new competitor to enter. In a growing market, competitors are often focused more on serving their customers than on defending their turf.

Economics of the Business: Every business is different and the basic economics deserve your attention. How capital intensive is the business? How much investment is required to enter? What is the relationship between revenue, investment and jobs created? After all, at the end of the day, it is good jobs for developmentally disabled that we seek.

Sales and Marketing Plan: Because the typical sheltered workshop only has a few customers, sales and marketing have not had the importance they have in the commercial world. You will be competing in the commercial arena and you need a strong sales and marketing plan. This costs money and needs to be recognized in your planning.

Competitive Advantage: Think through the sources of competitive advantage that are possible – The importance of geographic location, low cost structure, high levels of customer service – to name a few. How will you stack up? How strong will your position of competitive advantage be?

Your Business Forecast: You should develop a multi-year forecast of sales, employment, other