

MSU EDA University Center for Regional Economic Innovation (REI)
2012 Co-Learning Plan Series

Microenterprise Development in Michigan:

Assessing Coverage, Access and Outreach

Claire Glenn

Tracy Pierce

Microenterprise Network of Michigan, CEDAM

***Microenterprise Development in Michigan:
Assessing Coverage, Access and Outreach***

MSU REI Center Co-Learning Plan

Strategies to Support State and Local Microenterprise Development

August 15, 2012

CLAIRE GLENN

Microenterprise Network of Michigan Coordinator

with

TRACY PIERCE

Microenterprise Network of Michigan Research Assistant

Contents

Microenterprise Development in Michigan: 1

Assessing Coverage, Access and Outreach..... 1

An Introduction to Microenterprise 3

Research Scope and Methodology 6

Microenterprise Development in Michigan 8

 Microenterprise Legislation in Michigan..... 13

 Michigan MDO Community Marketing and Outreach..... 15

Solutions and Conclusions 21

Appendix..... 27

 Appendix I 27

 Appendix II 32

 Appendix III..... 34

 Appendix IV..... 34

Works Cited..... 35

An Introduction to Microenterprise

Microenterprise development is an innovative way to revitalize our economy and our communities. It is a proven way to create jobs, increase the tax base, promote local purchasing and hiring, develop a sense of place and stabilize local economies (*Ripple Effect*). In contrast to trickle-down strategies, microenterprise development cultivates economic growth through emerging and existing very small businesses, called microenterprises or microbusinesses. Alone, an individual microbusiness may employ only a handful of people. But together, microbusinesses represent more than 80 percent of all businesses in the United States (*The Power of One in Three*, 2). Thus programs and organizations that strengthen these microbusinesses impact a sector critical to our national economy. In fact, if one in three microenterprises hired just one additional employee, the nation would be at full employment (*The Power*, 2).

Microenterprise and microenterprise development can be defined and described in several different ways. Generally, a microenterprise in the United States is defined as a business requiring start-up capital of \$35,000 or less and employing five or fewer people, of which one is the owner (*Microenterprise Development in the United States*, 1). For most microenterprises, however, the owner is also the sole employee (*Microenterprise Development*, 1).

Although the term is unfamiliar to much of the general public, microenterprises are an integral and familiar part of everyday life. Restaurants, boutique clothing stores, barbershops and salons, bakeries and coffee shops, laundromats, corner stores, gardening and lawn care businesses, cleaning services, artists and musicians and infinite other businesses are all considered microenterprises.

Microenterprise development creates an avenue for traditionally disadvantaged individuals to engage with the financial mainstream, earn a living wage and save and grow assets. It utilizes the accessible size, flexibility and diversity of microenterprise as an avenue for income-generation and poverty-alleviation and helps people to access the capital, training and technical assistance needed to start or grow their own business. As a result, the owners of microbusinesses are able to earn a living, provide for their family and strengthen their community through entrepreneurship.

Microenterprise development has specifically aimed to empower low to moderate income and minority individuals and communities with tools for economic success. Nationally, people of a disadvantaged racial or ethnic group represent 53 percent of those served by microenterprise development organizations (*MicroTracker.org*). Entrepreneurs with household incomes at or below 80 percent of the U.S. Department of Housing and Urban Development median represent 56 percent of microenterprise development clients (*MicroTracker.org*). As the field has developed, however, it has widened to benefit women, youth and elderly entrepreneurs, entrepreneurs with disabilities, those who have been incarcerated, those recovering from substance abuse and numerous others.

Microenterprise development is largely facilitated by Microenterprise Development Organizations (MDOs). MDOs provide services to entrepreneurs and prospective entrepreneurs in need of business knowledge, skills, and/or resources. MDO services are categorized into three groups: lending and capital access; training, or group education; and technical assistance, or one-on-one consulting and counseling. MDOs may focus on one specific component of microenterprise, such as character-based lending or

classes on the foundations of business, or offer a comprehensive program. They may offer microenterprise development services exclusively, or as part of other programs and projects. They may be statewide or national organizations or smaller local organizations that fulfill a specific need. They may serve a specific population within their community, or provide broad economic development resources to entrepreneurs from all backgrounds.

There is no shortage of innovative and capable entrepreneurs in need of opportunities, education, coaching and resources. Yet as the Association for Enterprise Opportunity (AEO) points out, due to problems with access and availability, the supply falls short of meeting the need (*The Power*, 2). MDOs do provide these necessary resources, but often have limited resources themselves. MDOs often have small, if any, budgets for marketing and outreach that builds community awareness, especially when relying on foundation and grant support. Furthermore, government support has historically favored large corporations and high-growth industry development in lieu of bottom-up community development strategies such as microenterprise development.

Microenterprises represent a vital part of any economy. Today, they offer an avenue for economic stability and growth when it is most needed. But to nurture this growth, we need to examine the barriers that currently limit access to microenterprise services. By identifying these barriers, we can determine ways to improve and expand microenterprise development resources, and thus opportunities for entrepreneurs.

Research Scope and Methodology

Our research examines the current climate of the microenterprise ecosystem in Michigan. At a time when microenterprise offers an innovative avenue for economic development, we aim to describe the connections microenterprise development organizations have with each other, with clients, with communities and with resources peripheral to microenterprise while understanding how this affects access and availability. In addition to more obvious factors such as location and capacity, our research also examines the way marketing and outreach and legislative developments affect the resources available to Michigan entrepreneurs. In turn, we believe that this knowledge offers insight for developing more effective strategies to raise awareness and increase access to microenterprise development resources for entrepreneurs and communities in Michigan.

The Microenterprise Network of Michigan (MNM), hosted by the Community Economic Development Association of Michigan (CEDAM), is in a unique position to conduct this research. The MNM represents more than 120 members, including practitioners, nonprofit organizations, funders, educational institutions, entrepreneurs and microbusinesses, and other stakeholders from across the state. As a result, we were able to leverage our membership to conduct comprehensive research on the microenterprise ecosystem and current marketing and outreach efforts.

We developed a survey with 18 questions covering basic information on services, scope and clients, as well as specific strategies, successes and challenges regarding community engagement. The survey purposely included both closed-ended questions and open-ended questions. This allowed us to gather relatively measurable data while also

giving respondents an opportunity to discuss the topics most relevant to them and their organizations. We conducted surveys with 22 individuals, each representing a different Michigan MDO, via phone and electronic communication (See Appendix I). We identified 29 MDOs in Michigan, but were unable to obtain completed surveys from seven.

We aimed to conduct each survey via telephone to ensure respondents had a clear understanding of each questions and provided comprehensive answers. Due to time constraints, however, a few surveys were submitted via email. This might have resulted in small discrepancies. The survey questions, however, were designed using language familiar to MDOs. Additionally, because two different people conducted the phone interviews, every effort was made to ensure that questions were asked and answers recorded in the same way.

Additionally, we conducted a second round of surveying to test the results of our initial surveys. For marketing and outreach questions, we aggregated all answers from the first survey and asked respondents to rank (as opposed to rate) the answer categories. This second survey was shorter and easily accessed through the online tool SurveyMonkey.com. We received partial responses from 15 MDOs and complete responses from nine. The results of this second round of surveys strongly validated the results of our initial surveys (See Appendix II).

In interpreting the survey responses, we have used the descriptive statistics most accessible to those working in community and microenterprise development, as well as the general public. In addition to including this information in our co-learning paper, we

have used it to develop a Michigan Microenterprise Resource Directory (Appendix III) and maps that give a visual representation of MDO coverage in the state (Appendix IV). The resource directory and maps present information about Michigan MDOs in a simple, accessible manner and will be published online September 6, 2012. These online tools will have a searchable format to allow entrepreneurs, organizations and institutions looking for resources to find MDOs that fit geographic, service and industry specifications. It is our hope that these tools will effectively contribute to understanding and improving access to microenterprise development resources in Michigan.

Microenterprise Development in Michigan

Microenterprises represent a critical part of the Michigan economy. There are nearly 750,000 microenterprises in the state, representing 88 percent of all businesses in Michigan (*Microbusiness State Factsheet*). In some Michigan counties, up to 95 percent of businesses are microenterprises (*Microbusiness State Factsheet*).

In the state of Michigan, roughly 30 MDOs provide microenterprise services. Of the 22 MDOs surveyed, ten provide microlending, 13 provide training and 20 provide technical assistance services. Some MDOs have microlending funds with established histories and large capacity, most notably Northern Initiatives, which serves the Upper Peninsula and northern Lower Peninsula, and the Center for Empowerment and Economic Development (CEED) in Ann Arbor. Others, including Friendship House in Hamtramck and Grand Rapids Opportunities for Women (GROW), have recently

launched microlending programs as a new component to the many services they already offer.

In addition, some microlenders provide loans exclusively, while others include a training and technical assistance component for entrepreneurs seeking microloans.

Opportunity Resource Fund, for example, manages a large capital fund at a statewide scale. They provide funding exclusively and refer clients requiring business education and assistance to other MDOs. In contrast, the Detroit Micro-Enterprise Fund and the Entrepreneur Institute of Mid-Michigan in Lansing, while smaller in scope, provide business education courses and entrepreneurship counseling as part of their microlending services to local communities.

Still other MDOs focus exclusively on entrepreneur education. Michigan Small Business Technology and Development Centers (SBTDCs) can be found in every region of the state and provide both general courses on business plans, accounting and marketing and free one-on-one consulting with trained business coaches. In addition, many universities have found ways to include entrepreneurship training in courses and special extension programs. Central Michigan University Research Corp., for example, provides customized training and technical assistance that addresses the specific needs of entrepreneurs and identifies efficiency-improving and cost-saving solutions.

Most MDO representatives responded that they provide general microenterprise services to any interested client. In addition, however, many provide services to specific groups. MDO representatives reported working with entrepreneurs from many communities and backgrounds, reflecting the immense diversity of organizations within

the field. Many MDOs focus specifically on providing services to low-income, female, minority or indigenous entrepreneurs who have traditionally had the least access to business education or commercial lending. The Detroit Micro-Enterprise Fund and Gadd Business Consultants both provide services specifically to incarcerated or formerly incarcerated entrepreneurs, whose histories often restrict employment opportunities. Michigan Disability Rights Coalition helps people with physical or mental disabilities to develop and launch microbusinesses, and also trains other providers on the importance of microenterprise assistance for people with disabilities.

Several Michigan MDOs also provide youth-specific microenterprise education. Generation E Institute provides opportunities for high school students to learn hands-on by creating and launching their own business, and has expanded their successful model throughout Michigan and around the country. The YES Flint Network has a program specifically for disconnected youth who have dropped out of high school. As another approach, Collective Change implements programs in several Michigan school districts that broaden entrepreneurship education to the larger concept of innovation, and teaches innovation by connecting students with mentors who own local small businesses.

Additionally, different MDOs work with entrepreneurs in specific industries. Because the cost of commercial kitchens can be large a barrier to entrance into the food industry, Incu-BaKe provides entrepreneurs with access to a kitchen incubator space. Kiva Detroit, based on the international Kiva model, focuses on helping new, often home-based businesses to develop a web presence and online viability. At the NEO Center incubator in Lansing, most businesses are social media or web-based businesses. Both

TechTown and the Michigan SBTDC provide services to all kinds of microenterprises, but also focus specifically on supporting the development of high-tech companies. The Isabella Bank Institute for Entrepreneurship at Central Michigan University has a special focus on social entrepreneurship, a relatively new category of entrepreneurship in which a business addresses a social problem or provides a public good.

MDOs provide microenterprise resources and services to every county in Michigan. Most MDO offices, however, are clustered in relatively urban areas. In our survey of 22 MDOs, nearly half had offices in the Metro Detroit area (including Wayne, Oakland, Washtenaw and Macomb Counties). Roughly one in four respondents had their offices in Lansing/Ingham County. These urban biases, interestingly, were most pronounced when examining only those MDOs providing lending services (Figure 1).

Figure 1: Urban Bias in Locations of Microlending MDOs

Location	Number of MDOs
Metro Detroit	6
Lansing	2
Ann Arbor	1
Grand Rapids	1
Benton Harbor	1
Marquette	1

Of the ten Michigan MDOs offering microlending, six had offices in Metro Detroit, two had offices in Lansing, one was located in Grand Rapids, one in Benton Harbor and one in the Upper Peninsula. This bias was less pronounced for training and technical assistance; at least two MDOs provided training and/or technical assistance for each region examined (see Appendix IV).

While the diversity of Michigan MDOs has clear value, it also results in a fragmented and often disconnected network as a whole. Informal local or regional networks frequently develop among organizations working in economic or microenterprise development, yet these networks often lack in scope or coordination. To counteract this, statewide microenterprise associations connect and support local and regional MDOs. Across the country, statewide microenterprise associations have built coalitions to provide leadership, build the capacity of practitioners and raise awareness and support for microenterprise development. Until recently, however, Michigan has not had a functional statewide microenterprise association.

In 2011, the Community Economic Development Association of Michigan (CEDAM) became the host organization for the Microenterprise Network of Michigan (MNM). Modeled on the best practices of statewide microenterprise associations across the nation, the MNM now functions as an active tool not only for MDOs, but for economic development throughout the state. As a statewide microenterprise association, the MNM serves as a coordinated resource and advocate for microenterprise development in Michigan. The core goals of the MNM are to (1) provide a voice for microenterprise, (2) build the capacity of practitioners, and (3) improve the environment for Michigan entrepreneurs.

The MNM facilitates collaboration among practitioners, networking with microenterprise-friendly resources and coordination in awareness and advocacy efforts. The MNM works to improve the effectiveness of business training and assistance, and spread awareness of these services to connect MDOs with the entrepreneurs who benefit

from their services. The MNM advocates for policy that facilitates entrepreneurship and microenterprise development. Now entering its second year of development, the MNM is still working to grow in effectiveness and sustainability. As microenterprise development gains traction as a tool for business, the MNM aims to serve as a portal to innovative tools, effective services and increased access for low-to-moderate income entrepreneurs and communities.

Microenterprise Legislation in Michigan

Until recently, the state of Michigan has done little to support microenterprise development. Michigan has consistently ranked zero out of four in the Corporation for Enterprise Development (CFED) policy benchmarks for state support of microenterprise development (*2009-2010 Assets & Opportunity Scorecard*, 4). The CFED assesses the strength of state microenterprise policy based on four criteria: codified support for microenterprise in law; sufficient funding, ideally through a combination of state, federal and philanthropic sources; stable, reliable and protected funding over time; and state funding for training and technical assistance as well as loan capital (*2009-2010 Assets & Opportunity Scorecard*, 2-3). As of 2010, 23 states had codified their support and 34 states had allocated funding for microenterprise development, but Michigan had done neither (*2009-2010 Assets & Opportunity Scorecard*, 3).

On June 12, 2012, the Michigan legislature passed the first bill to codify support for microenterprise development in the state. Passed by a vote of 98 to 12, House Bill 5477 amends the Michigan Strategic Fund Act to include funding for microenterprise

development lending programs. Prior to the amendment, the Michigan Strategic Fund, administered by the Michigan Economic Development Corporation (MEDC), was reserved primarily for high-tech, high-growth industries. Now, however, \$3 million of the Michigan Strategic Fund will be used by the MEDC in support of microenterprise development services throughout the next three years. The MEDC plans to use these funds to invest in Michigan MDOs, specifically to enhance microlending programs. By funding loan-loss reserves and available capital, the legislation will help to grow the capacity of MDOs and increase the number of loans available to entrepreneurs throughout the state.

The amendment both codifies a form of support and allocates funding for microenterprise development. By codifying support, the legislation “lays the groundwork” for future improvements in funding and supportive legislation (*2009-2010 Assets & Opportunity Scorecard*, 2). This legislative success is both a landmark and an opportunity to utilize the momentum of support for microenterprise as the MNM continues to advance the policy priorities of network members. Influenced by CFED national recommendations and best practices, the MNM policy priorities include a resolution recognizing June as Microenterprise Month, Self-Employment Assistance (SEA) programs, improvements to Workforce Investment Board (WIB) microenterprise inclusion and tax credits for new job creation.

Michigan MDO Community Marketing and Outreach

In light of legislative developments and the resulting increased supply of microlending resources, enhanced marketing and outreach strategies will be important for educating entrepreneurs and prospective entrepreneurs about available microenterprise opportunities. In a needs assessment of Michigan microenterprise development organizations conducted in 2011, respondents expressed a need for increased marketing and outreach (Practitioner Survey Results). The field of microenterprise development remains unfamiliar to much of the general public, limiting efforts to reach potential clients. Additionally, most MDOs have limited or specifically allocated funds, leaving few resources for reaching clients and building community awareness. Furthermore, Michigan has a unique historical reliance on corporate and factory employment, which only augments the need for raising public awareness about available entrepreneurship resources.

In Michigan, microenterprise development remains far from mainstream. When asked to rate (on a scale of one being the least and ten the most) how aware their target communities were of the services they provided, our survey respondents gave an average rating of 5.0. When those same respondents were asked to rate how aware their target communities were of microenterprise development, the average rating decreased to 3.0. Similarly, while 70 percent of respondents believed their organization had an effective brand, only 39 percent believed microenterprise development had an effective brand in Michigan. This reflects the general agreement within the field that microenterprise development remains an unfamiliar concept. Even among groups that utilize their

services, MDO representatives believe awareness of microenterprise development as a concept is low.

Analysis of the current marketing and outreach strategies of Michigan MDOs revealed extreme variability. When asked to rate the effectiveness of the current marketing and outreach plan of their MDO on a scale from one to ten, respondent answers ranged from 3.0 to 9.5. Interestingly, this rating did not correlate to the MDOs' annual budget for marketing and outreach. Thus, at least some of those marketing and outreach strategies that respondents felt were effective did not necessarily require a large budget. This finding is especially important for the vast majority of MDOs that function with little to no budget for marketing and outreach.

When asked about specific outreach efforts, nearly every respondent described the importance of their professional network and relationships. As evidence of this, the two most important sources for reaching or identifying MDO new clients as ranked by respondents were word of mouth and referrals from network connections (see Figure 2).

Figure 2: Ranking¹ the effectiveness of community outreach strategies

Strategy	Ranking Points
Word of mouth (existing/past clients)	33
Referrals from network connections	27
Presentations and public speaking	26
Organization website	12
Hosting events	10
Social media	9
Email lists/newsletters	5
Radio/television	1

¹ Rankings calculated by assigning five points for each first-place ranking, four points to each second-place ranking, and so on. Ranking scores represent the point values after aggregating the points designated by each respondent's answer.

These responses were also the most frequently reported by respondents (see Figure 3). Other highly-ranked strategies included presentation and public speaking, both important for building and expanding professional network connections. In surveys, 18 out of 22 respondents noted the importance of connections with banks, nonprofits, educational institutions, chambers of commerce, funders, community and faith-based organizations and other MDOs in their outreach to entrepreneurs.

Figure 3: Frequency of responses – community outreach strategies

Outreach strategy	Number of responses (22 total respondents)
Referrals from network connections	18
Word of mouth	9
Social media	5
Traditional media	4
Attending events	3
Hosting events	3
Presentations and public speaking	3
Organization website	3
Collecting and promoting success stories	1
E-newsletter	1
Flyers	1

Interestingly, other MDOs were the most frequent referral source as described by survey respondents (see Figure 4). Other frequently reported sources included chambers of commerce, business networks and nonprofit organizations. Overall, respondents ranked chambers of commerce and other business networks as providing the most client referrals (see Figure 5). Respondents also ranked existing clients, funding institutions, and nonprofit organizations including MDOs as significant referral sources. Also of note,

educational institutions were reported to provide a significant amount of client referrals, although at a slightly lower level, as judged both by the frequency of respondent reporting and rankings.

Figure 4: Frequency of responses: client referral sources

Referral source	Frequency (22 total respondents)
Other MDOs	9
Chambers of commerce/business networks	8
Nonprofit organizations (excluding MDOs)	8
Educational institutions	5
Current or former clients	4
Funding institutions	3
Government departments	3
Economic Development Corporations	2
Professional service providers	1
Religious organizations	1

Figure 5: Ranking responses: clients referral sources

Referral source	Ranking Points
Chambers of commerce/business networks	33
Current or former clients	19
Funding institutions	16
Nonprofit organizations, including MDOs	16
Educational institutions	12
Economic Development Corporations	12
Professional service providers	7
Government departments	2

When asked about reaching or identifying new MDO clients, respondents reported the use of social media inconsistently, and with only secondary importance to

other strategies. This largely contradicts current business wisdom, which lauds the “new possibilities” created by the inexpensive and broad reach of social media. Still, the use of social media by MDOs to reach clients has certainly grown in the past decade and may increase over time. As it becomes a more mainstream form of marketing, the perceived value and effectiveness of social media outreach for MDOs may increase. Alternately, social media may not substantially improve community and client awareness of MDOs. Instead, it may remain a social tool for many potential microenterprise clients, used less for educational, informational and career-related searches.

Respondents reported utilizing traditional media for marketing and outreach with the least frequency and gave this method the lowest rankings for importance as a referral source. Newspaper, television and radio advertising, as well as success story promotion and flyer postings, were evaluated as less valuable than strategies that relied on professional connections. Outreach strategies like word of mouth, network referrals, events, and even social media most frequently target or expand existing networks, but may not reach potential clientele outside of those networks. Although advertising through newspapers, television, radio, and flyers may seem comparatively antiquated, these little-used strategies may provide an avenue for MDOs to increase awareness in previously unreached communities.

The most frequently reported and highest ranked strategies for reaching clients and receiving clients from referrals all have relatively small costs. Especially when compared to large-scale, professional advertising strategies, building and maintaining strong professional networks and relationships require few extra expenses. Clearly, these

techniques provide a valuable way for MDOs to connect to clients and communities, demonstrating that effective community outreach does not necessarily require a large budget.

While these more informal outreach strategies do connect entrepreneurs and MDOs, limited resources still constrain the reach of many MDOs. A majority of respondents, in fact, reported that their estimated budget for the organization's marketing and outreach was zero. At the same time, a couple organizations had substantial budgets, ranging up to an estimated \$100,000 per year. The average, however, was around \$5,000 per year.

Not surprisingly, nearly every respondent identified a group or community that they struggled to reach. Reflecting the variability of each community, almost every respondent described a different group that they had difficulty reaching. Answers ranged from low income clients to different ethnic groups, from specific neighborhoods and areas to various age groups and industries. Because the majority of MDOs rely heavily on network connections for client outreach, populations outside of an MDO's network may have little, if any, knowledge of microenterprise services or how to access them. And MDOs may have little, if any, way to reach them. As one respondent explained, MDOs frequently have no way to reach the vast majority of potential clientele that are outside of their existing network.

Solutions and Conclusions

Our research results highlight four primary areas requiring improvement to increase access and availability of microenterprise resources for Michigan entrepreneurs. First, we need to expand coverage of microenterprise services. As shown in the coverage maps (see Appendix IV), there are large service gaps in many rural areas, along the coasts and in mid-Michigan, especially for microlending services. Policy advocacy and MDO partnerships provide two viable avenues for expanding access to microenterprise development services. The microenterprise amendment to the Michigan Strategic Fund, a recent policy success, will soon play a role in expanding microlending services. Throughout the course of three years, the funds will be used to increase the capacity of well-established microlending programs, as well as assist smaller and/or new programs to grow. As a result, more Michigan entrepreneurs will have access to microenterprise loans to start or grow their businesses.

This legislative success also opens opportunities for other policy efforts, including advocacy for Self-Employment Assistance programs in Michigan. Self-Employment Assistance (SEA) programs allow people eligible for unemployment benefits to receive those benefits while pursuing self-employment, through entrepreneurship education, counseling and the start-up process. In February 2012, the U.S. Congress passed legislation to expand SEA benefits and availability, and provide federal funding for states to start or improve SEA programs. With \$35 million in federal grants available to states, this is a unique opportunity for Michigan to launch an SEA program connecting the Department of Labor, Workforce Investment Boards, and microenterprise service providers. Taking the first step, Senators Virgil Smith and Vincent Gregory have

introduced legislation that would allow the state to apply for SEA grant support. The MNM plans to actively build partnerships, educate government leaders and advocate for the establishment of SEA programs in Michigan. If successful, this policy would tie unemployment benefits with the vibrant, diverse and well-established infrastructure of MDOs already providing entrepreneur training and technical assistance around the state, further opening avenues for Michigan entrepreneurs and increasing the statewide reach of microenterprise development services and resources.

Partnerships among MDOs, and with other related financial institutions or local organizations, can also provide new avenues for expanding coverage. This year, for example, the Entrepreneur Institute of Mid-Michigan announced its partnership with the Meridian Township Economic Development Corporation. The Entrepreneur Institute had received a grant from Comerica Bank that greatly expanded their microlending capacity. The partnership provided the Entrepreneur Institute with a new pool of potential clients, and the Meridian Township EDC with new lending resources for their community. This type of partnership not only expands coverage by using existing networks and institutions, but is also attractive to potential funding organizations.

Second, due to the constrained budgets of many MDOs, we need to identify and promote community outreach strategies that reach beyond existing networks and have little to no costs. As one such solution, grassroots marketing techniques can bring recognition to an MDO with few costs. Grassroots marketing campaigns are varied, but can include projects like coin canisters by a cash register, or cause-related pin-ups that customers purchase and tape to the wall. By aggregating the small contributions of many,

these types of grassroots strategies often pay for themselves or generate small amounts of revenue. As these tactics are most successful at a local level, MDOs can utilize their relationships with the successful entrepreneurs they have assisted by asking them to participate in these types of short-term funding efforts. None of our survey respondents described these types of strategies, but they can be an effective way to highlight success story businesses, and the role of MDOs, within a community.

MDOs can also highlight success stories and their organizations more broadly by taking full advantage of technology-based marketing. Websites, for example, can now be made “mobile-friendly.” Numerous sites and technology firms offer free advice on creating more engaging social media – Facebook, Twitter, Pinterest and other pages can bring in new clients by posting questions, trivia, contests and items of interest that start a dialogue and draw in more regular web traffic.

Additionally, while respondents did not frequently use traditional television or radio advertising, these strategies can become low-cost through Public Service Announcement funding. Many local stations have PSA funds available. In our current economic recession, MDOs can make persuasive arguments regarding the public service provided by informing entrepreneurs about available resources. MDOs can also get free television and radio advertising through feature on local news and talk shows. By utilizing news media, MDOs can create interest around clients' business successes and connect those successes to MDO resources.

Third, MDOs should look for avenues to increase funds for marketing and outreach. Grassroots marketing, as described previously, can be income-generating for

MDOs. The Community Reinvestment Act (CRA), however, provides the most potential for MDO funding. The CRA encourages commercial lenders to designate funds or services for low and moderate income communities, who are traditionally not served by most banks. The Act also authorizes CRA officers to monitor compliance, which can determine whether or not banks are allowed to expand. Most MDOs are aware of CRA funds, and many are supported by specific bank CRA dollars. The clout of the MNM and its collective members, however, opens up new avenues for obtaining CRA funding. Because of the lack of specificity regarding CRA regulations, the MNM and MNM members can build relationships with CRA officers to ensure banks are complying with CRA and that support for MDOs is seen as an acceptable and beneficial way for banks to use CRA funds. By educating CRA officers about the value of microenterprise development, the MNM can increase the amount of CRA resources available to Michigan MDOs.

Lastly, we need to find ways to improve the brand of microenterprise, to increase recognition and awareness in the general public about these available resources. Community events are a great way to increase awareness. The MNM, for example, is partnering with Michigan State University Extension to host the Connecting Entrepreneurial Communities Conference (CEC). Unlike most conferences, the CEC will take place in downtown Petoskey, Michigan, with numerous break-out sessions held in local small business and shops. As a result, the conference will teach community leaders about tools to foster entrepreneurship, while they experience and support the entrepreneurial culture of downtown Petoskey. The MNM believes the CEC event, with

projected attendance of around 400 people, will improve our visibility and strengthen our ties to more local efforts to support entrepreneurs.

Ultimately, partnerships with others working in the field and in related areas will help strengthen MDOs in a multitude of ways. The MNM plans to continue expanding our network to bring stakeholders together and facilitate partnerships within and across sectors. The resource directory and coverage maps produced by this research will be launched as online resources for entrepreneurs beginning in September. They will provide comprehensive information on available resources, with searchable indexes to help entrepreneurs or referring organizations find MDOs that provide exactly what they need. This resource directory, however, will only benefit Michigan entrepreneurs if the MNM network, our contacts and supporters, and their networks know to use it. Thanks to our partnerships, the MNM will be able to promote the new online tools to commercial lenders, chambers of commerce, economic development corporations, the Small Business Administration, the Small Business Association of Michigan and numerous others connected to Michigan entrepreneurs. Our network and partnerships have gotten the MNM and Michigan MDOs to this point, and will be an important part of our growth moving forward.

Microenterprises represent a valuable component of the Michigan economy. MDOs have supported and promoted the success of these very small businesses for decades. At the same time, microenterprise development has historically lacked a unified voice, statewide support and resources and official recognition as an economic development tool. Growing state support and recognition has resulted in legislation

codifying this support and allocating funding to microenterprise development, as well as opportunities for continued policy improvements. At the same time, recent developments have resulted in improved collaboration among and advocacy for MDOs, including the growth of the Microenterprise Network of Michigan and the development of an online resource directory. With the impact and capacity of microenterprise development growing, we have an opportunity to spread awareness of available resources and improve support for microenterprise development as a tool for poverty-alleviation, financial empowerment, and economic vitality in Michigan.

Appendix

Appendix I

MNM Survey I: Microenterprise in Michigan

Respondents: 22

1. Does your organization provide microenterprise lending? Yes - 10 No - 12
2. Does your organization provide microenterprise training? Yes - 13 No - 9
3. Does your organization provide microenterprise technical assistance? Yes - 20 No - 2
4. Does your organization provide other services to microenterprises? Yes – 10 No - 12 Specific answers: Credit and Debt training Business mentor network IDAs Lifeskills Marketing and social media Online viability and web presence Market research Tech commercialization Networking opportunities

5. What geographic communities do you provide services to?

(see Appendix III)

6. What social or industry groups do you provide services to?

Design
 Disabled, mental and physical disabilities
 Food industry
 High-tech
 Home business
 Indigenous
 Incarcerated/formerly incarcerated
 Jewish
 Lifestyle businesses
 Low income
 Mental illness
 Minority-owned
 Photography
 Real estate
 Social entrepreneurs
 Social media
 Substance abuse
 Web-based companies
 Women
 Youth
 Youth, at-risk

7. Where are your service-providing offices located?

(see Appendix IV)

8. How do you reach or identify potential clients?

Referrals and network connections – 18/22
 Word of mouth – 9/22
 Social media – 5/22
 Traditional media (press, TV, newspaper) – 4/22
 Attending events – 3/22
 Hosting or participating in events/workshops/panels – 3/22
 Presentations and public speaking – 3/22
 Website – 3/22

Collecting and promoting success stories – 1/22
 E-newsletters – 1/22
 Flyers – 1/22

9. What are your most frequent and important client referral sources?

Other MDOs – 9/22
 Chambers of commerce and business networks – 8/22
 Nonprofit organizations (besides MDOs) – 8/22
 Educational institutions – 5/22
 Current or former clients – 4/22
 Funding institutions – 3/22
 Government departments – 3/22
 Economic Development Corporations – 2/22
 Professional service-providers (ie: accountants, lawyers) – 1/22
 Religious organizations – 1/22

10. Are there client segments you/your organization struggle to reach?

Yes - 12

Specific answers:
 Entrepreneurs in West Lansing
 High school dropouts
 Hispanic/Latino entrepreneurs
 Home-based and lifestyle businesses
 Low-income entrepreneurs
 Manufacturing industry
 Minority entrepreneurs
 Older entrepreneurs
 Tribal members
 Urban farmers

11. What does your organization do in terms of community outreach and marketing?

Networking – 17/22
 Events (trade shows, panels, etc.) - 10/22
 Website – 9/22
 Brochures and handouts – 7/22
 Public speaking and presentations – 7/22
 Social media – 5/22
 Traditional media – 5/22
 Newsletters – 1/22

Postings around the community (ie: bulletin boards) – 1/22
--

12. What is the estimated annual budget for community marketing and outreach for your organization?

Range - \$0 to \$100,000 Mean - \$16,624 Median - \$5,000 Mode - \$0

13. On a scale of one to ten (one is least, ten is most), how would you rate the effectiveness of your current outreach/marketing plan?

Range – 3 to 9.5 Mean - 6.4 Median - 7
--

14. On a scale of one to ten, how aware is your target community of the services you provide?

Range – 1 to 8 Mean – 4.8 Median - 5
--

15. On a scale of one to ten, how aware is your target community of what microenterprise development is?
--

Range 2 to 8 Mean 3.9 Median 3

16. Do you believe that your organization has an effective brand?

Yes - 14

No - 6

No answer/don't know - 2

17. Do you believe that microenterprise in Michigan has an effective brand?
Yes - 7
No - 11
No answer/don't know - 4

Appendix II

MNM Survey II: Ranking community outreach strategies

Respondents: 9

<p>1. How does your organization currently reach or identify potential clients?</p> <p>Clients referred by network connections – 100% Presentations and public speaking – 100% Attending events/workshops/panels/showcases - 89% Rely on word of mouth from existing or past clients – 89% Hosting events/workshops/panels/showcases – 78% Social media – 78% Organization website – 67% Email lists and/or e-newsletters – 44% Flyers and posters - 44% Collecting and promoting success stories – 33% Print newspaper – 22% Radio and/or television - 22%</p>
--

<p>2. What community outreach and awareness-raising efforts do you find most effective? Please rank your top five answers (point values assigned to rankings so that each top ranking received 5 points, second received 4, and so on).</p>
<p>Rely on word of mouth from existing or past clients – 33 points Clients referred by network connections – 27 Presentations and public speaking – 26 Attending events/workshops/panels/showcases – 14 Organization website – 12 Hosting events/workshops/panels/showcases – 10 Social media – 9 Email lists and/or e-newsletters – 5 Radio and/or television – 1 Collecting and promoting success stories - 0 print newspaper - 0 fliers and/or posters - 0</p>

3. What referral sources provide your organization with the most clients? Please rank your top five answers (point values assigned to rankings so that each top ranking received 5 points, second received 4, and so on).

Chambers of commerce and business networks - 33 points

Current or former clients - 19

Funding institutions - 16

Nonprofit organizations, including MDOs - 16

Educational institutions - 12

Economic Development Corporations - 12

Professional service providers (accountants, lawyers, realtors) - 7

Government departments - 2

Appendix III

Michigan Microenterprise Resource Directory

Online at MichiganMicro.org

(See attachment)

Appendix IV

Michigan Microenterprise Development Coverage Maps

Online at MichiganMicro.org

(See attachment)

Works Cited

2009-2010 Assets & Opportunity Scorecard: State Microenterprise Support. Washington, D.C.: Corporation for Enterprise Development (CFED), 2009.

Microbusiness State Factsheet: Michigan. Arlington, VA: Association for Enterprise Opportunity (AEO), 2011.

Microenterprise Development in the United States: An Overview. Arlington, VA: Association for Enterprise Opportunity (AEO), 2005.

MicroTracker.org. FIELD at Aspen Institute. 14 June 2012. <microtracker.org>.

Practitioner Survey Results: 20 Participants. Lansing, MI: Microenterprise Network of Michigan. June, 2011.

The Power of One in Three: Creating Opportunities for All Americans to Bounce Back. Arlington, VA: Association for Enterprise Opportunity (AEO), 2011.

Ripple Effect: the Economic Impact of Microlending – a Case Study of Opportunity Fund's Microfinance Program from 1995 to 2010. San Jose, CA: Opportunity Fund, 2011.

About REI

The MSU EDA University Center for Regional Economic Innovation (REI) has established a unique new-economic development ecosystem that engages innovative mindsets resulting in new economic development practices that are congruent with the new global and regional economic realities. Through a process of responsive community engagement, strategic partnerships, and collaborative learning REI may result in the best and brightest economic development professionals in the world.

REI Center was established in 2011 with support from the U.S. Department of Commerce, Economic Development Administration in collaboration with the following MSU offices:

MSU Office of the Provost

MSU Vice President for Research & Graduate Studies

MSU University Outreach & Engagement

MSU Extension

MSU Institution for Public Policy & Social Research

MSU School of Planning, Design, & Construction

MSU Department of Geography

MSU College of Social Science

MICHIGAN STATE
UNIVERSITY

Center for Community
and Economic Development

EDA University Center for Regional Economic Innovation
Center for Community & Economic Development
1615 E. Michigan Avenue
Lansing, MI 48912 USA
<http://www.reicenter.org>



The statements, findings, conclusions, and recommendations are those of the authors and do not necessarily reflect the views of the Economic Development Administration or the U.S. Department of Commerce.