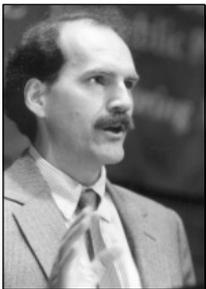


# Policy Dialogue

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## Services for Urban Microentrepreneurs

A recent Pioneer conference on “Microenterprise in Boston: Building the Entrepreneurial City of the Future” included a panel discussion on the range of services offered to microentrepreneurs by various support organizations. Providing a framework for the discussion, **John Friar** of the Entrepreneurship Center at Northeastern University, conference co-sponsor, spoke of the role of microbusinesses in the economy. **Michael Caslin**, CEO of the National Foundation for Teaching Entrepreneurship, offered concluding thoughts on the value of entrepreneurship in terms of individual and societal betterment. The remarks of each are excerpted below, followed by a look at the participating organizations and the services they provide.



Professor John Friar  
of Northeastern  
University

### Microbusiness as a Driving Force of the Economy

**John Friar:** Several new buildings have gone up at Northeastern in the last five years, all named after successful entrepreneurs. But the reality is that most companies, most start-ups, will not be big hits. The majority of all businesses are small, with fewer than 500 people. Of these, most are actually are microbusinesses, defined as fewer than 25 people.

The people who start new ventures, those who start small businesses, and those who start microbusinesses are all very different types of people with very different ideas, and they face very different issues in trying to get their businesses going.

Public policy that affects new ventures is very different from public policy that would influence a microbusiness, and some of the things that people need to do for new ventures are not appropriate for microbusinesses.

Why should we care about this? Because 90 percent of all new jobs are created by firms with fewer than 100 people. So if you want to get the economy going and get people hired, you have to be concerned with small businesses and microbusinesses. A recent study found that two-thirds of the difference in economic growth rates between countries is determined by the level of entrepreneurial activity. The more entrepreneurial the country, the faster the economy grows. I recently gave a paper in

The Entrepreneurship Center at Northeastern University offers undergraduate, graduate, executive, and outreach programs to help people become entrepreneurs. Its mentor network and speaker series enable students to have contact with leading entrepreneurs, and its annual \$60,000 business plan competition provides seed money and start-up assistance to budding entrepreneurs. For more information, visit [www.neuventures.com](http://www.neuventures.com).

[www.pioneerinstitute.org](http://www.pioneerinstitute.org)

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Sweden on this. There were public policy people from 50 different countries—many of them from the former Soviet Union and Africa—all saying, “How can we become more entrepreneurial?”

***If you want to get the economy going and get people hired, you have to be concerned with small businesses and microbusinesses.***

Even in the United States, the federal government has “gotten on board” by trying to make economically lagging areas more entrepreneurial through empowerment zones. But the initial feedback on empowerment zones is that we spent a lot of money and but haven’t gotten much benefit from it. We’ve gotten few jobs and no big hits—the next Napster or Lycos. The reason is that the people we’re trying to help have different backgrounds and the types of businesses they want to start or will most likely start are microbusinesses.

The National Foundation for Teaching Entrepreneurship (NFTE) teaches low-income youth the basics of starting their own businesses by creating curriculum, training teachers, and providing graduate services. Its programs are offered in schools, at community organizations, at special NFTE Summer BizCamps, and jointly with Babson College. For more information, visit its website, [www.nfte.com](http://www.nfte.com).



*Michael Caslin of the National Foundation for Teaching Entrepreneurship*

## Entrepreneurship as Personally Enriching

**Michael Caslin:** Truly effective anti-poverty, social inclusion programs and strategies must include research, practice, and policy for helping others help themselves through the power of entrepreneurship, education, and wealth and value creation. The free market means that each of us here and those whom we wish to better serve have the liberty to enter any occupation, start any business, operate an enterprise in any reasonable manner to produce any good or offer any service and charge any price and keep the reward for effectively meeting consumer needs—wages, interest, rents, and profit. Families, communities, and nations can be strengthened through a call to action to attain universal entrepreneurial literacy and increased rates of that practice.

Entrepreneurship isn’t just about new companies, capital, job formation, innovation, creativity, or breakthroughs—it’s also about fostering an environment that unleashes the ingenious human spirit. Our challenge is to bring an inclusive entrepreneurial culture of thoughts, beliefs, customs, and personal empowerment to young people who are motivated to have better lives.

At NFTE, our aim is for every student to achieve economic self-sufficiency over their lifetime, and we give them the essential tools to start trying right now. Our teachers are highly motivated to help students discover the joy and the challenge of entrepreneurship with hands-on experiences.

Around the globe, it is indisputable that we are entering an age of entrepreneurial enlightenment, and much of the work of the participating organizations here will become the benchmark. Hundreds of universities and colleges are offering studies in entrepreneurship, and thousands of high schools and grammar schools are starting to embrace this.

The recently concluded U. N. Global Summit said, “We have to resolve to reduce poverty.” I think they may need to work on that brand message and say, “We have to resolve to increase wealth and value across communities.” We can do this if we focus on our assets—the young people and the families in our communities who are seeking to be more productive.

***Families, communities, and nations can be strengthened through a call to action to attain universal entrepreneurial literacy and increased rates of that practice.***

## ACCION International



*Catherine Quense*

ACCION International has its roots in Latin America. We began 40 years ago working in low-income communities on community development and saw the need for credit to move people ahead. In Latin America, entrepreneurship was not really a choice; it's a survival economy, so people depend on their home businesses to feed, clothe, and educate their families.

We've seen many businesses in Latin America that have prospered, increased employment, as well as brought the family ahead.

We began working in the U.S. about ten years ago in New York City and now are in 21 cities. We have about a half million clients in the hemisphere. Our mission in the U.S. is to provide business loans and services to self-employed individuals for whom barriers to commercial credit hamper their economic and/or social mobility. Who are our clients? Many are recent immigrants, particularly in places like New York City. Eighty-five percent of our clients are minority. Forty-five percent are females, and about 45 percent have home-based businesses. Many are laid-off workers. We also have welfare-to-work clients.

We conducted an impact study a couple of years ago and found that low-income clients who received four loans—short-term loans over two and a half years—increased their business profits by 96 percent and their business equity by 46 percent. On the qualitative side, we found through interviews with the clients that they were able to realize their dreams through their businesses. On the family side, many cited the flexibility of their schedules, which was particularly important for single mothers. They also mentioned family unity—we've seen many businesses where the family is involved. And then

## Working Capital



*James Kaddaras*

The thinking behind Working Capital is that four basic elements are needed for the success of any business. One is access to capital, clearly; another is knowledge; a third is customers; and a fourth is a support network of advisors, peers, and colleagues who can help the business owner understand how to grow and improve the business.

Working Capital started as a peer-lending program, offering a group-based loan product. Customers who come into Working Capital are asked to join loan groups with peers of their own choice, who actually review and approve each

ACCION International's website is [www.accion.org](http://www.accion.org).

there is the community piece: the businesses offer quality employment in their neighborhoods, and the business owners and employees increase their participation in community affairs.

The challenge is to do this in a cost-efficient and self-sustainable way. There are an estimated 13.1 million entrepreneurs in the United States; 1.2 million are Hispanic and 1.2 million African American; 10.8 million or 82 percent of all entrepreneurs have never received a bank loan for their business. Research done by Pioneer found about the same situation here in Boston—that only 20 percent of entrepreneurs have received bank credit. There were focus groups held in four cities to determine preferred sources of credit and explore attitudes towards those sources. The interviewers were able to elicit some telling stories about experiences with banks, which had been very negative.

We are working with banks in some areas as delivery channels. We need to be as creative as possible in working with community partners. Rather than turn away clients, bank officers can say, "Gee, have you heard about ACCION?" We try to get to people at their places of work if they don't have the time to come in for meetings. We have to be flexible and recognize that the transaction costs for our clients are quite high.

Technology is making a difference. In Latin America now, loan officers are able to go into remote communities, enter basic client data into a Palm Pilot, send it back to the central office database, and be able to arrive at a decision on the spot. We're looking at possibly implementing something like that in New York City.

—**Catherine Quense**, Vice President, CFO  
and Treasurer, ACCION International

other's loans. Working Capital does not second-guess the groups, and if all the proper policies and procedures have been followed, Working Capital will fund the loan. The catch is that if I fail to repay my loan, then that affects the ability of everyone else in the loan group to obtain credit from Working Capital. We presume trust and credibility until proven wrong and empower our customers, in effect, to make those decisions for themselves. We have a loan ladder. We start as low as \$500, go as high as \$20,000, and as customers borrow and repay loans, they can work their way up the ladder.

In the last year, we have launched an individual business loan product. The loans can go up as high as \$5,000 initially and then ultimately to \$20,000. The individual business loan

product is for people already in business who have sales, have cash flow, need money for inventory, need money for equipment, and need it now.

We offer a 20-part business curriculum, which customers can study by themselves or in their loan groups. We start at the very beginning with record keeping and budgeting and go all the way up to a fairly comprehensive business plan, which customers can then take to a bank, after they've been with Working Capital for some time and have borrowed and repaid loans.

We also provide business-training seminars in our various program areas. Each location will try to develop its own program offerings, either in partnership with organizations that specialize in training or education or by drawing in volunteers from the community. Here in Boston, we have a terrific partnership with one of the big downtown law firms—Testa, Hurwitz, and Thibeault—which offers a legal clinic to our customers and produces legal seminars every two or three months.

We organize program-wide network events to bring our customers together with each other. Most of our customers not only are self-employed, but their businesses are so small that they are the only employees. Only one in five of our customers employs even a part-time employee. In our latest survey, we found that the average sales figure was \$35,000 or \$40,000 a year, so many are part-time, some are home-based, others are full-time, store-front or office-based.

Working Capital's website is [www.workingcapital.org](http://www.workingcapital.org).

Growth in sales, growth in profits, and growth in owner's take-home pay are very real and tangible results of programs like ACCION and Working Capital. We have found that this is particularly true after the customer has been with us for about two years. Initially, progress is relatively slow, but after a while the pace of change starts to accelerate. The customer becomes more knowledgeable, more skilled, has access to greater capital, and decides to spend more hours at the business as the momentum builds and things happen.

We also find that the growth in self-confidence is tremendous and, particularly for those at the lowest income levels, this is very significant. This translates, in turn, into better family relations and more involvement in the community. I may have seen that shop on the corner, but I never knew the business owner, and suddenly we find that we're both Working Capital members or we're both ACCION members, and that forms a connection that we can call social capital. So ultimately, the results of working with individual businesses, if we can do it on a large enough scale, will translate into the accumulation of social capital, which will benefit the community as a whole.

—James Kaddaras, President,  
Working Capital

## To Market, To Market • Women's Educational and Industrial Union



Ameeta Alter

The Shop at the Women's Educational and Industrial Union was opened in 1877 as a place where women could sell their hand-made goods to help support their families. To Market, To Market was started in 1996 as a project at the Shop in recognition of the barriers that women entrepreneurs face entering the marketplace.

Today, To Market, To Market serves women artisans seeking either to supplement their incomes or establish small businesses producing and marketing their own products.

The first stage of the program is to help the participant evaluate the feasibility of her idea. A sense of the market is very important, and in the case of hand-made products, the artisan's passion for her craft is really the driving force behind her entrepreneurship. Often low-income women come to us hoping to make something at home simply because their job isn't paying them enough. If self-employment is not appropriate, we suggest other options.

To Market, To Market's core program involves product development, design, packaging assistance, pricing structures, establishing production capacity, and identifying a market

The website for the Women's Educational and Industrial Union is [www.weiu.org](http://www.weiu.org).

niche. Whenever possible, we buy the product for the Shop at the Union. If it's not a fit, we have a list of other retailers we refer participants to, and they test their marketing materials out on the market. Last year we also began trade show training sessions. We take participants to Boston-based shows, where they see how buyers operate, the variety of products on the market, and, very importantly, the number of women present in the market.

We provide referrals for business skills development and access to business loans to a number of our community partners. We are reaching out to network with national craft organizations. The work we have invested in so far, particularly over the last two years, has had the desired outcome. We are poised to scale up the program. Having a better understanding of our target groups means we are preparing now to reach those women, especially from minority communities, who have not been able to reach us.

—Ameeta Alter, Program Director, To Market, To Market,  
Women's Educational and Industrial Union

## Clinic on Entrepreneurship • Institute for Justice



Patricia Lee

The Institute for Justice Clinic on Entrepreneurship is a legal services program sponsored by the Institute for Justice, a public interest law firm in Washington, D.C., and the University of Chicago Law School. The program started in July 1998 and was the brain-child of two law students. The mission was to expand economic liberty in the inner city through three key initiatives. First, we had to educate law students about how best to advocate on behalf of low-income and moderate-income entrepreneurs. Second, we wanted to have a clinic that could help these entrepreneurs with their transactions—how to set up a company, how to organize that company, how to get a license, and so forth. The third initiative was to represent entrepreneurs with regulatory issues.

We decided to create a class called Entrepreneurship and the Law, which would combine the basics of business law and theory about entrepreneurship with training for building the skills the students needed to interact with the entrepreneurs. In the clinic itself, 15 or 16 law students get hands-on practice

The Institute for Justice Clinic on Entrepreneurship's website is [www.clinic.ij.org](http://www.clinic.ij.org).

with real world clients. The students work with three clients each, so we can serve about 45 entrepreneurs at a time. Our waiting list numbers 125 entrepreneurs, and there are 123 law students at the University of Chicago waiting to come into the clinic.

Another of our goals was to meet with three community organizations every week. We met people from ACCION and other organizations that were providing training programs and business planning services. We also met other attorneys who wanted to provide *pro bono* services for these clients.

By the spring of last year, nine students came together and created a three-workshop series for the entrepreneurs, to which we invited all of 125 entrepreneurs on our waiting list.

The program is rewarding, and I think we will find it will be beneficial to all those who have participated and received the services.

—Patricia Lee, Director, Institute for Justice Clinic on Entrepreneurship, University of Chicago

## Nuestra Comunidad Development Corporation



Michael Kerlin

Nuestra Comunidad Development Corporation is dedicated to building the physical, economic, and social well-being of Roxbury. We started in 1981 and since then have taken on several projects in affordable housing, commercial real estate, economic development, and community building. We have a property management company that manages over 250 residential units and 25,000 square feet of commercial space.

Six years ago we formed the Neighborhood Business Development Center with several other Community Development Corporations and direct service organizations, including Working Capital and the Dorchester Center for Adult Education for Financing and Training. The Neighborhood Business Development Center provides business support—such as technical assistance in marketing, loan packaging, and various other networking and training activities—to small businesses in parts of Roxbury, Dorchester, the South End, Roslindale, and Jamaica Plain. Over the past six years it has secured more than \$2 million in loans for small businesses.

The website for the Nuestra Comunidad Development Corporation is [www.home.earthlink.net/~nuestra](http://www.home.earthlink.net/~nuestra).

What have we found with the entrepreneurs that we've been working with? A lot of entrepreneurs have come in without technical assistance and training, and trying to start a business without that has been a very tough go. The second big need is affordable space, and the third is financing. Fortunately, there are a growing number of alternatives to traditional banks, like Working Capital.

We can't always overcome all these challenges within the traditional business model of having your own space and your own business in that space. So two years ago we started the Village Pushcarts Program, which provides a low-cost, low-risk way for entrepreneurs to create a retail presence. We provide them with a pushcart for \$200 and a permit to operate in Dudley Station, where over 20,000 people pass each day. We then offer other services, like free storage and general liability insurance, and most importantly, technical assistance, peer mentoring, and a scholarship for a 12-week business course at the Dorchester Center for Adult Education.

It's working well. The atmosphere of crime and folks hanging around the station intimidating others has been reduced because the entrepreneurs demand a safe and clean place to operate and take it very seriously. To give two examples of successful pushcarts, the Black Library, which sells African-American literature there and to community groups, universities, libraries, and other outlets, is educating and really inspiring the folks who pass through Dudley Station to embrace African-American literature. The other example is a woman who had been making her own hats and beaded jewelry for several years and selling them at a sub shop and now has a significant additional market.

Food is probably one of the most profitable things to have on a pushcart. There's a regulation that food pushcarts and the

food sold on them need to be stored in a certified commissary facility. We are right now building a large commissary at the Brewery Development Company, which is operated by Jamaica Plain Neighborhood Development Corporation, to house these pushcarts. We're building a large kitchen, which entrepreneurs can rent by the hour just when they need it, and we'll be providing a kitchen incubator to help food businesses start up and grow. This is a brand new program scheduled for launch this summer. There have been successful models already launched in Denver and New York City and others being started in Minneapolis, Chicago, and Milwaukee, so we're very hopeful.

—**Michael Kerlin**, Economic Development Project Director,  
Nuestra Comunidad Development Corporation

The organizations described here are among the 51 profiled in Pioneer's *2000 Directory of Microenterprise Organizations in Massachusetts*, available online at [www.pioneerinstitute.org/entre/directory.cfm](http://www.pioneerinstitute.org/entre/directory.cfm).

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