

## Microenterprise Development in Michigan

Presented By Claire Glenn

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**Jennifer Bruen:** The MSU EDA University Center for Regional Economic Innovation (REI) was established in the fall of 2011 with support from the U.S. Department of Commerce - Economic Development Administration. The purpose of the University Center is to support innovative economic development strategies that may yield high-growth entrepreneurship, job creation and economic innovation for distressed regions in Michigan.

The webinar you are about to view is a part of a collaborative effort with a dynamic, broad-base network of partners working to strengthen Michigan's economy.

Claire Glenn: Good afternoon everyone. I want to welcome you to the webinar on Microenterprise Development in Michigan. First, I would like to thank the Michigan State University Center for Regional Economic Innovation, or REI Center, for their support of this research. The work of the REI Center is generously supported by the Economic Development Administration of the U.S. Department of Commerce. Their support makes possible research projects on innovative economic development strategies, including the one I am talking with you all about today.

This research project on microenterprise development has focused on examining service coverage and coverage gaps throughout the state, as well as the outreach and engagements efforts of service-providing organizations. These things together, both coverage and awareness, ultimately affect access to resources for entrepreneurs and prospective entrepreneurs in the state of Michigan.

My name is Claire Glenn and I am the coordinator for the Microenterprise Network of Michigan. The Microenterprise Network is a statewide association of practitioners and supporting organizations working to foster job creation, access to capital and economic growth through microenterprise development. As a statewide network, we provide a voice for microenterprise, build the capacity of practitioners and work to improve the environment for Michigan entrepreneurs. The Microenterprise Network of Michigan is a project of CEDAM, the Community Economic Development Association of Michigan.

So today, I have three main goals. First, I want to give you an understanding of microenterprise services and their coverage throughout the state. Second, I want to discuss the results from surveys we conducted examining microenterprise outreach and awareness-raising efforts. And finally, I want to share with you recommendations for improvements and growth, as well as invite you to offer your insights, questions, and feedback on this project.

Before we go into that, however, I am going to provide a brief overview of microenterprise as a field to make sure that we are all on the same page.

So first, how do we define microenterprise?

Generally, a microenterprise can be understood as a very small business. More specifically, microenterprises are defined by two characteristics.

First, a microenterprise has five employees or fewer, one of which is the owner. Most often, however, microenterprises have just one employee, who is also the owner, and jack-of-all-trades for the business.

Second, microenterprises are businesses requiring capital of \$35,000 or less in start-up costs. So as you see, these are pretty broad criteria. Microenterprises can be anything from a salon to a bakery to a flower shop to a lawn care business to a cleaning service to a local boutique. These are the storefronts that help give communities a sense of place, something special beyond a chain or franchise.

In addition, assistance for these microbusinesses is targeted at communities and individuals who have not been able to utilize traditional resources like commercial lending. Microenterprise development supports low-income individuals, minority racial and ethnic groups, youth or the elderly, female entrepreneurs, formerly incarcerated individuals, among other disenfranchised groups and helps them to realize their entrepreneurial potential.

So what value does microenterprise development bring to our communities?

At the start, microenterprises employ just one person. But, if they are supported and helped to grow, they create even more jobs. We have a great example in the Old Town district of Lansing, which some of you might be familiar with. Cravings Popcorn is a microenterprise that started as a one-man popcorn stand at a local farmers market. Since then, it has grown with help from a microenterprise development organization to become a permanent storefront that employs five people.

In addition, as people have jobs and income and as a business makes profit, it increases the tax base.

Microenterprises are also more likely than large corporations to purchase and hire locally, and keep resources circulating within our community.

And finally, microenterprises are a one-of-a-kind business and that bring something special to a community that creates a sense of place. So, when you look at this list, it's clear that microenterprise development is an important way to strengthen our economy and our communities. Alone, a single microbusiness might make only a small impact. But together, microbusinesses represent a large part of our economy. Microbusinesses represent more than 80 percent of all businesses in the United States. In fact, according to the Association for Enterprise Opportunity, if just one in three microenterprises hired just one additional employee, the nation would be at full employment.

So, if we look specifically at Michigan, the impact of microbusinesses is even greater.

There are nearly 750,000 microenterprises in Michigan alone. In the entire state, 88% of all businesses are considered microbusinesses or microenterprises. And just as a note, that term is pretty interchangeable. So as you look at this map, you'll see that in some counties microbusinesses represent up to 95% of all businesses..

So understanding how important microenterprise is, what do you do to provide support to these very small businesses that often don't have traditional resources or access to commercial banking and capital? Considering the high risk rate of many small businesses, how do you help microenterprises to gather the resources to succeed? That's really where microenterprise development organizations come in. They provide three main types of help to entrepreneurs and prospective entrepreneurs.

They provide training, which is usually in the form of group business classes on topics including business plan development, budgeting, taxes and accounting, other things like that.

Some provide technical assistance, in the form of one-on-one business counseling or consulting.

And, they provide access to capital to start or grow a microbusiness. This is really critical for the individuals and businesses that can't get a loan from a commercial bank. Especially in our economy when banks have tightened up their lending standards, this is a really important resource.

So overall, microenterprise development organizations provide entrepreneurs and prospective entrepreneurs with the education and resources they need to start and grow their businesses, providing a variety of tools to help them succeed.

And that's where our research comes in – understanding where these resources are, how they are distributed, and how to get these resources into the hands of the people who need them.

To get this information, we created a survey for microenterprise development organizations covering basic information such as services provided, as well as exploring specific strategies, successes, and challenges regarding community engagement.

The survey respondents were chosen from the MNM member list of over 100 people, cross-referenced with the Aspen Institute Microenterprise census that is conducted each year.

We identified 29 service providers in the state, of which 22 provided us with survey responses.

These surveys gave us valuable information, and are the basis of our research paper. In addition, we have used the information gathered from the surveys to create two products which we hope will be of particular use to you as you work to support microenterprise development.

We have created coverage maps, which we will look at shortly, that provide an easily accessible display of coverage and coverage gaps.

And we have created a resource directory of microenterprise development organizations in Michigan. We're hoping that this resource directory will be a tool for entrepreneurs and prospective entrepreneurs who are looking for business resources. In addition, we're looking for this resource to be a referral resource for practitioners, banks, nonprofits, community organizations, basically anybody looking to help people get connected to these services.

So let's look at the coverage maps. This first coverage map shows all service providing locations for microenterprise development organizations in the state. You'll notice that service providers are heavily clustered in urban areas, especially in the Detroit Metro area. There are also many service providers connected to higher ed institutions, in Marquette and Mt. Pleasant, for example. There are some coverage gaps that indicate areas with more difficulty reaching service providers, notably in the thumb, along the west coast, and in areas of the upper peninsula. And coverage in theory is statewide, there are several service providers that in theory provide state wide coverage but clearly there are still areas with less access to these resources due to geographic location.

So, looking now at only those Microenterprise Development Organizations that provide training or technical assistance, the map looks much the same. Most of the MDOs in Michigan provide some sort of training or technical assistance services. As we prepare to present this research in September, we will be dividing this map into two separate maps to provide more information on specifically training coverage and technical assistance coverage.

Probably most interesting, in looking at the microenterprise development organizations that are providing lending services, it's clear that there is much more, there are many more gaps in coverage. Lending resources are clearly clustered in the Detroit area, with a few others in Michigan's larger cities, Lansing, Grand Rapids, Ann Arbor. But as you can see, there are huge coverage gaps in Mid-Michigan, the thumb, and rural areas in general.

Moving on to the survey results, what have we learned about community awareness for areas that do have access to these services?

Survey respondents generally perceived the public's awareness of microenterprise development as pretty low. Nearly 75% of respondents believed that their target community was more aware of the specific services they provided than they were aware of what microenterprise is, or microenterprise as a community development tool. But this might not be entirely shocking, as the jargon we use is not always adopted by our clients. In fact, the Association for Enterprise Opportunity, which is the national microenterprise association, is currently going through a rebranding process that includes reexamining the usefulness of the term microenterprise and whether or not it is effective or user-friendly. So in the next few years we may see a lot of change in the way we brand our services and our organization.

When asked about the effectiveness of their own organization's marketing and outreach, responses were incredibly varied. Some described frustration with obstacles, others believed that their organization represented best practices in the state. Interestingly, there was no correlation whatsoever between the marketing and outreach budget for an organization and its

perceived effectiveness. This suggests that there are at least some effective outreach tools that do not require large budgets.

And if we look at specific outreach strategies, this turns out to be the case.

The most popular and effective marketing and outreach techniques were often more informal strategies based on networks.

The most important sources for reaching clients, according to respondents, were referrals from network connections. These included referrals from banks, community organizations, chambers of commerce, religious groups, and educational institutions. And really interestingly for me, the most frequently reported of all these referral sources were other microenterprise development organizations. So clearly, microenterprise development organizations at least have some collaboration with others working in the field to help clients get the tools that they need. Other important sources for reaching clients, as reported by respondents, included presentations, public speaking, word of mouth from former and current clients, events, workshops, panels, and business showcases. All of these sources were described by at least 75% of respondents. Most of these things, especially attending events and giving presentations, beyond the staff time required of them don't have many large external costs.

So looking at the middle range of client outreach tools that were a secondary importance that were described by 50 to 75% of respondents.

These were the web-based tools, including Facebook and websites. It is interesting to note that in the field there has been a lot of education and discussion of the importance of incorporating these new technologies, so at this point they are taking a mid-level in perceived importance. It's difficult to say whether this will be perceived to be a place to grow in the future or whether other low cost and low tech tools will remain of primary importance.

So looking at the least-utilized, are resources that in some ways may be perceived as antiquated, but may also be some missed opportunities.

These included success story promotion, ads in newspapers, radio, and television, and good old fashioned flyers and posters.

So a lot of the reason that many MDOs are focusing on network connections and other low-cost marketing strategies is probably due to budget constraints.

Respondents described a range of marketing and outreach budgets, all the way from \$0 to \$100,000 per year. However, the majority of respondents had a marketing and outreach budget of \$0 per year. So while there are a couple heavy hitters, and then a few with a modest budget of around \$5,000, most are operating with no specific funds allocated to marketing and outreach efforts.

No matter their budget, however, nearly every respondent described difficulties in reaching clients.

Notably, every single respondent described a different specific client group that they struggled to reach.

These included clients in different industries, specific areas and neighborhoods, and specific demographics including ethnic groups, different age groups, and religious groups.

As one respondent so clearly put it, MDOs with small budgets that rely on their networks have no way to reach clientele outside of their networks. So it's not surprising that there was such variability in the communities that different organizations struggled to reach.

So what have we learned from this research, and how do we move forward? I have identified four major needs with ideas for solutions. And as we go through, really think about how this relates to you and whether there are solutions that come to your mind that we might not have thought of. I would love to hear your thoughts in the Q&A here, or sent to me directly after this webinar.

So, after looking at the coverage maps, it is clear we need to expand coverage of these services. Especially regarding lending, we need to expand services to include businesses and entrepreneurs throughout the state especially in areas outside of larger cities.

For solutions, I believe that a lot of coverage can be expanded through partnerships. Just last week, for example, the Entrepreneur Institute of Mid-Michigan announced its new partnership with the Meridian Township EDC to provide loans to entrepreneurs in the Meridian Township area. This is funded by grants by Comerica Bank and will be expanding the Entrepreneur Institute's reach beyond its focus on Lansing. This is a really good example of how partnership can expand coverage by using existing networks, and can also attract funders, because we all know that funders love to see organizations working together.

Policy is also a great way for us to expand coverage. In June, the Michigan legislature passed a bill to amend the Strategic Fund to be used for microenterprise development. The MEDC, which controls the Strategic Fund, is currently in the process of figuring out exactly how they will distribute those funds. But basically, they will be used to expand the capacity of the current leading lenders, as well as to build partnerships with other organizations that have smaller lending portfolios that are looking to grow their portfolio and expand resources. Another project is the Self-Employment Assistance which is coming up as an issue in the Michigan legislature. They're working on introducing bills right now and self Employment Assistance would allow people who are receiving unemployment insurance to continue receiving assistance as they start their own business and to have entrepreneurship be a next step of a way to continue working while they receive their unemployment insurance. So the MNM is keeping within that conversation. This is really where our numbers and our grassroots advocacy can really have an impact on expanding resources throughout the state by advocating for policy that really helps the existing resources to expand their microenterprise reach.

Second, we need to find marketing and outreach strategies that help MDOs reach beyond their existing professional networks and client referral networks. Preferably, these need to be low or no cost strategies.

One of the things that MDOs can use is grassroots marketing. Things like coin canisters or promotional posters or cool stickers that are placed by the register one of your successful microenterprise storefronts can really start a dialogue and start to bring some recognition to your organization. None of the respondents described these types of strategies, but they can really be effective ways to utilize success story businesses and highlight them in a new way for the community in a way that really brings attention to the services that you provide as well. Microenterprise Development Organizations can also take advantage of technology-based marketing, making web pages mobile friendly or creating Facebook pages that are engaging. There is a lot of discussion right now about the way that Facebook pages can be used to start communication with the people that have liked your page instead of just using it as a way to spread information and news.

In addition, there are ways to take advantage of more traditional TV and radio advertising. Stations often have PSA funds available, and there is a really persuasive argument to be made right now for the public service provided by getting information out about help for entrepreneurs in our community. You can also get on TV via the local news – talking up a successful new client and pitching a story that includes the resources that your organization provided to help them reach success is a great way to expand coverage and awareness of the resources you provide.

Of course, every MDO could use more funding.

So, microenterprise development can be funded by the Community Reinvestment Act, which requires that banks contribute funds to help low-income communities not traditionally served by commercial banks. To you, this may be old news. But organizations like the Microenterprise Network and CEDAM that have the clout of their collective members, can build relationships with CRA officers to ensure that banks are complying with CRA and that microenterprise development organizations are seen as an acceptable and beneficial way for banks to use CRA funds. With the support of members, this will hopefully increase the amount of CRA resources available to microenterprise development organizations. Especially right now when CRA is not necessarily mainstream, there are a lot of different of CRA officers with different ideas of how those funds can best be used. So by making those connections and those relationships, we can really help make sure that those funds are used at least in part to support microenterprise development.

MDOs can also use grassroots marketing that is income-generating, including things like coin-canisters, pin-up campaigns, and promotional sales in local shops. This might not be something that will be a large income generator for your organization as a whole but it might be a way to generate a small amount of funds to setup a marketing and outreach budget or to help make those efforts at least sustainable.

And finally, we need to find ways to improve the brand of microenterprise, increasing recognition and awareness in the general public to let people know these resources are available.

Again, grassroots marketing is something that has a lot of potential, but hasn't really been undertaken in this field, at least in Michigan.

Events are another great way to increase awareness, both by attending and hosting them. The Microenterprise Network, for example, is currently planning our first annual event for October in lovely downtown Petoskey, and we really are hoping that this will do a lot to improve our visibility.

And ultimately partnerships with others working in the field and in related areas will help strengthen microenterprise development organizations in a multitude of ways. Of course, as coordinator, I believe that the Microenterprise Network is one of these important ways to make these partnerships and connections, and I am always looking to expand our network by bringing different people to the table - practitioners and supporting organizations; people that provide services like accountants, lawyers, and realtors; legislators; and semi-governmental organizations like the MEDC; chambers of commerce; and entrepreneurs themselves. These are the connections that have helped us to get to the point where we are and I believe that this will continue to be an important part of our growth as we move forward.

If you are a service provider, or if you have any thoughts or questions or feedback based on this webinar and this information, I invite you to email me at this address. If you are interested in learning more about the Microenterprise Networks, or if you would like to be emailed a final copy of our research paper, or the coverage maps, or the resource directory, please also feel free to shoot me an email.

If you provide microenterprise development services in Michigan, I would also encourage you to contribute your information to our survey monkey. It's our second round of surveys that is fleshing out our first round of surveys that we discussed here today. It is pretty short and painless.

So I want to thank you all for participating, and thank the Michigan State REI Center, and the U.S. EDA for their support, and open the floor now to take any of your comments.

**Jason Caya:** This is Jason Caya from the Flint Area Reinvestment Office. I just was looking in here and there was some great information and it was very good to see this effort going on. I think there's some significant partners that are involved here in microenterprise development locally that should be added to the coverage lists specifically. What is the best way to get that information to you?

**Claire Glenn:** If you could email me with that, that would be great. We are really aware that right now the Microenterprise Network has been functioning for about a year and so we are still growing as a network and we really see these coverage maps and this resource directory as a growing resource and a flexible and fluid resource that will be able to keep updating, hopefully,



indefinitely as new resources pop up. If you could send me an email with all of that information or contact information that would be great for me to follow up with.

**Male Voice:** Are the Coverage Maps and Resource Directory available digitally? And how can we get copies?

**Claire Glenn:** So currently the Resource Directory and Coverage Maps are works-in-progress and the final draft should be done in early August. We will be presenting this research in September and so I'm anticipating sometime between August and September we will have these coverage maps and resource directory up on our website. The Microenterprise Network website, maybe I can type it into the box. It's [cedam.info/resources/mnm](http://cedam.info/resources/mnm).

**Male Voice:** Ok, so another question is, are there any regular meetings for this?

**Claire Glenn:** Yes, the Microenterprise Network of Michigan meets four times a year. We just had a meeting on June 29, and we have our next meeting on September 25. Our meetings are open to anyone who's interested and cover a range of topics: policy updates, research projects like this one. I would invite you to attend. If you want the details for that meeting, probably the best way to get in contact would be to email me and I can email you with all the details for that meeting.

**Male Voice:** Ok, the next question is what can I do as a current Student to participate and support initiatives? Are there any internships available?

**Claire Glenn:** Currently we don't have any internships, but that's not to say there won't be any opportunities in the fall, as the fall semester begins. So I would encourage you again to send me an email with your resume and maybe a brief discussion of your interest in Microenterprise. I'd be happy to pass that along to all of our members to see if there may be internship positions with some of them. In addition, there are lots of ways that an individual can get involved. We welcome anybody who is interested to be a part of the microenterprise network. If you are interested in joining, we are always giving updates on things like policy advocacy, research projects, lots of meetings, and opportunities to attend events and spread awareness. There are lots of ways and opportunities to get involved.

**Jennifer Bruen:** Claire, can I ask you a question? You were talking about the MDO's and the types of assistance that they offer. Do you have a good story to tell about some of the assistance and how it's been helpful to one of the entrepreneurs?

**Claire Glenn:** Yeah, one of my favorite success stories is Fresh Corner Café and they are a social enterprise in Detroit. They provide fresh, often local produce, well foods made of fresh and local produce to convenience stores. Basically, they recognized the large food desert that many areas in Detroit are, and decided to use the available resources, the corner stores that you see in a lot of different areas, to supply those with affordable healthy meals. They are also EDT friendly. Some of the resources that they needed to get started, Noam Kimelman was one of the entrepreneurs behind this. When they got started, I believe, he was a young college

graduate looking for resources and the Detroit Microenterprise Fund, as well as, some crowd funding resources, which is an online way to raise small amounts of money for entrepreneurial ventures and creative ventures. He used funding from those two sources to get a food truck that allowed him to transport all these fresh meals to stores throughout the metro area. I think they started with just a few corner stores and last I checked, I think they were supplying between 20 and 30 corner stores and they are looking to have every corner store supplying their products.

**Jennifer Bruen:** Which MDO supported them?

**Claire Glenn:** The Detroit Microenterprise Fund. That's Lorenzo Thurman's Group and they provide lending services, as well as trained and technical assistance

**Jennifer Bruen:** Is there anywhere that we can see the list of the entrepreneurs that were helped by the MDO's or is maybe that your next project?

**Claire Glenn:** Yeah, success stories are one of the underutilized marketing and outreach techniques that are mentioned in the webinar. It's something that the Microenterprise Network sees as a way that we can get involved. Actually one of our members has been kind enough to share with us their template for collecting success stories. And I just started now to push our members to send us their success stories to me so I can use the template to kind of create these stories and begin posting them on our website and create that really tangible benefit that helps people connect to the good that these resources do.

**Mike Polzin:** I have a question. Is there a particular challenge that seems to be more common than others that seems to be facing microenterprises themselves.

**Claire Glenn:** I think that funding is difficult and I also think the unique culture that Michigan has of being a state that really was supported by a large industry and factory jobs that provided a good wage. I think that because of that, there isn't really a lot of general familiarity with what microenterprise is and how people can see entrepreneurship as a career path. And this might not even be something that's specific to Michigan. I'm sure that that's true in lots of places across the country. That's why it's important for me to focus on this topic is because when you say the word "microenterprise" a lot of people have no idea what you are talking about and what the different connotations are. I think that's one of the issues and I also think, as far as funding goes, a lot of funders want to fund things that they can get numbers back on, which makes sense. They want to see how many people were provided with training or technical assistance. They want to see the numbers on how many businesses were started or how long those businesses have been able to stay afloat or grow or whatever. For that reasons, grants, which is something a lot of organizations rely on don't seem to include things like marketing or outreach as often.