



## **Highlights of the 2014 Alabama MicroEnterprise Network (AMEN) Forum**

Held Tuesday, October 28, 2014, Embassy Suites Hotel, 300 Tallapoosa St, Montgomery, AL  
By Roy L. Williams, Williams Writing Solutions, Birmingham, AL

### **OVERVIEW**

#### **Small business experts: Investment in microenterprises pays off**

MONTGOMERY, Alabama-It was a common theme during an all-day small business conference at Montgomery's Embassy Suites Hotel held October 28: Investment in microenterprises pays off.

To get Alabama back on its feet again, government leaders must think small. Microbusinesses, also known as microenterprises – companies with five or fewer employees – make up 88 percent of all businesses in Alabama, and 92 percent of all businesses in the United States. “If you’re an attorney and have a paralegal and a receptionist, that’s a microbusiness,” said Gaynelle Adams Jackson, president of AMEN. “If there’s a grocery store that has two clerks, that’s a microbusiness. You see them every day.”

Jackson, a Birmingham-based event planner, set the tone for the conference during her opening remarks. She hopes the forum inspires lenders, consultants and other attendees to be proactive in spurring growth of microenterprises.

“We, at AMEN, are encouraging that small business support trickle down to microbusinesses,” Jackson said. “Microbusinesses are the drivers for economic development. If we don’t make sure startups and growing microbusinesses succeed, we as a nation and we as a state will not succeed.”

**Below are highlights of the discussions that took place during the AMEN Forum:**

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#### **10:20-11 a.m. "Bigger Than You Think: The Impact of Microbusinesses' on US and Alabama Economies"**

**By Patricia Harris, Board Chair of the Association for Enterprise Opportunity (AEO)**

Harris, who heads a Savannah, Ga. small business consulting firm, has been an advocate for microenterprises for more than 20 years. She chairs the Association for Enterprise Opportunity, a Washington, D.C.-based advocacy group representing over 450 nonprofit community lenders and businesses service providers across nation.

Harris said politicians and lenders need to take action to make sure that investments in small businesses aren’t focused solely on mid-to-large companies.

“We need to insure that capital and services flow to Main Street so that micro and small businesses can grow and hire others,” Harris said. “Our industry strategic plan is to see how we can get everybody under the big tent.”

As technology changes, AEO is adapting and putting more emphasis on social media in addition to traditional media promotion to help microbusinesses become more efficient, she said. The organization also has a firm on retainer in Washington, D.C. that lobbies on their behalf on Capitol Hill.

“Knowledge sharing in the community is critical,” Harris said. “We have a great resource partner in the Aspen Institute. AEO has also begun a new capital initiative called “Moving Forward.”

Harris is the child of a microbusiness owner. Her mother ran a boutique and beauty salon in Georgia that grew in the 1970s after she obtained an SBA loan allowing her to add employees.

### **The Power of Microbusinesses**

Harris shared some statistics from the Association for Enterprise Opportunity that illustrated the impact microbusinesses have across the country:

Microenterprises make up 20% of the labor force, or 26 million direct jobs

Counting 1.9 million indirect jobs sparked by microbusiness spending and another 13.4 million induced jobs sparked by other spending, microbusinesses account for 43.3 million jobs nationally, or 31 percent of private sector employment.

Microenterprises account for 29% of U.S. Gross Domestic Product. That adds up to \$4.87 trillion in direct, indirect and induced economic spending, the largest segment among small businesses nationwide.

Many experienced employees in their 40s and up, being downsized and replaced by younger cheaper workers, are turning to microbusiness ownership, Harris said. She also cited how some experienced workers are also losing jobs to technology, citing a new report on a Lowes improvement warehouse in California that is turning to robots to help lead customers to products in its store.

“Microbusiness is an important path to self-sufficiency, wealth-building and job creation,” Harris said.

Creation,” Harris said. “If 1 in 3 Main Street microbusinesses hired one employee, the country would reach full employment.”

Harris encouraged AMEN Forum attendees to read the Association for Enterprise Opportunity’s new research report, “Bigger Than You Think: The Case for Microenterprises.” The report is located via link at [www.aeo.org](http://www.aeo.org) or on the AMEN website at [www.microenterprisealabama.org](http://www.microenterprisealabama.org).

### **Economic impact of microbusinesses: anti-poverty strategy**

In 2010 the median household income for 12 million female headed households without a microbusiness owner or employee was \$31,754, whereas the median income for the 2.88 million female headed households with a microbusiness owner was \$37,974

Microbusinesses help alleviate poverty. For people above 40, when laid off, the chances of

getting hired are slim. By owning microbusinesses, they can help provide for their families. Business ownership builds assets and creates wealth.

### **Barriers to starting and growing micro businesses**

1. Lack of confidence to take first step
2. Lack of capacity- They grow too fast
3. Lack of connections
4. Lack of capital -Without affordable capital, you can't grow. Affordable capital to put in hands of microbusinesses is critical

### **Concluding thoughts: Evidence supports microbusinesses as a job creation and an asset-building strategy.**

- Microbusinesses can be a game changer for women, leading to \$10,000 to \$13,000 more in annual household income.
- Microbusinesses can be the great equalizer for those with college degrees and those with just a high school diploma.
- Although small, microbusinesses have a significant influence in job creation by contributing to employing 41.3 million individuals or 31% of private sector employees.
- Support improves outcomes. Microbusinesses that have someone in their network to assist them saw a 38 percent increase in success rate.

Supporting microbusinesses helps grow communities.

“Remember, if just 1 in 3 micro businesses hired one employee, we can wipe out unemployment,” Harris said. “Microbusinesses generate approximately \$4.87 trillion annually for the U.S. economy. This is the story legislatures need to hear on the impact of microbusinesses.”

### **11:05 -11:45 am "Strategies for Supporting Microbusiness Owners' Financial Success" By Katherine Lucas McKay, Associate Director for Government Affairs, Corporation for Enterprise Development (CFED)**

#### **Report: "In Search of Solid Ground: Understanding the Financial Vulnerabilities of Microbusiness Owners"**

Lack of access to resources needed to manage business finances, including capital, is a major hindrance for microenterprises across the country, said Katherine Lucas McKay, associate director for government affairs at Corporation For Enterprise Development (CFED), a Washington, D.C. based advocacy group. She cited a recent CFED report, “In Search of Solid Ground: Understanding the Financial Vulnerabilities of Microbusiness Owners.”

Among the findings:

- 1/3 of microbusiness owners said they had no savings for business purposes.
- Half of respondents said if they combined personal and business savings, it still added up to less than it would take to keep their business operating for one month.

- Managing cash flow (37 percent) was by far the biggest issue microenterprise owners are dealing with.

“Small business lending policies do not reach most microbusinesses,” Lucas McKay said. “Expanding access to credit is critical. Most small business policies fail to reach financially vulnerable microbusiness owners.

CFED recently did a survey exploring financial results of microenterprises and how they run their businesses. They talked to nearly 1,000 small business owners across country, mostly via online interviews. The survey also included 200 phone interviews with small business owners in the Twin Cities (Minneapolis/St. Paul) and Miami area.

Among the findings:

- There were two patterns of small business owners: Those who used personal checking, personal savings and personal credit cards to fund the business, and another segment that used business saving and checking accounts. 50% used a business checking account and 35 percent a business credit card. 20% used business savings, 18% personal checking, and 15% personal credit cards.
- Small business owner savings levels are very low on average, with about a third of survey respondents having no savings set aside for business purposes.
- Microbusiness training should be more responsive to helping entrepreneurs improve financial capacity through providing resources such as financial coaching and peer mentoring.
- Expanding Access to Credit is critical to help microbusiness owners.

“Small business lending policies do not reach most microbusinesses.” Lucas McKay said. The most prevalent unmet need is for transactional credit and small loans of less than \$10,000.

- Alternative credit data reporting could help lenders identify more creditworthy microbusiness owners.
- The No. 1 reason small business owners cite for lack of loans is their credit score. So helping microbusiness owners improve their credit is essential, Lucas McKay said.
- Improving the Tax Filing Experience: Microbusiness owners who need tax assistance have few resources. Tax time policies contribute to microbusiness business owners cash flow challenges

“The quarterly filing system is not working for them,” Lucas McKay said. “About 40% of our survey respondents said they don’t file quarterly taxes. It is too much of a hassle. New policies should enhance resources, make filing easier and support new entrepreneurs. A New Entrepreneur Tax Credit may broaden appeal - It is something we are advocating on Capitol Hill and could get state support as well.

- For microbusiness supporters, funding is a problem. Many systems deliver services to microbusiness owners. Few systems do it well - but we at CFED can help.
- Massive funding stream to support microbusiness is needed.

One major opportunity is the new Workforce Investment and Opportunity Act (WIOA). "WIOA law is a start," Lucas McKay said. "We are working on changes to help make entrepreneurs.

- Self-Employment Assistance -This program would allow states to help people receiving unemployment benefits to receive entrepreneurship training to start their own business.

Only seven states have taken advantage of this because it requires act of legislature and governors to sign into law. "That is something we need desperately in today's economy where people who have good skills find it difficult to get new jobs," Lucas McKay said.

- Check out the CFED Assets & Opportunity Scorecard, available at [www.scorecard.cfed.org](http://www.scorecard.cfed.org). Alabama fared poorly in the scorecard, raking 48<sup>th</sup> in outcome and 48<sup>th</sup> in policy rankings.
- Alabama trends in microenterprises showed despite growing, women-and minority-owned microbusinesses are struggling: Among CFED findings:
  - A growing proportion of Alabama small business owners are owned by women, but Alabama has a large small business wealth gap when it comes to women
  - A growing proportion of Alabama small business owners are people of color, but again the wealth gap -persists. The small business wealth gap persists. Alabama white-owned businesses are valued at 5.2 times that of businesses owned by people of color," Lucas McKay said.

### **Lunch session "The State of Microbusiness in Alabama"**

**By Dr. Sam Addy, Director & Research Economist of Center for Business and Economic Research, Culverhouse College of Commerce and Business Administration, University of Alabama**

Sam Addy, director of the Center for Business and Economic Research at the University of Alabama, said legislatures in Alabama and other states must put more emphasis on providing financial and training support for microenterprises to jumpstart their economies.

"As politicians look for ways to get their state economies rolling again, a powerful case can be made that investing in microbusinesses pays off," Addy said during a luncheon presentation on "The State of Microbusiness in Alabama."

He cited data that shows 71% of state businesses are microenterprises. While plentiful, microenterprises account for only 11% of total revenue for all enterprises, Addy said. Minority owned enterprises while growing still make up only 2.6% of the total (5,303 out of 201,161), he said. Women-owned businesses are flourishing, increasing to 14,889 or 7.4 % of companies.

The best source on microbusinesses is the U.S. Census, but the survey examining small businesses is unfortunately conducted only every five years, so the last data is from 2007.

“Anyone who knows the state of economy knows that data is outdated as we've gone through something unseen since the Great Depression,” Addy said. We will have a much better picture of how Alabama small businesses are doing when the 2012 survey data is released sometime in 2015.”

Addy said small businesses are faring best on the Gulf Coast (Mobile and Baldwin Counties) and in metro Birmingham (which accounts for 1/3 of the state economy).

Addy said government leaders need to start putting emphasis on entrepreneurship as companies putting more emphasis on the bottom line are downsizing.

“Many businesses let go of high-paid staff, senior people with key institutional knowledge and now they are feeling the pain as they have to train new people,” Addy said. “The reaction to recession has been acting out of fear rather than reason. We have to focus on microbusinesses. I am offering my help to the legislature because we need them in Alabama. Every successful firm today was once a microbusiness.”

### **1:40-2:25 pm "Microenterprise: Future Trends"**

**By Joyce Klein, Director of Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination - FIELD at the Aspen Institute**

Aspen Institute is a Washington, D.C.- based educational and policy studies organization group. FIELD is part of the Economic Opportunities Program at the Institute, which works to build strategies that help families that struggle most to be part of American Dream. Her group, FIELD, focuses on the microenterprise development sector in the U.S. FIELD's mission is to build the effectiveness, scale and impact of microenterprise as an economic opportunity strategy.

4 key trends in our economy:

1. Increasing wealth inequality (the wealth gap)
2. Low-wage recovery - jobs created out of recession low wage
3. Growing role of self-employment and "irregular work"
4. Low levels of bank lending to businesses, growing role of nonbank lenders

### **Growing wealth gap - The New Wealth Divide in the U.S.**

Average wealth for the Top 1% is going up; average wealth for those at the bottom is going down. “Since the Great Recession of 2007, the space between the Top 1% and bottom has grown,” Klein said. The top 1% has recovered their wealth lost in the Great Recession. That is not true for the bottom 90%.”

More trends:

- Homes are less of a source of wealth than before the Great Recession, in large part due to housing values in many communities have not recovered.
- The Racial Wealth Gap is 3 times greater than before the recession. Part of that comes from where folks hold wealth. African Americans and Latinos tended to hold more wealth in housing.
- In our economy, financial security and economic mobility are foundations of how people live. It is now an unrealized promise for many families.

“54% of all US households lack sufficient financial assets to make investments in opportunities that increase financial mobility such as buying a home, creating a business or investing in their children’s education,” Klein said

- An Aspen Institute study examined the quality of jobs created by microbusinesses that received loans from microlender Accion East. The report found that the jobs had stable schedules, provided opportunities for skill development, and in some cases hired individuals who were challenged to find jobs in today’s tough labor environment.

The report findings are at [www.gainfuljobs.org](http://www.gainfuljobs.org) or on the AMEN website at [www.microenterprisealabama.org](http://www.microenterprisealabama.org).

Challenges that remain in the microbusinesses field:

1. Match services to the needs of different entrepreneurs and businesses
2. Grow to meet increasing demand
3. Distinguish our value proposition in a changing marketplace
4. Continue to document impact – “This helps make our case on why there needs to be more investment in microenterprises, and for more responsible, transparent lending,” Klein said.

**2:35 - 3:20 pm - Panel Presentation: Microbusiness Assistance: Don't Miss the Boat**  
**Moderator: Kathryn Cariglino, owner, "Never Give Up Enterprise"**

**Panelists:**

- **Access to Capital:** David Ramp, Public Information Officer and Lender Relations Specialist, SBA Alabama District Office
- **Business Financial Education:** John Olsen, Community affairs specialist, Division of Depositor and Consumer Protection, Federal Deposit Insurance Corp (FDIC)
- **Training & Business Coaching,** Sherman Blosser, Project Director of the Women's Business Center (in Mobile)

**Trends**

David Ramp, SBA:

- 7a loans to small business owners are going up. 504 loans are declining due to slowdown in construction.
- There has been a rise in financial counseling and in federal loans for disaster recovery.
- There is a growing need for micro loans up to \$50,000. The SBA uses community advantage program lenders as partners.

John Olsen, FDIC

Olsen shared details of the FDIC Financial Education program and its Money Smart consumer education program, started in 2001. It is free program for small businesses and can be ordered online.

“We see a lot of individuals who start their own businesses that do not have sufficient education to know how to manage that business successfully,” Olsen said. “That is why we developed the Money Smart for Small Business Program.”

Sherman Blosser, Women's Business Center in Mobile

Technical service providers are valuable assets for microbusiness. She shared some examples that assist her at the Women’s Business Center in Mobile and small businesses across the state.

- *The Birmingham Business Resource Center.*
- *SCORE (Service Corps of Retired Executives)*, a group of volunteers that work closely with chambers of commerce and provide free technical assistance for microenterprises.
- *Small Business Development Centers*, which work closely with universities. Alabama has 10 such centers.
- *Procurement and Technical Assistance Centers (PTAC)*. They provide information on government contracts. There are six in Alabama.
- *Women's Business Centers* - Centers like the one in Mobile have been around for 25 years. They were formed to level the playing field for women. There are women’s business centers in Huntsville, Mobile, and Brewton, Alabama.
- *Minority Business development agency* - has office in Mobile, satellite office in Birmingham.

#### **Wrap-up/Closing questions from attendees:**

How can those of us in this room help you do your jobs better?

Sherman Blosser -: “If you hear of someone who wants to start a business, refer them to a small business resource center. They have often had a great idea, get in big debt right off bat and we can’t help. Come to us early on for help.”

David Ramp – “Lenders, keep the SBA in mind during your lending process.”

What advice can you offer for people in their 40s and up being downsized and forced to start their own microenterprises after finding difficulty getting hired?

Sherman Blosser - “We have a program called Encore Entrepreneur. There is assistance available. We work with clients to bring out what their passion is, what they have expertise in, what they are excited about and from that turn that into a business.”

David Ramp - “SCORE can help. If transitioning, go to our resource center, get an assessment. Volunteer, get in front of folks, and gain other experience. At age 40 and 50 you have a lot of experience. There is a lot of support out there. Take advantage of it.”