



HOME-BASED AND MICRO BUSINESSES
**CASHING IN ON
BUSINESS OPPORTUNITIES**

WORKING AND LIVING IN THE SAME PLACE

PREFACE

This lesson focuses on providing insight to current and potential home-based and micro-business owners regarding the establishment of a business in their home. It is important to remember that before the initiation of a home-based business, the home's space was devoted exclusively to family living. However, once the business has been established, family and household space may need to be sacrificed to the business.

Typically, this session is part of a large educational program targeted to current and potential business owners. The curriculum can be adapted to meet audience needs and time allotted for the presentation. Additional options invite a current home-based business owner or a panel of current owners to speak to the participants. If a panel is invited, try to have a mix of people who are fairly new in the home-based business world as well as some who are relatively experienced in opening a business from their home. It may be beneficial to have these speakers at the end of the workshop so that participants will have a framework from which to ask questions or absorb the information provided.

Goal: For home-based business owners to be able to accommodate business needs in the home space while minimizing family conflicts.

Objectives: As a result of this program, participants will be able to do the following:

- Identify the space needs of their home-based business, considering the type of business and activities conducted in the home.
- Identify potential conflicts between family/household and business needs for space.
- Develop an action plan to accommodate business needs in the household space while, to the extent possible, preventing household conflict.

INSTRUCTIONAL MATERIALS

TEACHING HINT

What must be considered from the family's standpoint before initiating a home-based business? Have participants discuss the following:

- Demands of the business
- Needs of the family
- How these can be integrated

Preparing to initiate a business into the home environment is basically a three-step process. Diverting space for what has historically been used as a family living area to a business may place a great deal of stress on the family, and since it has been shown that family stress is a deterrent to business survival, adequate preparation is vital.

First, the demands of the particular type of business that is being considered must be analyzed. Different types of businesses require different resources in terms of the amount of space required, the use of that space, and the amount of exclusiveness that must be devoted to business activities.

Second, the needs of the family must be considered. Is the entire family comfortable with the idea of sacrificing living space for the business? Also, who will assume the responsibility of keeping the "business-designated" area of the home tidy for customers and work?

Finally the needs of the business and the needs of the family need to be incorporated into a single plan that addresses all issues and outlines a solution that the family can accept and will allow the business to operate. This plan needs to contain not only the current situation, particularly the physical structure of the house, but also to provide a formulation for making future physical modifications or managerial changes in the future.

Research has shown that conflict between family and the business often results from space issues. These issues arise when space that has been traditionally used for one purpose is suddenly diverted (or assumed to be diverted) to another purpose. Furthermore, in a survey of Virginia Home-Based businesses, Parrot, et al, found that only one-third of survey participants had a designated space in their home set aside for business purposes.

It is important that the family consider addressing these types of space issues in either the business plan or in a separate document. Ideally, this document would include designating separate spaces within the home for family and business, establishing a "time schedule" of when certain areas will be in use (and what that means for the rest of the house), when certain tasks such as cleanup, etc., need to be performed, and who will be responsible for each of these.

The home-based business family also needs to be aware that expectations of either a family member or the business expecting to be able to use space on an "on-demand" or when/

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whoever needs it” basis usually creates conflict. While these will certainly be exceptions and adjustments to any time schedule, careful planning should keep these exceptions and the conflict they cause to a minimum.

Remember that any home-based business and the vast majority of micro-businesses (whether they are home-based or not) are truly family businesses. In most instances, there is no separate facility; thus, it can be hard to keep a business completely separate from the home. Even if there is a separate facility, the micro-business owner usually must wear many hats; the time commitment that arises from these responsibilities is often as disruptive to the family schedule as is space invasion.

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One of the prime factors in determining the amount of the home’s space that will be needed for the business is the type of business operation. Some of the potential requirements for different types of businesses include:

- Production – manufacturing or assembly space, raw material storage, shipping or mailing prep areas, office area
- Service – storage space for materials, office area, area for preparing for the day’s activities
- Consulting or Counseling – private areas for talking with clients, office area, storage area for materials, etc.
- Sales or Marketing – private area for consulting with clients, a potentially large creative workspace area, office area
- Mail Order – product storage area, shipping preparatory area, office area

SLIDE

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Other needs for most business types include a space to meet clientele (either in person or through such technology as conference calling, video conferencing, etc.). This list is not meant to be all inclusive, but it is a starting point to discuss the types of space requirements that would be needed for different operations:

Business Space Use

- Storage
- Tools and equipment
- Production
- Meet clientele
- Access - pickup/delivery
- Office

TEACHING HINTS

It might be useful to have the participants engage in an open discussion about the types of space they perceive is needed for their individual business types. This type of discussion could generate new ideas regarding how individual persons might address specific business needs.

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Once the specific space needs have been identified, the home-based or micro-business owner must address specific issues with regard to the space. For example, shipping/ mailing preparatory space often needs to be open space with no walls acting as dividers. Other issues that need to be addressed include the variability of the space (could it be used for more than

one business activity?); what types of changes will be needed in the future if the business either grows or shrinks; where is the home in the ideal type of space in location and can it reasonably be diverted to business use?

One of the primary sources of concern for a business operating out of the home concerns the amount of space available for storage. This is especially critical when many families feel that they have an insufficient storage capacity for these families. This feeling of frustration may be substantially exacerbated when a new business is brought into the home environment.

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It is also imperative that the family needs for the home be considered when establishing this type of business. There are many factors that directly affect a family's satisfaction their home environment. While this is not an inclusive list of these issues, it does contain a number of issues that are very important to address:

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Family Space Needs

- Number of members
- Age, sex, and size of members
- Time spent at home
- Activities conducted in the home
- Number and size of possessions
- Past experience
- Social and cultural norms

It is very important to remember that while beginning a home-based business can have some dramatic effects on your family, there are other people who are affected as well. A very important issue that must be addressed is how your neighbors will react to this business, particularly if a relatively large number of clientele must come to your house. The lists of issues contained below and also in Slides 12 and 13 are not inclusive, but provide some very real concerns on issues that your neighbors would consider intrusive:

13-14

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You Don't Work Alone! How will you accommodate...

- Parking?
- Pick-up and delivery?
- Conference space?
- Safety and security?
- Image?

The Business Outside the Home What About...

- Your location?
- Traffic?
- Parking?
- Accessibility?
- Signage?

TEACHING HINT

Have a role playing/open discussion scenario in which one participant is a business owner and the other participants are homeowners in the neighborhood. Talk about the issues contained on Slides 13 and 14 as well as other issues that arise. Make sure that this is a constructive discussion with possible solutions to each issue being identified. Slide 15 could provide a format to guide the discussion.

Of course, much of the previous discussions hinge on whether local regulations/ordinances allow a person to operate a business from their home. These issues should also be considered when opening a micro- or small business in a stand-alone structure, particularly if construction of a new structure is under consideration.

While the first five issues on Slide 15 deal with laws and regulations, the sixth item is extremely important from a risk management aspect. The potential business owner must have a comprehensive discussion with an insurance professional to determine the type(s) of insurance that will be required for the enterprise. In many cases, people incorrectly assume that because a homeowner insurance policy contains liability coverage for their private home without a business, then that coverage would apply to a business operated from the home as well. While this may be true in limited circumstances, it is essential that the business owner be candid with a professional in the insurance field about the types of activities that will take place; the presence of employees, vendors and customers; and any structural modifications to the home that may be necessary to efficiently run the business.