

Accessing Markets and Fortifying Entrepreneurship:

Sectoral Approaches to Microenterprise Development



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By

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Introduction

Academics and practitioners alike contend that there is a strong correlation between a region's economic wellbeing and the presence of industrial networks. Networks are groups of firms that engage in information sharing and other mutually beneficial arrangements. As a result, they are able to take advantage of local and regional market opportunities that they could not secure alone. Networks can buffer firms from the vicissitudes of markets and promote well-run businesses, job creation and retention, and a healthy local economy.¹

Sectoral networks are clusters of firms that produce similar products or services. Sectoral programs facilitate the establishment of formal and informal networks of firms producing similar products or services. Firms can benefit from shared staff and space, joint bidding on large projects, flexible manufacturing processes, and joint marketing and advertising.

Sectoral or cluster programs are a recent development in microenterprise technical assistance, financing and support in the U.S. They allow microenterprise programs to deliver services more effectively because they can be tailored to meet sectoral production or training needs. Sectoral networks also make sense because microenterprises tend to cluster in sectors. According to the Association for Enterprise Opportunity (AEO), a trade association of microenterprise support agencies, specialty foods, clothing and textiles, jewelry, arts and crafts, furniture, computer technology, daycare, and environmental products and services sectors are most prevalent.²

There are also major benefits for entrepreneurs participating in sectoral networks--they allow microenterprises to work together to overcome economic, social and educational barriers by developing cooperative arrangements. In recent years, micro-enterprise support agencies and community development corporations have also developed programs that help firms overcome market barriers

¹[Indergaard \(1996\) - Making Networks, Remaking the City.](#)

²AEO (1999) - Hot Sectors: Microenterprises Are Flourishing!

by linking them to wider markets through sectoral networks.³ As a result, microenterprises can compete with large firms by learning to adapt products to changing market demand, reduce production costs, and reach more lucrative markets.

The purpose of this study is to document two microenterprise sectoral programs. Rural Ohio's Appalachian Center for Economic Networks (ACEnet) Food Ventures program enables local food specialty processors to access regional and local markets. Chicago's Women's Business Development Center's (WBDC) Apparel Roundtable fortifies entrepreneurship by facilitating peer support for lower-income entrepreneurs who design and assemble clothing. The technical assistance, mentorship, and networking services of each program are described as well as how the programs affect job creation, increase sales and improve entrepreneurial capacity. Last, the advantages and challenges of this approach to microenterprise development are identified. This report begins with a background on business networks and descriptions of microenterprise development and the adoption of sectoral networks by microenterprise support agencies.

Business Networks

Sectoral or cluster approaches to entrepreneurship are not limited to microenterprises. Countless U.S. industries have developed trade associations that share information, lobby for favorable government policy, and provide training and development.

More extensive networks have developed in areas where there is unmet market demand, potential for employment generation, or a number of small enterprises with growth potential.⁴ For instance, high-tech companies in the Silicon Valley network to promote collective learning, vertically integrate production, and encourage experimentation and entrepreneurship.⁵ In addition, venture capital firms have emerged to provide financial assistance to technological companies.

³McVay (2000) - Interview.

⁴Lusby (1998) - [Design of Subsector Programs for Enterprise Development](#).

⁵Best (1990) - [New Competition: Institutions of Industrial Restructuring](#); Saxenian (1994) - [Regional Advantage: Culture and Competition in Silicon Valley and Route 128](#).

Manufacturing networks appear to be most popular outside the U.S.⁶ Italy is a notable example. Regional governments in Emilia-Romagna and Lombardia created flexible manufacturing networks (FMN) of small firms in the 1970s. FMNs are assisted by support centers, such as the Textile Information Centre, that provide information on fashion trends, new textile technology, and market forces. As a result of networking of firms, banks, government, and other institutions, these regions have witnessed an incredible growth in the number of firms, employment, per capita income and production capacity of the textile, apparel, and ceramic tile industries.⁷ Such networks are also common in Norway, Japan, and Southeast Asia.

The FMN concept is spreading in the U.S. By 1991, there were at least 50 such networks involving over 1,500 firms in 14 states.⁸ Similar to Italy's FMNs, U.S. rural firms have developed partnerships with local governments to improve a region's competitiveness for business development through training of the local workforce. These partnerships include technical colleges, public schools, technical equipment producers, apprenticeships, and corporate education programs.⁹ Networks are also developed by government agencies to promote collaboration between small and medium-sized businesses in urban areas. They provide funding to subsidize organizational costs, challenge grants to promote interest in networking, and provide technical assistance on forming networks.¹⁰

Small firm networks are most prevalent, although large firms do form joint ventures. Small firm networks tend to be more flexible, share more information, and have more extensive cooperative ventures than the joint ventures of large firms.¹¹

⁶Shie and Gregory (1998) - *International Manufacturing Networks*.

⁷Holley (1995) - *Facilitating the Formation of Flexible Manufacturing Networks in Rural Southeast Ohio: Five Year Report*.

⁸Friedman (1991) - *Networking Comes to America*.

⁹Rosenfeld (1992) - *Competitive Manufacturing: New Strategies for Regional Development*; Sommers (1998) - *Rural Networks in the United States: Lessons from Three Experiments*.

¹⁰Sommers (1998) - *Rural Networks in the United States: Lessons from Three Experiments*.

¹¹Malecki and Tootle (1996) - *The Role of Networks in Small Firm Competitiveness*.

Michael E. Porter of Harvard Business School contends that business networks are key to exploiting the competitive advantages of inner cities and affecting community revitalization. He asserts that powerful economic development strategies can be created by partnerships between companies in distressed communities and educational institutions, specialized financial providers and research centers. However, Porter contends that in order to be effective, networks must link companies within inner cities with those in the surrounding economy. Further, a successful redevelopment strategy also “leverages private and public investments in skills, technology, and infra-structure.”¹²

An example is the Candy Institute, which includes many of these program components. Founded by the Center for Labor and Community Research (CLCR)¹³, the Institute supports the candy industry in Chicago, which has one of the largest concentrations of such firms in the U.S. Its activities include documenting the importance of candy manufacturing to the Chicago economy, meeting with local government leaders, securing retail space for local manufacturers in tourist and shopping attractions, and increasing the visibility of the industry. In addition, the Institute has planned a cooperative kitchen incubator for new entrepreneurs. The effort is funded by a combination of private and public financing and hopes to link candy firms throughout the Chicago metropolitan area.

History and Background of Microenterprise Development

Since the 1960s, U.S. community development practitioners, academics, and policymakers have become increasingly interested in microenterprise support programs pioneered in developing countries. The Grameen Bank, for example, is a powerful model of the benefits of supporting microenterprise. The Bank provides financial assistance to peer groups of women entrepreneurs in Bangladesh. It has been replicated in various forms all over the world.

¹²Porter (1997) - *New Strategies for Inner-City Economic Development*.

¹³Formerly the Midwest Center for Labor Research (MCLR).

Microenterprise support programs help low-income people take control of their lives, decrease poverty, and create jobs. According to the Aspen Institute's 1999 Directory of U.S. Microenterprise Programs, there are 341 microenterprise support programs that provide direct support to entrepreneurs.¹⁴ The majority (92 percent) provide technical assistance and training, and over 70 percent provide financing--most provide both services. In recent years, microenterprise agencies have also developed Access to Market (ATM) programs that help enterprises overcome growth plateaus by accessing higher value local and regional markets. Another recent innovation is the formation of economic literacy programs that improve entrepreneurs' personal and business financial management skills and their ability to develop and maintain assets.

The goals of microenterprise programs include:

- Fostering the human development and economic literacy skills of participants.
- Helping lower-income people develop microenterprises.
- Providing positive role models.
- Building networks or a sense of community.

Research shows that microenterprise programs are successfully targeting lower-income people and minorities in rural and inner city communities. Minority entrepreneurs own most microenterprises assisted by microenterprise development programs.¹⁵ There are a high number of women and low-income participants.¹⁶ Many microenterprise programs target long-term or multi-generational welfare recipients, the chronically unemployed, and the homeless. A longitudinal study conducted by the Aspen Institute reports that 53 percent of poor entrepreneurs¹⁷ assisted by microenterprise programs worked their way out of poverty through self-

¹⁴Langer et al. (1999) - 1999 Directory of U.S. Microenterprise Programs.

¹⁵Edgecomb et al. (1996) - The Practice of Microenterprise in the U.S.

¹⁶Novogratz (1992) - Hopeful Change: The Potential for Microenterprise Programs as a Community Revitalization Intervention.

¹⁷ The Self-Employment Learning Project (SELP) tracked 405 microentrepreneurs from 1991 to 1997. Approximately one-third were very poor, with incomes of 150 percent or less of the poverty line.

employment. A larger majority (72 percent) increased or 'patched' their total incomes by an average of \$8,484 over five years, and declines in public assistance averaged 61 percent. Around one-half of the businesses assisted survived after five years. In addition, many entrepreneurs report increased confidence, stronger community ties, and improved family relationships from participating in microenterprise development programs.¹⁸

Microenterprises are associated with the informal economy. A majority are, at some time, home-based and most are service or retail operations that are a source of supplementary income to the proprietor.¹⁹ As a result, one of the challenges of the microenterprise development field is figuring out how to help these businesses 'grow to scale' -- that is, increase employment capacity and become self-sustaining. However, as Ahrentzen and Dearborn-Karan note, microenterprises augment the wage and income-earning activities of other family members, which is often vital to household survival. Further, for many entrepreneurs, success often derives from the flexibility that working at home provides so that they can attend to other work and family obligations.²⁰

Microenterprise Networks

Microenterprise peer lending programs are a precursor to sectoral networks. Many U.S. microenterprise programs adapted the Grameen Bank's group lending process. However, a 1996 Aspen Institute report found that there are significant challenges to U.S. peer lending groups. Cost efficiencies are less than anticipated when groups are not able to exert peer pressure. Loan delinquencies have led to group breakdowns and loss of clients. As a result, some peer lending organizations have made several changes to their programs, including increasing training, changing group rules, and providing more structured enforcement procedures.²¹ Further, although many microenterprise programs

¹⁸Clark and Kays (1999) - Microenterprise and the Poor: Findings from the Self-Employed Learning Project Five Year Survey of Micro-entrepreneurs.

¹⁹Edgecomb et al. (1996) - [The Practice of Microenterprise in the U.S.](#)

²⁰Ahrentzen and Dearborn-Karan (1999) - Housing Home Businesses in Low-Income Urban Neighborhoods.

²¹[Ibid.](#)

provide financing because they believe a lack of access to credit is a major barrier for would-be entrepreneurs, most low-income participants need basic skills and training before obtaining financing can become an option.²²

An important lesson learned from peer lending circles are the benefits of support networks. Practitioners found that lending circles provide a structure to strengthen clients' business and credit management skills and are an important vehicle for learning, generating and sharing contacts, and providing encouragement when things get difficult. In addition, networks can offset the high cost of technical assistance by encouraging entrepreneurs to share information, identify resources, and build relationships.

During the past few years, there has been significant experimentation with sectoral approaches to network development. These programs offer a diverse range of services:

- Technology or product development.
- Assistance in obtaining funding.
- Business skill development.
- Joint purchase of raw material or inputs.
- Advocacy for supportive public policies.²³

Accessing markets is a major growth barrier for many micro-enterprises. Therefore, many microenterprise sectoral development programs in the U.S. share the goal of helping entrepreneurs gain ATM. There are two main strategies in ATM programs. Some programs establish a not-for-profit marketing enterprise, which actually buys products from entrepreneurs and sells them at a mark-up, attempting to cover program costs. Other programs, such as Food Ventures, facilitate the entrepreneurs' direct access to markets by providing assistance with market research, legal and regulatory advice, business skill development, access to

²²Servon (1997) - Microenterprise Programs in U.S. Inner Cities: Economic Development or Social Welfare?

²³Lusby (1998) - Design of Subsector Programs for Enterprise Development.

space, technology, and equipment, and joint advertising and marketing.²⁴

This report describes two microenterprise sectoral development programs, ACEnet's Food Ventures program and the Women's Business Development Center's Apparel Roundtable. The goal of Food Ventures is to help entrepreneurs in the food specialty industry 'get their products to market'. The goal of the Roundtable is more modest, but in some ways more challenging. It provides lower-income women entrepreneurs, many of whom work in the home, with support, skills, and resources to help them build their business and marketing skills.

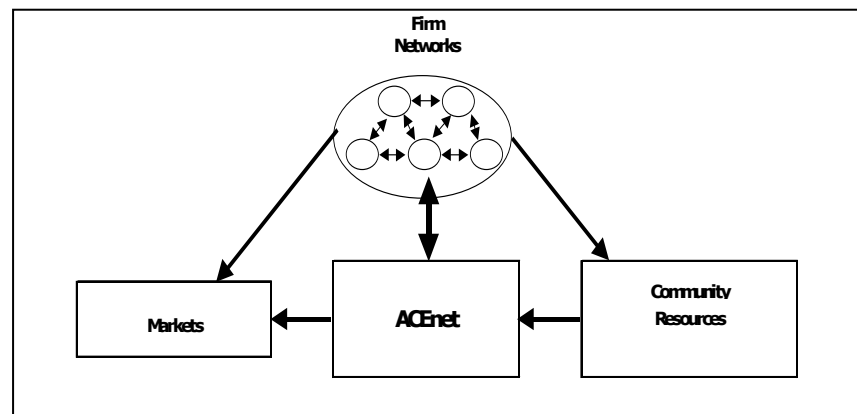
²⁴McVay (2000) – Interview.

Food Ventures: Accessing Markets for Specialty Food Microenterprises

History and Background of ACEnet

The Appalachian Center for Economic Networks (ACEnet) was founded in 1985 to assist microentrepreneurs in ten depressed counties in rural Ohio. As the name suggests, the purpose of the organization is to develop a network of local resources and deliver them to a network of local microenterprises (figure 1).

Figure 1: ACEnet Relational Chart



Source: ACEnet 1998

ACEnet initially focused on developing worker-owned cooperatives. It helped start 12 such businesses, including Casa Nueva, a worker-owned Mexican restaurant. Casa Nueva has become a force in the community, employing 40 community residents and purchasing a substantial amount of its produce and other food from local businesses. However, after several years of promoting cooperatives, ACEnet staff recognized that they were not producing the results they expected. In addition, ACEnet could not locate sufficient financial support for the program.

Creating Networks in Rural Ohio

ACEnet staff began to rethink its worker cooperative focus and in 1994 visited Italy to observe the flexible manufacturing network (FMN) systems. They met with firms, government agencies, banks, and others involved in several FMNs and learned the following lessons:

- Each network's technical assistance and support programs are tailor-made to the needs of local industry.
- An external network linking participants to resources outside their region must support FMNs.
- A major component of FMNs is to assist in the development of new markets for products.
- Informal relationships help to link FMN participants.
- FMNs also engage in lobbying government agencies to develop policies supportive of their work.
- FMNs should target small firms – large firms have internal capacity to market and develop products.²⁵

The purpose of Food Ventures is to access markets for small specialty food businesses beyond the Athens area. This area was chosen due to the predominance of local farmers and others interested in becoming processors and because of lucrative specialty goods markets. ACEnet staff also thought that they should concentrate on one industry because it takes years to learn production, marketing, pricing, new product development, and other issues of an industrial sector.

Food Ventures participants include a broad range of firms, from restaurants to farmers to food processors, from start-up businesses to mature firms. The ACEnet staff encourages this diversity so that larger firms can take on mentorship roles, broker products, or develop subcontracting arrangements. To increase business viability and job creation, ACEnet decided not to limit the program to people moving out of poverty who face multiple

²⁵Holley (1995) - Facilitating the Formation of Flexible Manufacturing Networks in Rural, Southeastern Ohio: Five Year Report. Athens, OH: Appalachian Center for Economic Networks.

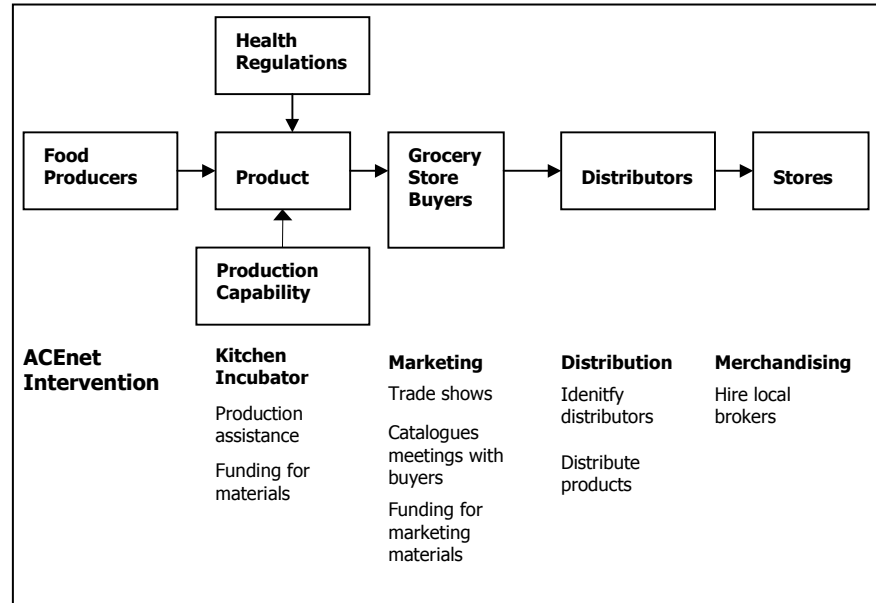
barriers to business ownership, such as low literacy and lack of work history. Therefore, one-third of the participants are middle-income individuals or families with work history and/or business experience (although they may at one time have received public assistance) and two-thirds are low- or moderate-income.

Food Ventures staff perform the research and development tasks that the entrepreneurs do not have the time or resources to do. They organize displays at regional food trade shows, read trade magazines and specialty catalogues to learn recent trends, and build relationships with people in or related to the specialty food industry. Food Ventures assists participants by linking firms to customers and markets; articulating their needs and educating them; providing them with opportunities to brainstorm new ideas; distributing up-to-date information on trends; facilitating product development; and marketing and distributing products in new markets.

Getting Specialty Foods to Market

Persuading stores to carry food products is a somewhat complicated process. ACEnet has spent the last several years learning about the food product distribution process (figure 2), making contacts in the industry and learning how to circumvent difficulties and barriers. The services provided by Food Ventures evolved as ACEnet staff learned more about overcoming regulatory, production, marketing, distribution, and brokering challenges.

First, firms must develop a production process that complies with local health regulations and allows them to produce goods in large quantities. ACEnet developed the Kitchen Incubator, a 9,000 square foot facility that is rented to local microentrepreneurs. The Incubator has become a locus for small businesses--a place to interact, get to know one another, develop joint ventures and exchange information. There are about 40 businesses that sell their products in the incubator's retail space. Twenty of those businesses use the incubator's processing facilities and over 100 have received some form of technical assistance.

Figure 2: Food Product Distribution Process

Source: ACEnet 1999

Second, firms must make grocery stores aware of their products. Food Ventures accomplishes this by participating in trade shows and meeting directly with grocery store owners and managers. ACEnet arranged for eight Food Ventures firms to exhibit their products at the Ohio Grocers Association Trade Show. In addition, Food Ventures also helps firms package their products attractively and develop labeling that meets health and food regulations.

Third, most stores purchase their inventory through a middleman. Food distributors buy food from food producers and market them through networks with grocery store chains and through catalogues. Food distributors are often not suitable for smaller businesses. Distributors prefer to work on a large scale, often requiring at least 50 accounts at grocery stores before they will consider accepting a food producer as a client. In addition, purchasing space in the distributor's catalogue is often cost prohibitive for small firms. As a result, ACEnet encourages businesses to sell their products directly to stores as the first step of moving to distributors. Grocery stores are beginning to carry specialty food items due to competition from natural food stores, and are becoming more amenable to working on a small scale. And consistent with its philosophy of exploring opportunities in addition to working to identify small distributorships, ACEnet

management is considering starting a local food distributorship in partnership with a local entrepreneur.

Fourth, most food producers are located too far from all the locations of a grocery chain to make sure their products are displayed effectively. Therefore, they hire brokers to work in local stores to make sure that their products are properly merchandised on store shelves. Brokers also set up displays and take re-orders. Brokers charge about 5 percent of sales for these services. As Food Ventures firms sell more of their products to stores outside of the region, they may choose to consult with food brokers.

Financing: Food Ventures also provides funding for participants. The Product Development Fund, which is supported by the Mott Foundation and Hitachi Foundation, funds packaging, marketing design, and production costs. In exchange, ACEnet receives 3 percent of sales from each venture (not a loan) for three years. Food Ventures has made four advances to date, averaging about \$3,000. Eligibility criteria include market potential, feasibility and the capacity of the entrepreneur. Taking a percentage of sales has several advantages. It means that the firms are required to prepare and submit financial statements, so that ACEnet can be kept apprised of the status of the firm. In addition, returns based on increases in sales gives ACEnet a greater interest in making the firm a success.

ACEnet also relies on community development financial institutions (CDFIs) in the community to support Food Ventures' entrepreneurs. Local banks, which engage in relationship lending, have also financed Food Ventures firms.

New Technology: ACEnet has obtained computers for participants and provided computer-training sessions. Participants are encouraged to use computers to manage inventory and to prepare financial statements.

Food Ventures has also utilized the Internet. Foodnet is a list-serve of community-based groups, including ACEnet, that focuses

microenterprise efforts on specialty food.²⁶ The list-serve allows firms to share information, develop short- and long-term joint ventures, and keep apprised of changing consumer needs and trends. Foodnet also links firms to databases and other sources of information in the food specialty area, including the U.S. Department of Agriculture, which provides guidelines on food preparation and storage. Much of this work is facilitated by the Southeastern Ohio Regional Free-Net, which provides free or low-cost access to the Internet.

Food Ventures firms also participate in the Public Web Market (PWM) site on the Internet. The site markets the products of Food Ventures businesses, which can be purchased on-line.²⁷ The site is coordinated by the Center for Civic Networking, a nonprofit organization that supports community Internet networks.

Staffing: ACEnet has 4.5 employees who manage Food Ventures. One employee helps businesses identify market opportunities and organize marketing visits to store owners and managers. Another advises them on how to improve production processes and packaging. A third employee manages ACEnet's financing programs or helps entrepreneurs identify and obtain outside financing. A part-time employee helps firms with employee issues, including training and developing human resource procedures and personnel policies. Last, ACEnet management helps manage Food Ventures and develop new programs.

Funding: The Food Ventures program has an annual budget of about \$300,000. Most of this cost is for staff and overhead. Funding comes from foundations, the Federal government, Appalachian Regional Commission (ARC), and religious organizations. In addition, there is program income: rent from the kitchen incubator, loan payments, and other fees for service.

Community Partnerships: Partnerships are also important. The Ohio Department of Agriculture helped design the kitchen incubator. Other community organizations provided volunteer training sessions on food preparation and distribution as well as general business management. ACEnet works with other

²⁶ACEnet (N.D.) - The Market Link: Foodnet.

²⁷Center for Civic Networking (N.D.) - Public Webmarket.

community organizations across the country to jointly access markets. ACEnet hopes that other microenterprise programs can work collaboratively to access markets and share information.

Related Programs and Projects: Marketplace Foods is a pilot training program developed by ACEnet that helps low-income women gain employment and business ownership skills in food production. The trainees are referred by the Department of Human Services. Once they have completed training, they are eligible to work for Food Ventures firms.²⁸

Accomplishments of Food Ventures

ACEnet's Food Ventures program utilizes many of the strategies it identified as factors of success for FMNs. It provides sector specific technical assistance to small firms that enables them to access new markets. It accomplishes this through the employment of external networks and by lobbying government agencies for support.

Food Ventures has assisted over 140 specialty food firms in the Ohio-Kentucky-West Virginia corridor with technical or financial assistance to develop products and access market niches. Forty-seven firms work intensively with Food Ventures. Of these, 15 percent are minority-owned, about seven times the percentage of the minority community in the area. One-third of the owners are low-income and 66 percent of the firms are co-owned or owned by women.

Sales, access to regional markets, and job creation have grown for Food Ventures firms. The sales of 33 firms have increased in aggregate by almost \$1 million, from \$2.8 million in 1998 to \$3.7 million in 1999. The average sales increase per firm is \$30,000 and two lower-income entrepreneurs participating in Food Ventures are now grossing over \$100,000 per year after just two years in the program.

Much of this expansion in sales is due to the ability of these firms to access markets. The firms spend an average of \$1,733 per business on marketing expenses and 5.3 hours per week on

²⁸ACEnet (N.D.) - The Market Link: Foodnet.

marketing and sales activities. As a result, 19 of the 33 firms are selling products in regional or national markets. Eleven have contracts with distributors or delivery services and others use mail to get their products to market. Food Ventures firms are also becoming more independent from the Program. Six of them have developed their own processing facilities.

Employment data is available for 31 Food Ventures firms. There are a total of 72 full-time equivalent employees, or 2.3 per firm. This data suggest that Food Ventures' participants are evolving beyond self-employment to employing other community residents.

Food Ventures, in partnership with four other microenterprise support agencies, has introduced its product lines to the national office of Wild Oats, which is a chain of natural food stores. However, staff found that working with the company's distributor was too expensive because firms must pay for costly ads in the distributor's monthly catalogues. Therefore ACEnet decided to approach the chain from the bottom-up and arranged for 15 Food Ventures firms to place products in a local Wild Oats store. Participating firms gross between \$300-4,000 a month from these sales. Wild Oats' management has expressed an interest in carrying these products in 12 Midwestern stores. Distribution was a major barrier---most distributors will not deliver items to less than 50 stores. However, ACEnet has gotten a commitment from one distributor to distribute Food Ventures' products to Wild Oats stores in two urban areas. In addition, they continue to search for a distributor who works with smaller businesses and they have also considered starting a local food distribution company. Kroger grocery stores also carry a salsa produced by a Food venture firm in seven states. Three other firms are negotiating similar contracts.

The following example illustrates just how important ACEnet's help can be. Cliffie and Ruth own one of the microenterprises participating in Food Ventures. The couple produce a delicious line of chow chow and relishes that they initially sold at flea markets and weekend fairs in the Athens area. ACEnet initially helped the business owners develop a marketing plan to expand sales to convenience stores and produce stands. However, Cliffie and Ruth encountered cash flow shortages due to the gap between

purchasing goods and materials and selling the final product. As a result, ACEnet advanced Cliffie and Ruth product development funding to pay for jars and supplies. This advance was important because due to layoffs, Cliffie and Ruth had a poor credit history and were not likely to meet the underwriting criteria of a bank. In addition, because they purchase jars in cooperation with another Food Ventures participant, Cliffie and Ruth were able to negotiate a lower price. Sales increased substantially and ACEnet helped Cliffie and Ruth develop a second marketing plan and negotiate a contract to supply relishes directly to Big Bear, a grocery store chain in Ohio. Cliffie and Ruth have increased annual sales from \$15,000 in 1998 to a projected \$100,000 in 1999.

Food Ventures' Challenges

Food Ventures has made significant progress in increasing entrepreneurial capacity, accessing markets, increasing business sales, and employment. ACEnet's comprehensive program of technical assistance, peer support, networking, and financial assistance can be a model for similar programs.

Food distributorship continues to be a major barrier for Food Ventures' participants. ACEnet has developed some creative strategies to facilitate getting products to grocery stores. However, until firms can distribute products on a larger scale, market penetration will be limited.

The Apparel Roundtable: Fortifying Home-Based Entrepreneurs

History and Background of the Women's Business Development Center

Chicago is the home of the Women's Business Development Center (WBDC), which provides technical and financial assistance to micro-enterprises and small businesses. Founded in 1985, WBDC's mission is to lower the barriers that prevent women, minorities, and low-income people from pursuing economic independence through business ownership. Services are provided from a central office in downtown Chicago and from an office located in a distressed southern suburb of Cook County. According to a 1997 survey of WBDC clients:

- 76 percent of the firms are in the service or retail sector
- 46 percent are minorities
- 62 percent are single
- 44 percent are low-income²⁹

WBDC provides a wide range of technical and training services, including business planning, financial management, loan packaging, and business training services. The agency also serves as an information clearinghouse. Its most recent accomplishments include the development of a micro loan pool in partnership with the Small Business Administration (SBA) and local banks. Women's Business Enterprise (WBE) certification and private and public sector procurement assistance are also provided. Over \$115 million in public and private contracts were awarded to WBDC firms in 1996. Further, WBDC sponsors an annual conference that draws more than 2,000 attendees and a Women's Buyers Mart that showcases participants' products and services for corporate, small business, and government buyers.

²⁹Hillman (1998) - A Business Workshop Series for the Apparel Industry.

The Apparel Roundtable

According to the Self-Employment Learning Project (SELP), which is a longitudinal study of seven U.S. microenterprise development organizations, most microenterprises are engaged in activities related to apparel and textile production.³⁰ This is true for WBDC as well. When several apparel designers and small manufacturers approached the organization for financing assistance, WBDC found that they also needed basic business skills. Therefore a focus group of established and less experienced apparel manufacturers and sales representatives was organized to determine the best way to deliver resources and information. The focus group suggested a workshop series to teach business management skills. The purpose of the workshops was to:

- Help entrepreneurs manage their apparel business.
- Introduce WBDC clients to members of the Apparel Center of the Chicago Merchandise Mart, a major wholesale distribution center.
- Provide access to experts in production techniques and marketing.
- Facilitate financing for business expansion.
- Provide networking opportunities for Workshop participants.

Workshop participants included designers and manufacturers who wished to expand their businesses to reach larger markets. Many had been in business for a year or more and had 5-15 accounts as well as a sales representative. Some represented the line themselves. A majority of the firms had moderate levels of experience and were looking for additional resources and strategies to grow their businesses. Students from apparel design schools also participated in the workshop series. The cost of each workshop was \$25, or \$115 for the entire series. Although payment plans and scholarships were available, WBDC contends that participants place more value on the services when making a financial commitment.

³⁰Clark and Kays (1995) - Enabling Entrepreneurship: Microenterprise Development in the United States.

In total, five workshops were offered from May to June 1998. Each workshop included presentations by experienced entrepreneurs and other experts, opportunities for questions and answers, networking breaks and small group discussions. An average of 20 people attended each workshop. The topics included:

- **The Real Business Behind Running Your Apparel Business:** A panel of experienced designers and manufacturers shared experiences on managing an apparel business.
- **Marketing Your Apparel Business in the New Millenium I:** This workshop allowed participants to learn about apparel trade shows, how to find and work with a sales representative and the use of catalogues.
- **Marketing Your Apparel Business in the New Millenium II:** The second marketing workshop explored other marketing techniques, such as using public relations tools, fashion shows, house parties, trunk shows, etc.
- **Manufacturing Management:** Covered nuts and bolts topics such as inventory management, negotiating sewing contracts, lease negotiations, etc.
- **Financing and Financial Management for Your Apparel Business:** Lenders discussed underwriting criteria. Participants also learned how to prepare cash flow projections and how to manage cash flow needs.

At the end of the workshop series, participants expressed an interest in continuing discussions, and the Apparel Industry Roundtable was born. Since August 1998, WBDC has facilitated monthly networking meetings where entrepreneurs can share information and support each other's efforts. The cost of each roundtable is \$10 or \$48 for six months.

At the first Roundtable meeting, participants were asked to bring marketing or financing resources to share with the other participants. The participants also identified the agenda for the next few meetings, which included: how to make marketing presentations; developing merchandise catalogues; cash flow planning; and financing. The style of the Roundtable meetings is participatory.

For instance, at the marketing meeting, each participant received advice and comments from other participants on their marketing materials. At the end of each meeting, participants were given assignments to complete before the next meeting, such as developing mailing lists or lists of apparel trade shows.

A major goal of the Roundtable is for participants to become more collaborative and less dependent on the facilitators. Observations of the Apparel Roundtable manager are that the success of the program is related to:

- **Commitment of participants:** One of the advantages of sectoral networks is that participants can begin taking greater responsibility for organizational and resource development. A successful network requires commitment from participants, who need to attend meetings and complete assignments before the next meeting. Requiring a fee to attend meetings has allowed WBDC to weed out those who are not seriously committed to their business and the Roundtable.
- **Goal setting:** One way of encouraging long-term participation is to structure the meetings so that participants feel that they have achieved something at each meeting. Therefore, setting goals for participants and for meetings is crucial.
- **Facilitation:** An ongoing challenge for any organizer is figuring out how to sustain commitment over time. In addition, the facilitator must identify participant needs and deliver resources at Roundtable meetings.

There are eight current participants of the Apparel Roundtable, six of whom responded to a telephone survey regarding their experience with the Roundtable. Most of the participants are lower-income racial minorities, and one is currently a welfare recipient. A majority design and assemble women's apparel and accessories and two offer adaptive clothing for people with disabilities. They have a range of tenure as entrepreneurs. Three have been in business for over five years and the remainder for two years or less. The respondents have fairly respectable sales for home businesses, ranging from \$500 month to \$3,000 a month. In addition, one employs four full-time people.

The Roundtable is coordinated by one part-time employee of the WBDC, Janice Bailey, who also operates a women's apparel microenterprise. The majority of the Roundtable's expenses are for Ms. Bailey's salary, which is offset by the general operating budget of the organization.

Accomplishments of the Apparel Roundtable

Most of the current participants of the Roundtable became involved in the program during the workshops, although one entrepreneur has only been participating for a few months. They appear to value the networking and support opportunities of the Roundtable. They enjoy having regular contact with other entrepreneurs involved in the apparel industry and exchanging ideas and information. Most participate regularly in monthly meetings and periodic trade shows.

Improved marketing strategies and materials are the primary benefit cited by most Roundtable participants. Improved production, financing, and business planning were also cited as benefits. The Roundtable has coordinated exhibits at several apparel trade shows in Chicago and Rockford, IL. In addition, the WBDC staff is currently determining how Roundtable participants can become more involved in the Chicago Merchandise Mart's Chicago Apparel Center. The Center contains over 300 wholesale showrooms and hosts seven apparel trade shows as well as conferences, seminars, and special events for wholesale manufacturers and retail buyers.

Most of the participants have plans to improve their marketing, establish better contacts with customers, develop a web site, and build clientele. Participants also express the desire for shared space and other resources.

The Apparel Roundtable Challenge

The Roundtable has effectively provided peer support opportunities for its participants. However, sustaining a long-term, informal support network is very difficult. Several Roundtable participants noted that they would like stronger program structure such as setting meeting agendas, distributing meeting reminders, and sharing resources and contacts at meetings. However, these comments beg the issue of the role of participants in managing

the Roundtable and taking responsibility for organizing meetings. WBDC faces the challenge of providing 'just enough' staff facilitation and organizational structure to encourage greater commitment and responsibility of participants.

Apparel Roundtable management may want to consider making some program changes that have been utilized to improve peer lending circles, such as increasing training opportunities, changing group rules or structuring group enforcement procedures. Even though the Roundtable does not practice lending, group cohesion, commitment, and structure are important issues.

The goals of the Roundtable are not as defined or measurable as those of the Food Ventures Program. Because it focuses on facilitating peer support, it is difficult to determine whether the Roundtable has met its goals. The development of concise and measurable program goals may assist in developing Roundtable agendas and encourage program participation and commitment.

Conclusions

Food Ventures and the Apparel Roundtable demonstrate some of the advantages of sectoral networks. Both networks have minimized the cost of delivering technical assistance by encouraging participants to share information and take responsibility for identifying resources. Food Ventures and the Apparel Roundtable also allow microenterprise support staff to work with people with multiple skills barriers and challenges without taxing agency resources. In addition, there is a synergistic element, which is demonstrated by ACEnet. One participant's success encourages others to adopt similar strategies. Shared purchase and space strategies, such as Food Ventures', can also reduce the production costs of participating firms.

However, skilled and balanced staff facilitation is very important, particularly in programs where the role of the staff in delivering technical assistance is unclear. This may be particularly true for programs that target very low-income entrepreneurs. Another challenge is to determine whether the program structure should be formal or informal. Although structure may be a function of the nature of the program, setting program goals is a must.

Selecting an industrial sector is a major challenge for sectoral programs. Although participant interest is important, market demand is also crucial for programs that strive to promote self-sustaining businesses.

Major keys to success appear to be the ability to connect with outside networks and leverage public and private resources. The Apparel Roundtable has had some success in linking participants with apparel networks and other private resources in the Chicago area. Food Ventures works extensively with other microenterprise support programs to access markets. It also works with educational, training, marketing, and distribution networks and has structured a system where financing from its Fund leverages bank and CDFI funding.

Sectoral approaches to microenterprise development appear to be growing in popularity. As microenterprise programs develop, many

are adding sectoral components in the interest of providing specialized training to entrepreneurs that have 'graduated' from their generic workshops. Many microenterprise sectoral programs are, like Food Ventures, geared to enable microenterprises to access markets. AEO has developed the National Access to Market (NatM) project in cooperation with ACEnet.³¹ NatM helps microenterprises connect with higher value specialty markets. Sector-based training, networking, developing relationships with key purchasers, product development, and assessing markets are the major components of NatM. NatM also includes a four-part training program. The Access to Markets Institute teaches microenterprise program staff how to help clients get their products to market. Further, some participating microenterprise programs themselves provide marketing on behalf of entrepreneurs.

Many foundations are also encouraging sectoral strategies to microenterprise development. The Ms. Foundation and the Charles Stewart Mott Foundation, target sectoral, market-oriented programs. A component of the Mott initiative is the ATM Learning Cluster. Managed by the Aspen Institute, the Cluster will evaluate seven microenterprise projects funded by Mott to link low-income entrepreneurs to new markets.³²

A tremendous challenge for microenterprise support agencies is enabling businesses to grow to scale. One issue is that microentrepreneurs have different goals for their work. Many entrepreneurs are committed to developing small businesses that move beyond self-employment and employment of family members. However, other entrepreneurs view microenterprise development as an income patching strategy. Although their enterprises may never grow to scale beyond providing supplemental income to the owner, the additional income from these enterprises may make a material difference to the standard of living of low-income households.

Sectoral approaches are a promising yet fairly recent innovation in microenterprise development in the United States. As sectoral efforts progress, further research must be conducted to determine

³¹Holley (1998) - Access to Markets: Making the Case for Market Development.

³²AEO (1999) - Microenterprise Training Institutes.

best practices and identify the advantages and disadvantages of this approach. In addition, program administration and efficiencies must be documented. ATM programs, a subset of microenterprise sectoral development, warrant further study to learn whether microenterprises are successfully accessing regional and national markets.

Appendix: National Resources for Microenterprise Development Programs

The following national agencies provide support to microenterprise support agencies:

Organization	Description of Assistance
<p>ACCION International Christina Himes 733 15th St., N.W. Suite 70 Washington, DC 20005 (202) 393-5113 Website: www.accion.org</p>	<p>Services include lending to microenterprises as well as assistance to microenterprise support agencies, such as program design and troubleshooting, an information clearinghouse, program evaluation and advocacy. ACCION has offices in Washington DC, Chicago, and New York.</p>
<p>Association for Enterprise Opportunity (AEO) Bill Edwards 1601 N. Kent Street, #1101 Arlington, VA 22209 (703) 841-7760 Website: www.microenterpriseworks.com</p>	<p>A trade association for microenterprise support agencies, AEO provides training and technical assistance on topics such as entrepreneurial training, research and evaluation, federal and state advocacy, developing partnerships, lending, and access to credit.</p>
<p>Center for Community Futures (CCF) Jim Masters P.O. Box 5309 Berkeley, CA 94705 (510) 339-3801 Website: http://www.cencomfut.com</p>	<p>A nonprofit dedicated to supporting microenterprise development, CCF provides training and consulting services in program design and evaluation.</p>
<p>Center for Policy Alternatives (CPA) John Kennedy 1875 Connecticut Ave., Suite 710 Washington, DC 20004 (202) 387-6030 Website: www.cfpa.org</p>	<p>CPA supports grassroots economic development programs. Services include an information clearinghouse, advocacy, and networking.</p>
<p>Corporation for Enterprise Development (CFED) Ray Boshara 777 North Capitol, NE, Suite 410 Washington, DC 20002 (202) 408-9788 Website: www.cfed.org</p>	<p>Established to expand economic opportunity and equity, CFED supports state microenterprise networks and financial intermediaries. CFED is also involved in asset-building and establishment and evaluation of Individual Development Account Programs (IDA).</p>
<p>Development and Training Resources (DTR) Betty Mosley 4830 Oakland Ave., South Minneapolis, MN 55417 (612) 823-5193</p>	<p>A proponent of community-based economic development, DTR conducts evaluations, helps develop strategic plans, and provides education and training.</p>

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Woodstock Institute

Woodstock Institute, a Chicago nonprofit incorporated in 1973, works locally and nationally to promote community reinvestment and economic development in lower-income and minority communities. It collaborates with community organizations, financial institutions, foundations, government agencies, and others to promote its goals.

The Institute engages in applied research, policy analysis, technical assistance, public education, and program design and evaluation. Its areas of expertise include: CRA and Fair Lending policies, financial and insurance services, small business lending, community development financial institutions, and economic development strategies.

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