

Introduction to Starting and Sustaining a Microenterprise Development Program



Microenterprise Works!

An Overview of Microenterprise
Development in the United States



ASSOCIATION FOR ENTERPRISE OPPORTUNITY

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The Association for Enterprise Opportunity (AEO)

Founded in 1991, AEO is the national trade association for organizations committed to microenterprise development. The mission of AEO is to support the development of strong and effective U.S. microenterprise programs to assist underserved entrepreneurs in starting, stabilizing, and expanding businesses. AEO's vision is that underserved microentrepreneurs will have successful businesses, which create wealth, assets and economic well being for them and their families, resulting in healthy connected communities. A fifteen member, culturally and geographically diverse Board of Directors governs the association, assisted by substantial volunteer participation.

AEO defines "microenterprise development" as the provision of support to businesses that generally require \$35,000 or less to start up or expand, and that typically employ five or fewer individuals. Coining the word "microentrepreneur" to describe a particular kind of business owner, AEO helped introduce this term to the U.S. lexicon, along with "microenterprise development."

In support of its members, AEO provides the following programs and services:

- **Training and Technical Assistance Program:** AEO provides training and technical assistance in the design, implementation and administration of microenterprise development programs. Training is offered through such venues as the AEO Annual Conference and Membership Meeting, Regional Training Institutes, specialized group training and through individual technical assistance and consultation.
- **Policy, Advocacy and Research Program:** AEO's policy and advocacy efforts focus around federal programs that support the needs of the microenterprise industry in the areas of: (1) training and technical assistance; and (2) access to markets, credit, and asset development strategies. AEO also collects and disseminates information on the field, including the best practices, program innovation, and program evaluation efforts.
- **Member Communications:** AEO also utilizes several vehicles that promote networking and information sharing among its members, including:
 - ▷ **AEO Exchange and AEO E-News**, the quarterly print newsletter and monthly electronic newsletter, respectively, share with members critical information in the field of U.S. microenterprise;
 - ▷ **The Directory of U.S. Microenterprise Programs**, published in collaboration with the Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) Project;
 - ▷ **Web site** - www.microenterpriseworks.org; a comprehensive resource on the field with tools for practitioners, policy updates, and more; and
 - ▷ **A Listserv** that facilitates the exchange of ideas and best practices among microenterprise practitioners.

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Project Overview

The Introduction to Starting and Sustaining a Microenterprise Development Program training manuals are designed to provide practical guidance and “best practices” in launching and sustaining effective Microenterprise Development initiatives. These manuals are designed as a companion to AEO’s Microenterprise Training Institutes and AEO’s CD ROM “Toolkit” for Microenterprise Development.

The project resulted from the desire of AEO’s Training and Technical Assistance Committee to revise and update AEO’s previous Introduction to Microenterprise curriculum. AEO and the authors of these manuals are grateful to Welthy Soni, Phillip Black and Nancy Swift for their initial guidance, advice and support. The project benefited from their drive to provide practical tools to microenterprise program leaders and staff.

The Introduction to Starting and Sustaining a Microenterprise Development Program curriculum includes the following manuals:

Microenterprise Works! An Overview of Microenterprise Development in the United States: this manual provides a basic overview of the microenterprise industry in the U.S. Its goal is to educate key supporters, e.g., agency board members, policy makers, legislators, representatives of financial institutions and others, about the industry.

Fundamentals of Program Design, Management and Resource Development: the purpose of this manual is to: (1) help develop, strengthen and diversify microenterprise development programs; and (2) to help managers learn how to mobilize and manage human and financial resources.

Fundamentals of Program and Outcome Evaluation: the purpose of this manual is to help program managers to establish basic program monitoring and evaluation indicators and reporting system, and learn how to use these systems to improve program performance.

Fundamentals of Effective Business Financing Services: the purpose of this manual is to review how to provide capital or financing to low and moderate-income individuals who own and operate microenterprises. It focuses on the basics of credit underwriting, loan approval processes, loan monitoring and risk management.

Fundamentals of Access to Markets (ATM) Programs: the purpose of this manual is to help program staff design “Access to Markets” services or programs to help entrepreneurs diversify their markets and access new markets to increase sales and growth.

Strategies to Incorporate Asset Development in Microenterprise Development Programs: the purpose of this manual is four-fold: (1) introduce the concept of asset development in terms of definitions, policy and outcomes; (2) discuss promising asset development strategies, specifically Individual Development Accounts (IDAs), Microenterprise Development and the Earned Income and Child Tax Credits; (3) review the basic concepts explored in financial education programs; and (4) explore the integration of IDAs and microenterprise loans to support low-income and low-wealth entrepreneurs.

The following individuals wrote or co-wrote individual modules of the curriculum:

Janney Carpenter
Jason Friedman
Caroline E.W. Glackin
Eliza G. Mahony
Mary P. McVay
Zach Gast

In addition, Jason Friedman, Zulma Bianca and Zach Gast provided editorial support.

Under this project, AEO commissioned training materials for the following publications produced by the Aspen Institute:

- **FIELD Best Practice Guide: Volume 1**, *Entering the Relationship: Finding and Assessing Microenterprise Training Clients* explores how program practitioners can conduct market research, develop effective marketing strategies, and appropriately screen and assess incoming clients.
- **FIELD Best Practice Guide: Volume 2**, *Building Skills for Self-Employment: Basic Training for Microentrepreneurs* offers best practices in core training and their implications for improving training services.
- **FIELD Best Practice Guide: Volume 4**, *Keeping It Personalized: Consulting, Coaching and Mentoring for Microentrepreneurs* provides a summary of findings from research in business consulting, coaching and mentoring with case-study examples of best practices in all three types of technical assistance targeted to low-income clients.

AEO would like to thank the Program for Investment in Microentrepreneurs (PRIME) program administered by the U.S. Small Business Administration (SBA). The author would like to thank Jody Raskind, Microenterprise Bureau Chief, for her generous support of this work, and more importantly, the microenterprise industry as a whole. AEO also wants to express its appreciation to the Aspen Institute's Economic Opportunities Program, particularly Elaine Edgcomb, for her support of this project and willingness to generously share the Program's previously published materials.

As a learning organization, we at AEO welcome your comments and suggestions on these manuals so that we can continuously improve them and assure they reflect "best practices" in the field. Please forward your comments to Jason Friedman at jfriedman@assoceo.org.

On behalf of AEO, I wish you all the best in your efforts to help low-income individuals achieve economic self-sufficiency through self-employment!
Microenterprise Works!

Sincerely,

Bill Edwards, Executive Director
Association for Enterprise Opportunity (AEO)

Funding for this series came from the PRIME project of the United States Small Business Administration.

Acknowledgments

The AEO “Introduction to Starting and Sustaining a Microenterprise Development Program” curriculum was guided initially by AEO’s Training and Technical Assistance Committee, led by Welthy Soni, Phillip Black and Nancy Swift. The authors are grateful to the committee members for their insights and advice. The work benefited from their drive to provide practical tools to microenterprise program leaders and staff.

Funding for this series came from the Program for Investments in Microentrepreneurs (PRIME) program administered by the U.S. Small Business Administration. The authors are also grateful for the support of AEO staff including Bill Edwards, Executive Director, and Elizabeth Williams, Program Manager for Training & Technical Assistance.

The authors take full responsibility for any shortcomings of the manuals.

The manuals are dedicated to microenterprise practitioners in the United States, in order to provide them with tools to help low-income and other underserved individuals become self-sufficient through self-employment.

Mary McVay and Jason Friedman

"In summoning people to match their talent and labor with small amounts of credit, micro-enterprise development meets low-income communities where they are, introducing new opportunities to create work, income and assets, and thereby affirming human worth and dignity."

– Jack Litzenberg, Charles Stewart Mott Foundation

"There is nothing better than being in charge and responsible for your own future."

– Jenny Smith, Drain Wizard, Cedar Rapids, Iowa

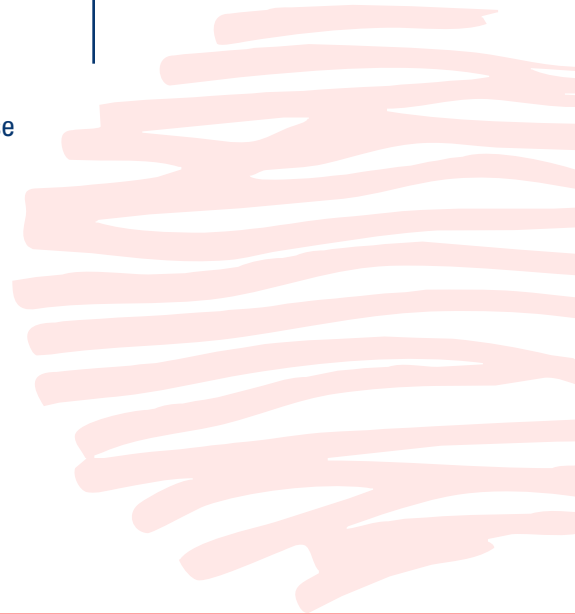
I. Introduction

Microenterprise Works! This manual provides a basic overview of the field of Microenterprise Development (MED) in the United States. The goal of this manual is to educate key supporters, e.g., agency board members, policy makers, legislators, representatives of financial institutions and others about this exciting field.

This manual is divided into two parts. The first part will present an overview of the microenterprise development industry. It will answer the following key questions:

- What is Microenterprise Development?
- What are the Roots of the Microenterprise Development Field in the U.S.?
- What is a Microenterprise?
- What is the Profile of a Person Served by a U.S. Microenterprise Program?
- Who Helps Low-Income Microentrepreneurs Start a Business?
- What is the Profile of a U.S. Microenterprise Program?
- What Products and Services do Microenterprise Development Programs Typically Offer?
- Does Microenterprise Work? What has the Industry Achieved?

The second part of this workbook is designed to help advocates of microenterprise develop an effective "case statement" for general marketing, grant proposals, fundraising and legislative advocacy.



Part I – Building the Case for Microenterprise Development as a Poverty Alleviation, Small Business and Community Economic Development Strategy

What is Microenterprise Development?

Microenterprise Development is an income-generating strategy that helps low-income people start or expand very small businesses. It involves providing education and capital to people with dreams, talents and skills, but no formal business experience who cannot access conventional sources of capital. Many economically disadvantaged people have utilized microenterprise programs to lift themselves out of poverty, create jobs for themselves and others, generate income, build assets and enhance skills.

What are the Roots of the Microenterprise Development Field in the U.S.?

Microenterprise development (MED) programs appeared in the U.S. in the mid-1980s as response to the changing structure of the economy and the failure of traditional business assistance and financial institutions to respond to specific markets.¹ Professionals in poverty alleviation and community-based economic development began to consider self-employment programs as one approach to helping people improve their financial security.

The pioneers were women's economic development organizations that emerged to help low-income women obtain better jobs and pursue business ownership. For example, the Women's Economic Development Corporation (WEDCO) in St. Paul, Minnesota, the Entrepreneurial Center for Women at Hartford College for Women in Hartford, Connecticut, and the Women's Self-Employment Project (WSEP) in Chicago started programs for welfare recipients in the mid-1980s. Later, some Community Action Agencies (CAAs) and Community Development Corporations (CDCs) began to develop microenterprise programs as well.

In the late 1980s the Corporation for Enterprise Development (CFED), a national organization that promotes asset-building and economic opportunity strategies in low-income and distressed communities, led the effort to create a national self-employment demonstration project. CFED operated the Self-Employment Investment Demonstration (SEID) from 1988 to 1992, testing self-employment as a self-sufficiency strategy for welfare recipients. Also, the U.S. Department of Labor initiated demonstration projects in the states of Washington and Massachusetts.

What is a Microenterprise?

A microenterprise is defined as a small business with five or fewer employees with initial capital needs of \$35,000 or less. This definition is somewhat broad as most of the microenterprises that programs work with are smaller, generally with fewer than three employees. The majority of microentrepreneurs are owner-operators, which has led to the use of the term self-employment.

According to the U.S. Department of Labor, *self-employed* persons are those who work for profit or fees in their own business, profession or trade, or operate a farm. The person must work ten hours or more a week to be considered self-employed. The business that the self-employed person operates may be called a microenterprise because it is very small in terms of the number of employees. According to the Aspen Institute, although these two terms are often used interchangeably, self-employment refers to the status of the business owner, while microenterprise refers to a very small business.²

The kinds of businesses started by microentrepreneurs are limited only by their imagination. Examples include:

- **Retail**: vendors, jewelers, craft shops, florists and consignment clothing stores;
- **Service**: restaurants/caterers, hairdressers, construction professionals, plumbers, and dog groomers.
- **Manufacturers**: carpenters, craft artisans, bakers and specialty gift makers.

They are located on the street, in the mall, on the Internet and in homes – in cities, suburbs, towns and farms.

Client Success Stories

Jequita Stutts in Dickson Country, Virginia: Ms. Stutts worked as a book-keeper in a grocery store but began receiving public assistance and charity from a food bank when she was laid off from her job. With training and access to loans from People Inc, Ms. Stutts started a convenience and fishing store in an abandoned building near her rural home. The businesses grosses over \$200,000 a year and employs Ms. Stutts and 3 part-time employees. Ms. Stutts no longer relies on public assistance or charity and has paid off her loan successfully.

Cheryl Taylor in New Hampshire: Ms. Taylor, a single mother of four, could not find work near her home. She launched "Rethreads," a used clothing business, in order to "watch my kids grow." She received loans and technical assistance from the New Hampshire Community Loan Fund. For 13 years, her business has supported her family, sending one child to private school.

What is the Profile of a Person Served by a U.S. Microenterprise Program?

Starting and running a business is part of the American way of life. There are an estimated 13.8 million people in America who are self-employed. It is estimated that around 2 million (15%) are people with low incomes who would be considered microentrepreneurs.³ According the Aspen Institute's five year study of low-income entrepreneurs:⁴

- 78 % are women
- 42% are African-American
- 81% had no college degree
- 47% had business sales under \$1,000 per month
- The median income was \$26,227 for poor and non-poor clients

Microentrepreneurs comprise a diverse group of low-income people who provide their families with basic needs by running their own businesses. Microentrepreneurs include:⁵

- **Public Assistance Recipients:** Families receiving public assistance such as Temporary Assistance to Needy Families or Food Stamps, who want to work their way out of poverty through self-employment, rather than by working for others. Self-employment is sought by 2-5% of people seeking to end dependence on TANF, for example.⁶
- **The Working Poor:** People working in low-wage, part-time, or unreliable jobs or people engaging in short-term, occasional odd-job businesses to meet basic needs. Self-employment offers opportunities to use one's talents and find personal fulfillment.
- **People Caring For Families:** Women and some men choose self-employment in order to have more flexible schedules or to work from home so that they can care for young children, disabled family members, or aging parents.
- **People with Disabilities:** People with disabilities who have been dependent on public assistance engage in self-employment to help become more independent in ways that accommodate their disabilities and fulfill entrepreneurial desires.

- **Immigrants and Refugees:** People immigrate to the U.S. to escape political persecution or to find economic opportunity. Many cultures place a high value on entrepreneurial activities and embrace the “American Dream” of owning a small business.
- **Recently Unemployed:** Self-employment is sought by 2-5% of people seeking unemployment insurance, for example.⁷

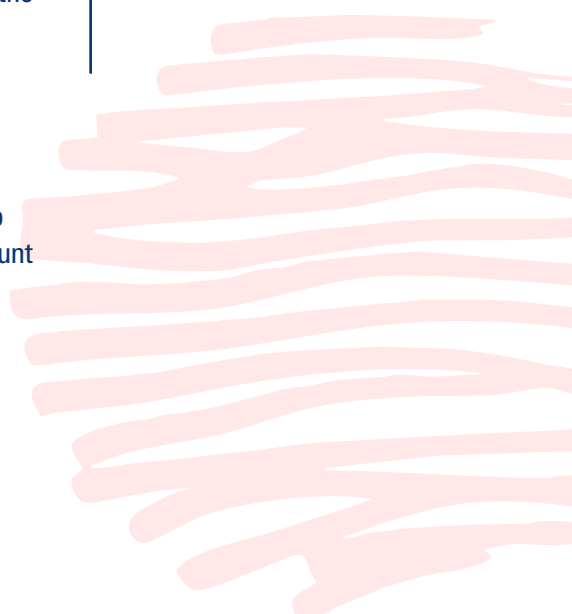
The goals of these diverse microentrepreneurs vary from fulfilling a dream, to earning a basic living, to combining personal and professional goals. Their common endeavor is to start and run a business that earns money.

Who Helps Low-Income Microentrepreneurs Start a Business?

Microenterprise programs are operated by both organizations whose exclusive purpose is microenterprise development and programs operating from within multi-purpose organizations. The primary goals of these larger organizations include economic development, employment and training, housing, women and minority business development, and others. These multi-service agencies may be Community Development Corporations (CDCs), Community Development Financial Institutions (CDFIs), Community Action Agencies (CAAs), SBA Women’s Business Centers, SBA Small Business Development Centers, and government small business loan funds, among others.

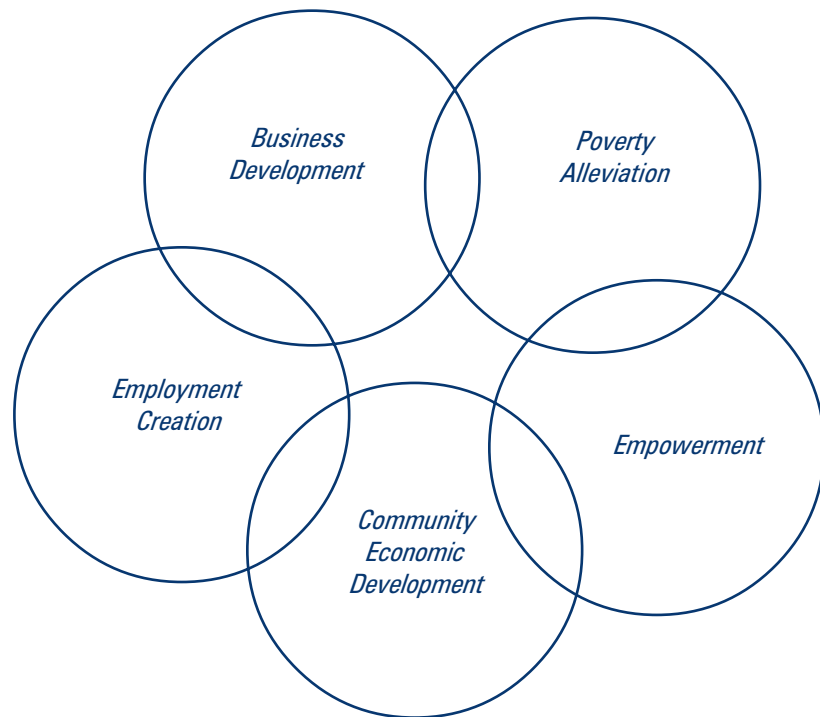
A more accurate way to differentiate MED programs is to look at their organizational missions, target populations, and program designs.

- **Organizational mission:** Are the goals: (1) economic and business development; (2) job creation; or (3) poverty alleviation and economic self-sufficiency?
- **Target population:** In the early years of the field, the focus was on welfare recipients and very low-income individuals, and primarily on women. Today, the target market has expanded to include low to moderate-income individuals, immigrants, refugees, the disabled, and youth.
- **Program Design:** Directly influenced by the mission and target population, program design is based upon: (1) the relative importance of MED to the organization’s services; (2) focus on start-up business activities or services to existing businesses; (3) the level of access to capital assistance; (4) the amount and intensity of business training, technical assistance and post start-up services; and (5) the scale of its program.⁸



Microenterprise development programs have overlapping goals of business development, employment creation, community economic development, poverty alleviation and empowerment.⁹ Most programs focus on more than one goal, and their activities contribute to more than one broad mission.

Overlapping Goals of Microenterprise Development



These goals are fulfilled by a wide range of organizations that fall into six basic categories based on a focus on similar goals:¹⁰

Table 1: Microenterprise Development Organizations and Their Goals

Agency	Definition	Goals
Microenterprise Development Agencies	Founded for the sole purpose of microenterprise development.	<p>Primary: Business Development</p> <p><i>Secondary:</i> Employment, Poverty Alleviation, Empowerment</p>
Traditional Business Development Agencies	Small Business Development Centers, for example, founded to develop businesses, create jobs, increase the tax base, & develop local economies.	<p>Primary: Business Development</p> <p><i>Secondary:</i> Employment, Community Development</p>
Community Economic Development Organizations	Community Development Corporations, Community Action Agencies, Community Development Finance Institutions, & others.	<p>Primary: Community Development</p> <p><i>Secondary:</i> Business Development, Employment Creation, Empowerment, Poverty Alleviation</p>
Employment & Training Organizations	Focused on helping people with barriers to employment to find viable, long-term employment.	<p>Primary: Job Creation through self-employment</p> <p><i>Secondary:</i> Poverty Alleviation, Empowerment</p>
Human Services & Faith-Based Agencies	Overall mission to improve the welfare & livelihood of their target, low-income populations.	<p>Primary: Poverty Alleviation</p> <p><i>Secondary:</i> Empowerment, Employment Creation</p>
Target Group-Focused Organizations	These not-for-profits are focused on the development of particular groups such as women, African-Americans, Latinos, or people with disabilities or other specific barriers to employment.	<p>Primary: Empowerment</p> <p><i>Secondary:</i> Business Development, Poverty Alleviation, Employment Creation, Community Economic Development</p>



What is the Profile of a U.S. Microenterprise Program¹¹ ?

- **Average operating budget:** \$378,781
- **Staff:** The majority of practitioners have 4.1 full-time staff members.
- **Client load:** On average, programs serve 362 participants, including 175 clients who receive significant levels of service. Programs make an average of 50 loans.
- **Target Market:** Poverty alleviation is a primary goal for most programs and 70% report that more than 50% of their clients' household incomes were below 80% of the HUD median income for their location.
- **Gender:** 62% of the programs had a client base of more than 50% women.
- **Persons of Color:** 45% of the programs had a client base of more than 50% persons of color.
- **Capital:**
 - The average capital available per agency was \$595,492.
 - The average outstanding portfolio was \$341,025. and 57% of total loan capital was outstanding to borrowers during FY 2002.
 - Maximum loan sizes are typically from \$15,000-\$25,000.
- **Technical Assistance:** The average number of clients served is 161 and the average number of hours of assistance is 14.
- **Business Training:** The average number of clients served was 156 and the average number of hours of training was 43.

What Products and Services do Microenterprise Development Programs Typically Offer?

Depending on their mission, capacity, and strategy, microenterprise development organizations provide different services that help potential and existing entrepreneurs. The following set of core program elements, combined in many different ways, has emerged during the past decade of practice:

- **Outreach services** recruit and orient existing or potential microentrepreneurs, enabling them to decide for themselves whether or not to join a program.
- **Training and technical assistance** help microentrepreneurs develop the skills they need to plan, market, and manage their own business. Typical curricula include basic business financing (borrowing and the use of various forms of credit, attracting investors, and using savings) and personal effectiveness (communication skills, time management and goal setting).
- **Capital** in the form of individual or “peer” group loans from in-house loan funds or from collaborating banks provides disadvantaged entrepreneurs with financing for their businesses in affordable amounts and terms. Loans range from \$500 to \$35,000.
- **Ongoing assistance** is often available to program clients after they have completed the core training or taken a loan. This “after-care” helps fledgling microentrepreneurs successfully negotiate the many challenges they face in marketing, quality control, legal issues and business expansion.

In addition to these common core elements, practitioners are testing new services that are critical to microentrepreneurs. Facilitating **asset development**, including savings, and **access to markets** are increasingly recognized as priority program components, and in some cases, are ushering in new roles for programs that become actors in the production and marketing chain. These subjects will be covered in other AEO training manuals.

Regardless of the actual format of services provided, clients starting a small business should develop skills to:



Table 2: Typical Skills Expected to be Learned by Clients of Microenterprise Development Program

Define & clarify the business vision	Use break-even analysis
Identify the target market	Understand basic financial statements
Identify & assess competition	Research & seek financing & funding
Develop a pricing strategy	Network & cooperate
Develop a marketing strategy & plan	Use computers (QuickBooks, Windows, Internet, e-commerce)
Develop a sales technique	Access community resources & referrals
Develop sales & production cycles	Understand & manage regulatory/ legal aspects of business
Develop business-specific processes & procedures	Understand & manage risks
Establish record-keeping procedures	Be able to manage employees
Analyze business costs & make a budget	Be able to grasp & manage insurance needs
Make cash flow projections	Be able to understand & offer customer service

The challenge is to structure and deliver training that addresses these competencies and incorporates a process to measure learning, both in the classroom and during business start-up.

The following are some examples of different MED programs, and how they help client entrepreneurs and achieve their missions.

**Community Ventures Corporation,
Kentucky**

Mission: Increase economic opportunities for low-income residents (self-employment, job creation; business development).



Strategy: Help low-income people start, grow & earn more from microenterprises; help micro & small enterprises expand & create jobs.



- Services:**
- Lending starting from \$1,000 up to \$35,000 & links to SBA loan funds.
 - Entrepreneurial Training & technical assistance.

**Women's Economic
Self-Sufficiency Team,
New Mexico**

Mission: Building Women & Minority-Owned Businesses in New Mexico (empowerment, business development).



Strategy: Start-up & growth of women & minority-owned businesses, especially by low-income or underemployed people.



- Services:**
- Business consulting
 - Business Training
 - Initial loans up to \$5,000; links to SBA loans.
 - Access to Markets

**Goodwill Industries of North Georgia
(BusinessNOW program)**

Mission: Building stronger communities by helping people overcome barriers to employment to work (employment, poverty alleviation).



Strategy: Help low and moderate-income women achieve economic self-sufficiency through self-employment.



- Services:**
- Personal Effectiveness, Economic Literacy & Business Management;
 - Business counseling & social services;
 - Loans up to \$15,000;
 - Individual Development Accounts; &
 - Graduate Network.

Save The Children

Mission: Working together to create opportunities for the world's children to live safe, healthy, & fulfilling lives (poverty alleviation).



Strategy: Increase the quality & availability of home-based day-care for low-income people.



- Services:**
- Technical training and TA in day-care regulations & child care services;
 - Referral services between mothers & day-care providers;
 - Advocacy for subsidies & procedures for low-income women to use home-based day-care;
 - Peer Support; &
 - Access to business management training & loans through partners' microenterprise development agencies.

Does Microenterprise Work? What has the Industry Achieved?

The short answer is “yes” – the strategy does work. Microenterprise development is a cost-effective strategy for helping a specific niche of low-income people stabilize and increase income and assets, create jobs in their communities, reduce dependency on public assistance, and more fully realize their personal and professional potential. Even small increases in income and assets are very significant for a client population that is on a slow path out of poverty or challenged to achieve the financial stability that will keep them from sliding back.¹²

Although the field is relatively young and needs more evaluation, available outcome data is promising. A number of evaluations and studies of the effectiveness of microenterprise development have yielded findings in the following areas:

Business Survival Rates of Low-Income Business Owners

Microbusinesses demonstrate tenacity with survival rates of 57-90%. Survival rates compare very favorably to the general population of small businesses. The U. S. Small Business Administration estimates that only 47% of small businesses are still operating after four years. Corresponding survival rates for microenterprise program clients are as follows:

- 90% of businesses started by participants in the U.S. Department of Labor (DOL) pilot survived after 2.6 years;
- 79% those studied by CFED in the Self-Employment Investment Demonstration (SEID) survived after 2.6 years;
- In the Aspen Institute’s Self-Employment Learning Project (SELP), 57% of businesses of respondents survived after 5 years; and
- 56% of TANF clients trained by the Institute for Social and Economic Development (ISED) survived after 3 years.

Business Growth

Microbusinesses grow and become profitable, contributing to increases in personal and household incomes. The SELP data shows that among those entrepreneurs who remained in business through the fifth year of the study, average revenues increased by 27%, and profits doubled over the five-year survey period. ACCION clients who had received three loans achieved a 47% increase in monthly business profits. In both studies, the gains among low-income borrowers were significantly higher.

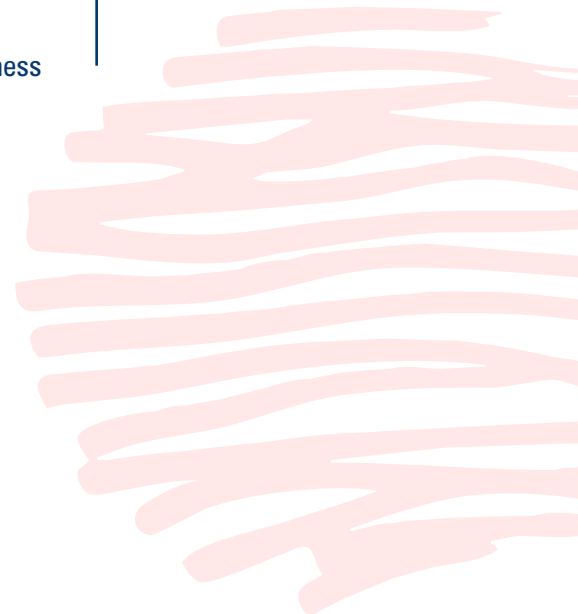
- Business growth translates into more money for clients and their households. Over 29 months spanning 1994 -1996, ACCION clients with three loans increased their monthly “draw” or take-home income from their business by \$455 which accounts for 78% of the total increase in their monthly household income.
- During the five years of the SELP study, 57% of the entrepreneurs increased their household income. Recipients of unemployment insurance who participated in the U. S. Department of Labor’s pilot projects realized income gains of \$14,859 in Massachusetts and \$1,093 in Washington (the difference in outcomes is attributed more to differences in program design than to client behavior).

Although many clients “patch” together their household incomes from several sources, these studies indicate that microenterprises are major contributors to increases in household incomes.

Growth in Business Assets

Microentrepreneurs who remain in business increase their assets.

- 66% of all respondents in the SELP study report that their business assets increased, growing an average of \$16,427 over the five years. As far as personal assets, a majority of SELP respondents experienced significant gains, largely due to an increase in the value of their homes.
- ACCION found that asset growth was stronger among longer-term clients – clients with three loans achieved a 42% increase in the value of their business equity, an average increase of \$4,100.



Job Creation

Every new business represents a new job for its owner. In most cases, microenterprises employ their owner; additional job creation is not a significant outcome. But they do not lose ground either; that is, jobs existing at the time of program entry are retained. There are some exceptions.

- 56%-90% of microentrepreneurs were employed part or full-time in their business, 2.5 years after assistance (Nelson, Candace. *Microenterprise Development Works!: Outcomes for Clients*. Fact Sheet number six, 2000).
- The Institute for Social and Economic Development estimates that, on average, microenterprises create 1.5 full and part-time jobs per business started (Else, John with Janice Gallagher. *An Overview of the Microenterprise Development Field in the U.S.*, 2001).
- The Institute for Social and Economic Development reports that 225 new businesses started by TANF recipients created a total of 70 jobs in addition to the owners' jobs – 26 full-time and 44 part-time.
- ACCION's clients include a subset of "job creators" who, compared to the average client, are more stable, have higher net worth and achieve higher growth in equity and profits.
- Finally, seasonal and part-time employment for family members is not uncommon in microenterprises.

These outcomes share two common features. First, financial growth is correlated to time in the program. Longer-term clients experience stronger gains in business profits, assets and income than do short-term clients. Second, the outcomes for those identified as poor (according to federally established benchmarks such as poverty levels or median area income) are stronger than for the non-poor.

Progress Out of Poverty

Data from programs across the country points to the dramatic outcomes that microenterprise development can have for the very poor. These gains are even more impressive considering the fragile foundation upon which the poor are struggling to achieve financial stability. The path out of poverty is not linear; it is followed with small steps forward and backward, tough tumbles and occasional leaps ahead.

- 72% of low-income clients increased their household income over five years. The average change was \$8,485 – rising from \$13,889 to \$22,374.
- Over half - 53% - of low-income microentrepreneurs worked their way out of poverty. The business was a major source of earnings for these families.
- Low-income microentrepreneurs reduced their reliance on public assistance by 61%; average cash benefits declined by \$1,679.

- Average household assets of low-income entrepreneurs grew by \$15,909 over five years.

Community Economic Development (Else, John with Janice Gallagher. *An Overview of the Microenterprise Development Field in the U.S.*, 2001)

No systematic study has been carried out to assess the effect on community development by MED programs, but one Access to Markets (ATM) program operated by a MED program (see sidebar: Neighborhood Development Center) illustrates the potential of some community-focused organizations.

Cost-Effective Job Creation and Economic Development

- The estimated cost of a job created with support of MED programs is \$4,114 to \$6,155, significantly lower than the \$15,000 standard used by many economic development programs.
- It is estimated that for every \$1 invested in a MED program, the returns would amount to \$2.5 in terms of income for business owners and employees, assets growth, reduction in public assistance and unemployment insurance costs and increased tax revenues.¹³

Empowerment and Non-Financial Benefits

Clearly, the performance of a microenterprise program, like any other intervention, is judged against “hard” outcomes like business starts and loans. But success can’t be defined in purely financial terms. As documented by the Aspen Institute in its Fact Sheet Series:

“Anecdotal evidence from programs across the country indicates that operating a business generates a host of other benefits for its owner, family and community. The owner gains control over his or her life, even though most work very long hours. When asked about the benefits of operating a business, many speak of fulfilling a dream, feeling proud of a job well done, gaining a sense of security, finding support networks, and increased self-esteem that reverberates in other parts of their lives. New skills, managerial capacity and attitudes developed in the course of microenterprise training have strengthened clients’ capacity to run a business or the job prospects of those who decide against self-employment. Finally, communities benefit from business owners who provide local services and try to respond to community needs. Business owners understand that staying in touch with their customers strengthens their business.”¹⁴

Neighborhood Development Center (NDC)

Minneapolis, Minnesota
The NDC and its partners in Minneapolis, Minnesota launched a Latino Market to attract shoppers and help launch businesses in the community. The community of mostly Latin residents hosted numerous microenterprise businesses that catered primarily to Latin residents. As street-side businesses, they were hampered by lack of parking and inclement weather in many situations, and by inadequate and costly rental space. The Latin Market was launched to provide local consumers with a safe, enjoyable shopping experience, provide more and improved rental space, and to attract customers from other parts of the city. The market has succeeded in walking a fine line of providing practical shops to residents and authentic experiences for tourists from outside the neighborhood.

From successful entrepreneurs:

"With two of my four adult children in college, I have provided them and their friends a sense of hope in realizing you can achieve if you believe in yourself. [Starting a business] you gain a lot of respect from others. More of my Black female friends have reassessed their goals because of what they've seen me accomplish."

- Crystal Jones, Heavenly Bundles Day Care, Big AUSTIN client

"At the time I came to Justine Petersen, I didn't look good on paper financially. I was a woman small business owner and was having challenges. JPHRC was willing to work with me. They didn't make me feel less than capable or less than competent. I walked away feeling good about myself. Having my own business now for fifteen years has been a great experience for me. A lot of times, when you go into banks or other conservative [lending] institutions, they treat you like another number that just walked in. Justine Petersen doesn't treat you that way. They don't look down on you and they are willing to work with you to do whatever they can to make it happen if it can happen at all. I walked away feeling like I could do this."

- Janice Becking, owner, Heartwarming Interiors, St. Louis, MO

Part II: Making the Case for Public Support¹⁵

Preparing the Case Statement

Now that you have a basic understanding of the industry and are armed with the latest data, the next step is to distill it down to a concise and compelling case statement. A case statement is a written document that states the most important facts about an organization. It can range in length from an index card to twenty pages or more. But for small non-profits, it should be no more than five pages.

A case statement is typically developed as part of a fundraising effort, but can also be used to introduce the subject and organization to elected officials, the media and other potential stakeholders. In some situations, you may have only one opportunity to “make the case.” Preparing a case statement provides you with the opportunity to collect data that will best illustrate the competence of the staff and the effectiveness of the organization’s work.

Your objective is to present sufficient information to your audience to obtain a positive response. In the body of the statement, provide the reader with answers to the following questions:

1. Why does your organization exist? What are the problems in society that you plan to address? Describe the magnitude of those problems in a concrete way. Your objective is to assure the reader that your work is a response to proven and defensible needs.
2. How do you plan to alleviate these problems? What can you realistically hope to accomplish? Your objective here is to state succinctly your organizational purpose or mission and your specific program objectives.
3. Why are your staff and board qualified to tackle these problems with any expectation of success? Your objective here is to present the skills, qualifications, and experiences of your staff, board, and volunteers, whose combined efforts will have impact on the stated problem.

And for fundraising efforts add:

4. How much in revenues is needed to enable you to advance your efforts? Your objective here is to illustrate the costs of your efforts through budgeting.
5. How do you anticipate raising all the revenues you will need? Your objective here is to describe all your fundraising and income-generating plans to show that you can, with some degree of certainty, raise all the funds you need.

In preparing a case statement, remember to present the most compelling, rational arguments you have to convince potential supporters of the worthiness of your organization.

Presenting the Case Statement

Great writing is important but in today's media-conscious society, the "look" is almost as important as the message. It must be visually appealing and easy to follow. It does not have to be fancy but it should be attractive enough to enhance the text and send a message to readers that your organization does things tastefully and appropriately.

When completed, you have the source material to create any other written materials you may be required to prepare for marketing, advocacy, grant-making and fundraising efforts. And they can be used for other purposes like speeches, workshops, and articles for publication.

Your case statement can also be used as a tool for recruiting new board members. Since you have put your best foot forward in the body of this statement, it should serve you well in correspondence and in meetings with prospective board candidates.

Suggestions for Developing the Case Statement

1. **Appeal to the Organization's Interests:** Make the case based on how your organization can help accomplish the interests of the stakeholder. Like any business, MED programs have more success selling their program when they focus on customer expectations. You may have to tailor the message to each audience. Table 3 lists the major potential stakeholders, the "message" for each, and the benefits to be gained from a relationship with a MED program.

Table 3: Stakeholders, the “Message” and the Benefits from Supporting Microenterprise Development

Stakeholders	Message	Benefits
Executive/Legislators/ State Government Agencies (Human Service/TANF, Economic Development, Workforce Development)	<ul style="list-style-type: none"> • MED has bi-partisan support nationwide • Cost-effective strategy to stabilize & expand the economic base of low-income communities • MED is a positive response to structural changes in the economy & the workforce & should be supported • MED services help maximize the human & economic resources of the state • MED programs fill a gap that the market has failed to serve • The MED strategy has the potential for substantial macroeconomic impact & high return on investment 	<ul style="list-style-type: none"> • More diversified Human Services strategy • Reduced expenditures on public assistance • Revitalization of distressed urban & rural communities • Increased economic opportunities for underserved populations • Job creation • Increased access to business capital • Economic adjustment strategy
Municipal, County, Regional Economic Development Organizations	<ul style="list-style-type: none"> • MED is a complement to existing local economic development strategies • MED is equally important as business recruitment & expansion efforts • MED organizations can more effectively recruit & serve this population • MED adds to the economic base of the community • MED can complement local tourism & sector strategies 	<ul style="list-style-type: none"> • Increased utilization of local loan funds • Funder can focus on other more “high profile” economic development strategies • Increased economic opportunities for underserved populations • Revitalization of distressed urban & rural communities
Chambers of Commerce/ Local Business Community	<ul style="list-style-type: none"> • Chambers need to attract smaller business, particularly persons of color • Chambers are typically looking for a community project & support for an MED program would be a good fit for Chamber members 	<ul style="list-style-type: none"> • Investments in MED can enhance the image of the chamber & demonstrate support of home-based & microenterprise • Can focus on larger projects

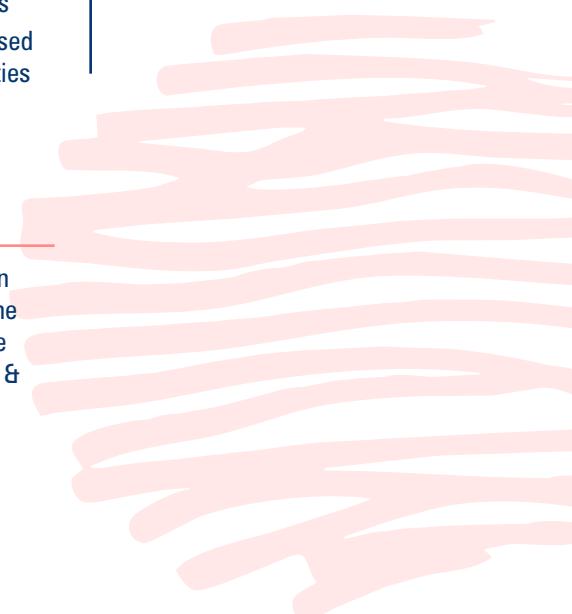


Table 3: Stakeholders, the “Message” and the Benefits from Supporting Microenterprise Development (continued)

Stakeholders	Message	Benefits
Chambers of Commerce/ Local Business Community (continued)	<ul style="list-style-type: none"> • Great mentorship opportunity • Source of new customers for services when the business gets started, i.e., legal, accounting 	
Financial Institutions	<ul style="list-style-type: none"> • Need help to tap this market to grow potential future clients for both business & personal needs 	<ul style="list-style-type: none"> • Investments can improve Community Re-Investment Act rating • CDFI/BEA¹⁶ opportunities • Increased lending to clients
Corporate Donors	<ul style="list-style-type: none"> • MED revitalizes neighborhoods & communities • MED helps build assets & the economic & financial security of low-income people • Complements their donor program (if there is one) 	<ul style="list-style-type: none"> • Positive PR • Responsive to community needs
Private Foundations	<ul style="list-style-type: none"> • Cost-effective strategy to stabilize & expand the economic base of low-income communities • The MED strategy has the potential for substantial macroeconomic impact & high return on investment 	<ul style="list-style-type: none"> • Revitalization of distressed urban & rural communities • Increased economic opportunities for underserved populations • Job creation
Media	<ul style="list-style-type: none"> • Publicize MED successes • Publicize MED supporters • Bring attention to legislation 	<ul style="list-style-type: none"> • Compelling human interest story • Interesting legislative debate • Coverage of local leaders

- 2. Use Pictures and Stories:** Pictures unlock the imagination! Pictures of entrepreneurs “doing business” will get the attention of potential stakeholders, supporters and funders. Invest in a 35 mm camera or digital camera and you can quickly create a library of client photos. Keep the stories or vignettes brief focusing on the following:

- Name of the business and location.
- Name of the business owner.
- Brief description of the business: focus on the product or service and highlight any unique feature of the business, i.e., specialized market niche, etc.
- Brief description of how the MED program helped the client, e.g., obtain a loan, develop a business or marketing plan, etc.
- Closing quote: End the story with a direct quote from the client.

"I knew I needed to move to the next step in making my business a reality, and only through WEDC was I able to visualize my ideas and be more cohesive in my approach. Through my experiences in the WEDC program, I met incredible women - we bonded together and supported one another."

– Grace Flowers, Grace Flowers Keepsake Designs

"BiG AUSTIN showed me the big picture of opening, running and keeping a successful daycare. It showed me the realistic part."

– Brandy Rodriguez, Kiddie Kingdom Daycare

3. **Political Support:** It is useful to demonstrate that members of your Congressional Delegation are supportive of the program. It demonstrates they are aware of the program and its impact in your community. Be sure to approach members from both political parties to highlight the point that MED receives bi-partisan support. Ask the local staff for permission to use a quote in your marketing materials. Typically, it is easier to facilitate the request if you script some quotes for them. But in many cases, the delegation is not only aware of the program, but will also provide their own quotes. For example, ISED in Coralville, Iowa obtained these quotes from its two Senators:

"It's a terrific model for the rest of the nation in creating economic opportunities for low-income people."

– Senator Charles Grassley (R-Iowa)

"Many women on welfare have a lot of abilities, mainly because they've had to survive. They just need the proper training and ISED gives it to them."

– Senator Tom Harkin (D-Iowa)

4. **Outcomes:** Stories and quotes are a must, but ultimately potential supporters and funders need to be convinced that MED will provide a good return on investment (ROI). Make sure your case statement highlights your cumulative program outcomes (graduates, starts, expansions, loans, jobs created, etc.). Create a simple table like the following:

Activity	Outcomes
Client Enrollments	
Business Starts/Expansions	
Number of Loans	
Total Loan Dollars	
Average Loan Size	
Median Loan Size	

Conclusion

We hope this manual has provided you with a solid understanding of the field of microenterprise development (MED) in the United States. We trust that it will help you to “make the case” in support of MED in your local community, increase the visibility of this tool for economic self-sufficiency and help sustain and expand local programs. And most importantly, we hope that through your efforts, together we can help increasing numbers of low-income Americans realize the dream of business ownership and economic independence.

Endnotes

- ¹ *Else, John with Janice Gallagher. An Overview of the Microenterprise Development Field in the U.S. (Geneva: ILO, 2001).*
- ² *Nelson, Candace (Editor). The Aspen Institute in collaboration with The Association for Enterprise Opportunity, Microenterprise Fact Sheet Series, Microenterprise Development in the United States: An Overview. Issue number one. (Washington D.C.: The Aspen Institute, Fall 2000).*
- ³ *Else, 2001.*
- ⁴ *The Aspen Institute, Economic Opportunities Program, Microenterprise Assistance: What Are We Learning About Results? Key Findings from the Aspen Institute's Self-Employment Learning Project. (Washington D.C.: The Aspen Institute, November 1999).*
- ⁵ *Nelson, Candace (Editor). The Aspen Institute in collaboration with The Association for Enterprise Opportunity, Microenterprise Fact Sheet Series, Microenterprise Development in the United States: An Overview. Issue number one. (Washington D.C.: The Aspen Institute, Fall 2000).*
- ⁶ *Else, 2001.*
- ⁷ *Ibid.*
- ⁸ *Ibid.*
- ⁹ *Else 2001; Nelson 2000.*
- ¹⁰ *Douglas, Marc (Editor) The Association for Enterprise Opportunity, Glossary of U.S. Microenterprise Development (Arlington, VA, 2003).*
- ¹¹ *Based on the respondents of the 2002 Directory of U.S. Microenterprise Programs, The Aspen Institute and The Association for Enterprise Opportunity, 2002.*
- ¹² *The data cited here is from the following: the Aspen Institute's Self-Employment Learning Project's (SELP) five-year longitudinal survey of 405 clients sampled from seven distinct microenterprise programs and a subset of 133 poor clients (defined as those with household income below 150 percent of the poverty line); Measuring Client Success: An Evaluation of ACCION's Impact on Microenterprises in the United States combines quantitative data of 1,957 borrowers from six affiliates and qualitative data from 72 in-depth interviews to ascertain financial and non-financial outcomes associated with program participation; a U.S. Department of Labor's evaluation of two pilot programs in Washington and Massachusetts that tested self-employment as a reemployment option for dislocated workers collecting unemployment benefits; an overview of findings from the Self-Employment Investment Demonstration (SEID) program that tested self-employment as a self-sufficiency strategy for welfare recipients in seven agencies and five states from 1988-92.*
- ¹³ *Else, 2001.*
- ¹⁴ *Nelson, Candace (Editor). The Aspen Institute in collaboration with The Association for Enterprise Opportunity, Microenterprise Fact Sheet Series, Microenterprise Development Works!: Outcomes for Clients. Issue number six. (Washington D.C.: The Aspen Institute, Fall 2000).*
- ¹⁵ *Adapted from Securing Your Organization's Future: A Complete Guide to Fundraising Strategies, Michael Seltzer, The Foundation Center, 1989.*
- ¹⁶ *Community Development Financial Institutions (CDFI) Program and Bank Enterprise Awards (BEA) Program are operated by the Community Development Financial Institutions (CDFI) Fund, U.S Department of the Treasury.*



The Association for Enterprise Opportunity (AEO) is a national association of organizations committed to microenterprise development, founded in 1991. AEO provides its members with a forum, information and a voice to promote enterprise opportunity for people and communities with limited access to economic resources.

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