



Enhancing Opportunities for Entrepreneurship

2003 findings from the third round of the Collaborative Fund for Women's Economic Development

CFWED's goal is to support and refine enterprise development practices and to improve the policy and economic environment in which programs operate.

Between 2001 and 2004, the Ms. Foundation for Women, through the Collaborative Fund for Women's Economic Development (CFWED), provided funding and technical support to nine organizations across the country that help low-income women to start and expand microenterprises. With support from CFWED, these organizations have been able to provide intensive business consulting and follow-up services to disadvantaged women entrepreneurs who have traditionally been left out of the financial and workplace mainstream, yet continue to create small businesses and jobs in their communities. This report is about the performance of these organizations and the outcomes of the women entrepreneurs they have assisted.

About the Collaborative Fund for Women's Economic Development

As the Ms. Foundation's flagship program supporting women's entrepreneurship since 1991, CFWED's accomplishments include:

- mobilizing \$10.5 million to help low-income women find the means to support themselves and their families;
- bringing together 40 individual, corporate and foundation donors over three grantmaking rounds in one of the first true national funding collaborations;

- contributing knowledge to the field of enterprise development through the publication of research and training manuals.

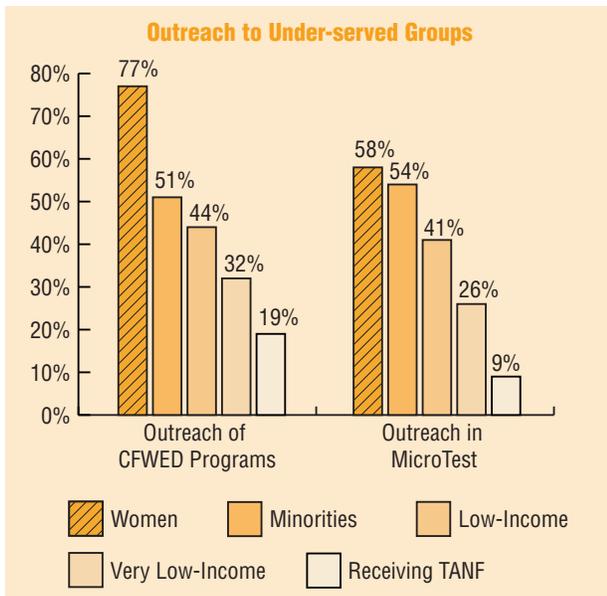
CFWED's goal is to support and refine enterprise development practices and to improve the policy and economic environment in which programs operate. In addition to funding, CFWED provides organizations with technical assistance, training and networking opportunities.

The nine microenterprise programs funded by the Ms. Foundation for Women and discussed here include:

- Acre Family Day Care Corporation in Lowell, Mass.;
- Cobb Microenterprise Council of Kennesaw State University in Georgia;
- Detroit Entrepreneurship Institute, Inc. in Michigan;
- the Good Faith Fund in Pine Bluff, Ark.;
- the Institute for Social and Economic Development in Coralville, Iowa;
- Maine Centers for Women, Work and Community in Augusta, Maine;
- Native Americans for Community Action, Inc. in Flagstaff, Ariz.;
- Women's Economic Self-Sufficiency Team in Albuquerque, N.M.; and
- Women's Rural Entrepreneurial Network in Bethlehem, N.H.

Microenterprise Program Performance

CFWED programs successfully targeted their services to under-served groups. CFWED programs served almost 5,821 participants in FY2003, two-thirds of whom received intensive¹ services in the fiscal year. In terms of the demographic characteristics of these individuals, CFWED programs demonstrated strong outreach to women, to persons of color and racial or ethnic minorities, to low-income clients (with household incomes below 150 percent of poverty), very low-income (below 100 percent of poverty), and to clients who received Temporary Assistance for Needy Families (TANF).

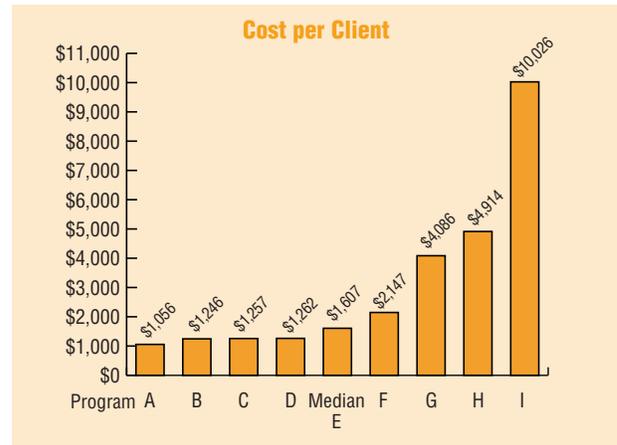


The programs served a more marginalized clientele than most programs in the microenterprise industry. Compared to outreach figures from a larger group of microenterprise programs that provided similar FY2003 data to the MicroTest² project, CFWED programs reached a higher percentage of women and low-income

clients. They did this while providing intensive services to more clients in a year (median of 252 clients served) than the 78 programs in MicroTest (median of 180).

CFWED-supported programs ran effective training programs. Impressively, CFWED training program completion rates (85 percent) and business plan completion rates (71 percent) were very strong given that the organizations work with such an economically disadvantaged clientele.

Most programs delivered intensive services to their clients at a reasonable cost. The median cost per client for CFWED programs in FY2003 was an efficient \$1,607, with six of nine programs' per client costs below \$2,150. Just one program exceeded \$5,000.³

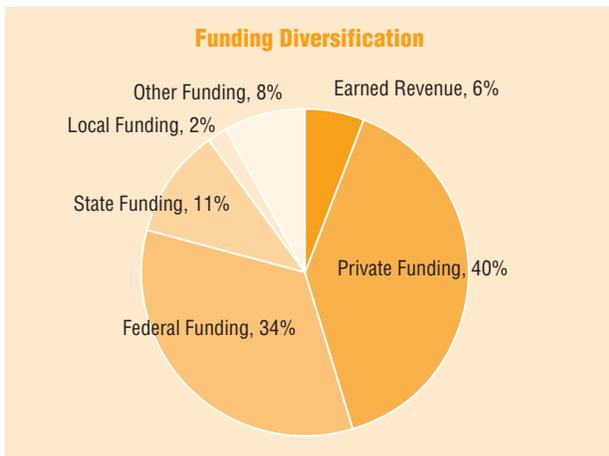


CFWED-supported programs relied on diverse funding streams. Some showed creativity in generating earned revenue as well. CFWED programs drew their resources from a mix of private and public grants and contracts. One program in the group achieved a high level of cost recovery (42 percent of total funding) through a wide variety of creative earned revenue activities.

¹3,933 of the 5,821 participants received an intensive level of service. On average clients received 23 hours of classroom-based training and 16 hours of one-on-one technical assistance over the course of FY2003. CFWED programs provided a mix of services to meet their clients needs, including: running a retail store to market client goods; assisting clients to market their goods and services on-line; facilitating sector-based networking; and providing on-site technical assistance and business consulting.

²MicroTest is a national data collection system managed by the Aspen Institute that tracks the performance of over 70 microenterprise programs, including all nine CFWED programs. More information is available at <http://www.microtest.org>.

³This program's relatively high cost per client resulted from two factors. First, compared to the other programs, it works with a small number (52) of clients and thereby spreads its costs over fewer clients than do other programs. Second, it provides very intensive, one-on-one assistance to almost all of its clients – 41 of its clients received on average 48 hours each of personalized business development assistance.



Microenterprise Client Outcomes

CFWED-supported programs conducted a survey of their clients in order to assess key outcomes related to their businesses and households.

Seventy-nine percent of respondents operated a business in 2003. Of the 325 surveyed clients, 256 operated a business during 2003, and 71 percent (232) were in business at the time of the survey.

Enterprises in the outcomes sample produced strong employment outcomes. The 256 enterprises in operation in 2003 created 568 jobs – 316 full-time and 222 part-time – or 2.2 jobs per business (including the owner).

The percentage of respondents living in poverty declined. Of the 325 surveyed clients, 266 reported their household incomes. Seventeen percent reported incomes below the poverty line at the time of the survey, a decrease from 38 percent below poverty at program intake.⁴ While business income may not be the only factor that led to the families' movements out of poverty, it plays a role in helping these low-income families to advance.

Methodology and Sample Issues

Using a common survey methodology, CFWED programs surveyed samples of their FY2002 clients in the Spring of 2004, asking each a set of questions regarding their personal and business experiences in 2003. Answers to these questions shed light on the outcomes clients experienced after receiving intensive microenterprise training, technical assistance, and, in some cases, microloans.

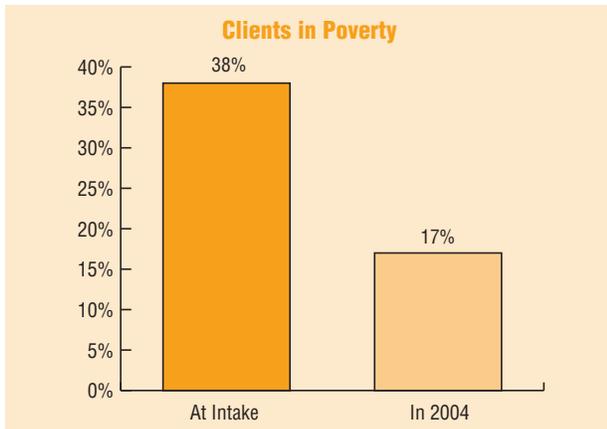
Outcomes Sample vs. Overall Pool of Clients

In early 2004, eight CFWED programs surveyed 325 out of 499 FY2002 clients, for a response rate of 65 percent. The total sample of 499 was drawn from a larger client pool of women entrepreneurs who received intensive follow-up services supported by the CFWED grant. In most cases, grantees chose to direct their follow-up services to women entrepreneurs with more business experience, or business growth potential, than their average client. As a result, there are some differences between the 499 clients in the outcomes sample and the overall pool of 3,896 FY2002 clients. The sample contained more women (94 percent) compared to the overall pool of clients (71 percent), and clients with more business experience at program intake (60 percent of sample businesses were at least a year old) compared to the overall pool (22 percent with similar experience). In other words, there is some sample bias

in favor of experienced, women-owned businesses who could best take advantage of intensive follow-up services. In addition, an analysis of intake data from 356 out of the 499 clients selected for the outcomes sample shows no important differences between the 325 respondents and the 356 on whom intake data is available. Because some programs did not provide intake data on all their sampled clients it is impossible to state with certainty that there is no respondent bias affecting the outcomes results, yet based on the intake data that is available it seems likely that no important respondent bias is present. In short, the outcomes results, while not definitive, shed light on the kinds of outcomes that more experienced women-owned microenterprises experience after receiving intensive business consulting and follow-up services from microenterprise programs.

Varying Response Sizes

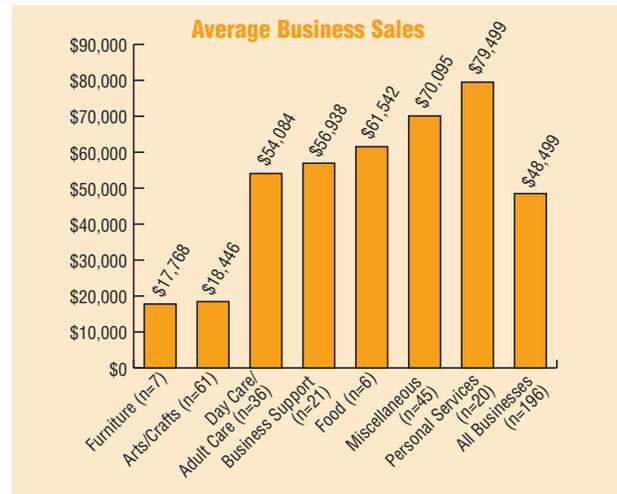
While CFWED programs asked the same questions to each of the 325 surveyed clients, not all clients were able or willing to answer every question, and not all programs collected data at intake that could be compared to the survey responses. In general, the harder or more sensitive the question, the lower the response rate. For example, household income and owners' draw questions yielded lower responses. The lower the response rate, the more cautious one should be in interpreting survey results.



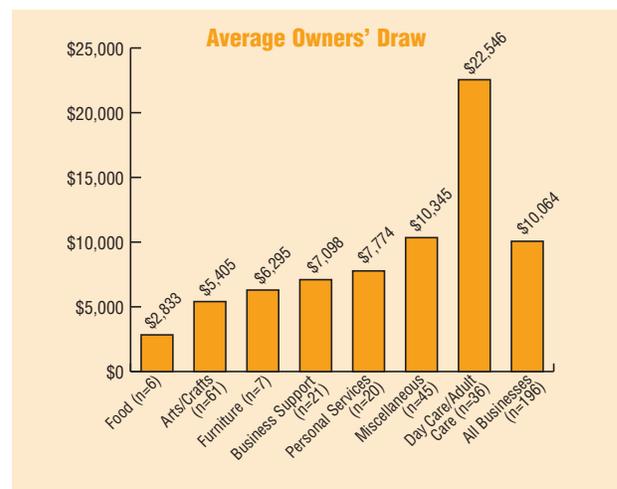
Despite their relative level of economic disadvantage, a surprising number of respondents were able to save money. Out of 325 respondents, 129 (40 percent) were able to save an average of over \$3,600 in 2003 (median of \$2,000). Just six percent of these respondents were enrolled in an Individual Development Account asset-building program.

Not quite two-thirds of the respondents had health insurance at the time of the survey. Microentrepreneurs in the sample clearly struggled to get and keep health insurance. Just 62 percent of 325 respondents had health insurance. The most common source of this insurance was a spouse's job or an entrepreneur's second job.

The economic sector of the business appears to matter. The 196 business owners who reported their gross annual sales figures made over \$9.5 million in sales in 2003. They averaged over \$48,000 in annual sales.⁵ Almost half the businesses (47 percent) had average sales of more than \$50,000, including businesses providing support services to other businesses, day-care and adult-care businesses, caterers and small restaurants, and personal service businesses.⁶ On the other hand, 68 businesses in both the arts and crafts sector and in furniture-related industries reported average annual sales of less than \$20,000.



In this sample of businesses, entrepreneurs in the care sector (both day-care and adult-care) took, on average, higher owners' draws than entrepreneurs in other sectors.⁷ It is important to note that in some cases, a low owners' draw may indicate that the business owner is reinvesting most of her profits in her business and not taking a draw for strategic reasons. However, where annual business sales are also low, a low owners' draw signals a need to work with that client to identify and address barriers to her business' growth.



⁴Clients "at intake" include programs' FY2002 clients, some of whom entered the program prior to 2002. Thus, household income data gathered from clients "at intake" includes data reported before and during 2002.

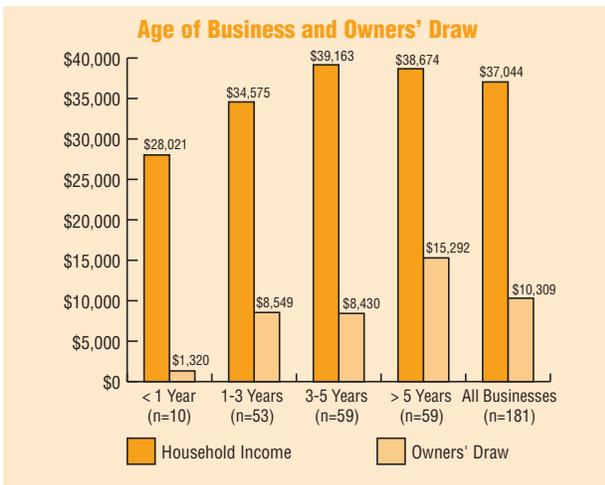
⁵The average annual gross business sales from a larger group of 592 clients surveyed by 17 MicroTest programs was somewhat higher, at about \$74,000; however, this average is influenced by a handful of extremely successful microenterprises. The median level of business sales for these 592 was \$20,000. For CFWED programs, the median level of business sales (\$18,000) was similar.

⁶The 45 miscellaneous businesses are in a mix of sectors having less than 6 businesses. These business sectors include: flower arranging, photography, cosmetics and hair, desktop publishing, landscaping, mechanics/repair, construction and cleaning services.

⁷It is not surprising that day-care providers report a high owners' draw relative to their annual gross business sales as these are often home-based businesses set up by individuals (usually women) already caring for their own children and bringing in extra income to the household by caring for the children of others. Usually, expenses are minimal as the client-parents are responsible for costs (food, diapers, etc.) associated with caring for their children.

The age of the business also appears to matter. Draw from the business plays an important role in the household, and appears to become increasingly important for those households where businesses survive at least five years. Business owners took an average of over \$10,000 from their business revenue (median of \$5,000) to cover household expenses in 2003. Those working full time at their business drew over \$13,000 while part timers drew less than \$5,000 on average. (The medians were smaller, \$8,000 for full-time businesses and \$600 for part-time businesses, suggesting that the group included some especially high-performing businesses.)

Most importantly, businesses that had survived for five or more years provided higher levels of income to an entrepreneur’s household. The average owners’ draw in 2002 from 59 mature businesses in the CFWED-supported sample was over \$15,000 and represented 40 percent of those households’ total yearly income.⁸



Some high-performing business owners did quite well. A group of high performing businesses did even better: 63 out of 197 (32 percent) who reported owners’ draw took over \$25,000 in owners’ draw, representing over half of household income. Half of these businesses were at least five years old. Over 80 percent of these business owners worked full time, year-round. On average, the businesses created 3.8 jobs (this figure includes the owner’s job). Half of the businesses were in the day-care or adult-care sector of the economy. Just four (seven percent) of the 63 business owners’ households had incomes below the poverty line (a drop from 34 percent at

program intake), and 60 percent were able to save an average of almost \$5,000 in 2003. This indicates that the strategy of focusing intensive support to more experienced, women-owned businesses has the potential to facilitate important employment and household economic security outcomes.

Summary of Observations

CFWED-supported microenterprise programs demonstrated strong capacity to serve substantial numbers of disadvantaged clients, and to deliver intensive training and technical assistance effectively. Moreover, the group’s median cost for delivering these services demonstrates a shared commitment to efficiency as well as effectiveness.

In terms of client outcomes, a substantial percentage – 79 percent of 325 microenterprise clients surveyed – were in business during 2003. These 256 enterprises produced strong employment outcomes, creating 2.2 jobs per business. While the median owners’ draw was modest, a third of all those who reported owners’ draw contributed at least \$25,000 to their households. Women entrepreneurs with at least 5 years of experience and businesses in the day-care or adult-care sectors tended to take larger owners’ draws. The percentage of clients in poverty dropped, and a healthy percentage of clients managed to save an average of \$300 per month during 2003.

On the other hand, some challenges also emerged from the outcomes data. Obtaining and keeping health insurance remains a problem for many entrepreneurs. Additionally, businesses in certain sectors of the economy appear to lag behind others in generating sales and in providing a source of income support for the household. Programs whose clients have a strong interest in these sectors may need to help them address barriers to growth in their business model.

Overall, the outcomes of CFWED-supported microenterprise program clients reinforce the value and importance of providing high quality business development guidance and follow-up support to disadvantaged women whose businesses have the capacity to mature and grow.

As it moves forward in its next round of funding, the Collaborative Fund for Women’s Economic Development will continue to support and gather data on programs that illustrate the effectiveness of providing women-owned businesses with long-term, qualitative business training and technical assistance.

⁸Just 181 surveyed entrepreneurs reported both their household income and owners’ draw.

The Ms. Foundation for Women supports the efforts of women and girls to govern their own lives and influence the world around them. Through its leadership, expertise and financial support, the Foundation champions an equitable society by effecting change in public consciousness, law, philanthropy and social policy.

The Ms. Foundation's Third Round Donor Partners in CFWED included:

Appalachian Regional Commission
Bambi MacDonald Estate
Brico Fund
Annie E. Casey Foundation
Charles Stewart Mott Foundation
JP Morgan Chase Foundation
Citigroup Foundation
Edna McConnell Clark Foundation
Flora Family Foundation
French American Charitable Trust
Ford Foundation
Carol Guyer

Hitachi Foundation
Hite Foundation
Jacobs Family Foundation
John Merck Fund
Albert A. List Foundation
McKay Foundation
MacArthur Foundation
Ms. Foundation for Women
Lindsay Shea
Alvin and Fanny Thalheimer Foundation
Wendling Foundation
Wells Fargo

For more information, see the overview report: *Microenterprise: Enhancing Economic Opportunity through Entrepreneurship*, highlighting findings and lessons learned about the performance of CFWED-supported microenterprise development programs from 2000 to 2002. Visit the "Publication and Reports" page on the Ms. Foundation for Women's Web site at: www.ms.foundation.org.

The Aspen Institute is an international nonprofit that fosters leadership and open dialogue on contemporary issues. Its FIELD program researches the U.S. microenterprise development, identifying and promoting best practice for industry leaders, policymakers, funders and others. Information regarding FIELD is available at: www.fieldus.org.