

Maine Micro Enterprise Project

Conducted among Maine women micro business owners

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Abstract

The Maine Micro Enterprise Project sought to identify the contributing components to the successful operation of micro business among Maine women business owners. Part of this population of business owners are involved in the programs sponsored by the Women's Business Development Corporation, a non profit, private economic development corporation.

Information that was gathered through interviews, focus groups and surveys was intended to inform and shape the products and services WBDC offers to women micro business owners. The project results would also help determine the potential demand for services and the future needs of this group.

Although the research made many of the demands of the micro-entrepreneurs clear and some applications readily apparent, it is still not evident if the products and services developed from this information would stimulate and nurture micro-business success. Some services derived from this project are already being tested.

Further study over the period of several years would be necessary to understand the effect on micro enterprise of various components of the micro development plan suggested by this study. Accordingly a better definition of "business success" as encountered in this project could, constitute another study for the future.

Summary

Maine is a state of small businesses. The state can also claim that twenty percent of its population is living in poverty. The lack of adequate employment opportunities is a contributing factor to this poverty. The creation of jobs that pay living wages, offer medical and childcare benefits is a focus of most of the economic development plans in the state. Whether many small businesses exist because of the lack of good paying jobs or there is other causes are not clear.

In a state where almost twenty percent of the working population is classified self-employed and 93 percent of these businesses are classified as micro enterprises, job creation falls heavy on these numerous but small enterprises. It was this group of businesses that became the target community for the Maine Micro Enterprise Project.

How to stimulate existing enterprises and nurture new business formation became the question to answer. More businesses - more jobs. But job creation among micro businesses is stagnant. The problem is clear. Unless more micro businesses are created and grown, then is currently happening, job creation in the state will fall behind job demand.

The goal of the Maine Micro Enterprise Project was simple: Identify what factors contribute to the growth of micro businesses for women micro-entrepreneurs and use the information collected to shape the products and services offered by WBDC. It may also be reasoned that what is good for women owned businesses could be applied to all micro enterprises.

Currently women who are the owners of micro businesses and are self-employed represent every type of business product and service. Manufacturers, retailers and service providers have come to WBDC to learn how to grow their businesses and increase their business income. Many women business owners have

difficulty expanding their markets and accessing small amounts of working capital. Twenty percent of the women business owners who use WBDC services are low income.

By providing information and credit resources to micro business owners, WBDC has been instrumental in helping businesses to grow and increase income to the owners. If the project could identify the actual factors that contribute to growth, services could be offered that would further business growth in a more efficient way. Finally these thriving micro businesses would provide good paying jobs for their owners and employees.

The resources suggested by this project have already contributed some measurable benefits. Some of the outcomes were anticipated, other benefits were not. To date the project has:

- *Increased awareness among the state legislative body and the business development community of the importance of micro enterprise by the institution of a micro business display developed from the information gathered for the project.

- * Created a marketing service for products of women micro-entrepreneurs that is now in the test stages. Future support has been promised for this program by Women's World Banking. A new training course "Trade Show Savvy" was developed and is being tested. It was designed to fill the need for information on this subject.

- *Future plans informed by the project call for a web page marketing project, a computer loan fund and cooperative buying groups formed around the need for raw materials at bulk prices.

Although the project goals have not changed from the initiation of this project, the organization the project was intended to inform, WBDC has undergone and is now going through major changes. These changed circumstances do not change the information gathered, but will change at what speed and how the information is applied. Throughout the project it was the women micro-entrepreneurs of WBDC that were the

focus of the outcome and benefits of this research. Whether this information can be used by other micro-development organizations remains to be investigated.

Two things would have greatly increased the impact of the project products. The resources that would have cut the development time of the marketing component were not immediately available to staff members. Also there was a good deal of resistance on the part of the management of the organization to accept the data on the use of technology by Maine women as a true attribute of the sampled population. Because of this factor WBDC never developed on-line capacity.

When the project was begun over a year ago, it was believed that WBDC would continue much as it had in the past 10 years. Now the whole future direction of WBDC will surely be informed by the project, not just a few future programs as envisioned. The organization if it continues to exist at all, will be greatly changed by other factors, too.

In summary I would suggest that anyone attempting a micro enterprise project be aware of the many levels of definition that micro enterprise connotes. Micro-entrepreneurs come in all sizes and shapes and so do their businesses. Also many self-employed people do not see themselves as businesses people and hence find it difficult to take their micro business seriously. Developing survey materials that take these factors into consideration will greatly increase the success of any project.

Definition of the Problem

Problem Statement

How to stimulate existing and nurture new business formation in Maine, the state of micro businesses becomes an important question when discussing economic development strategy. Unless more businesses are created and supported than is currently happening, job creation in the state will fall behind job demand.

Target Community

Maine is a state of micro businesses. 93% of all businesses in Maine are micro enterprises. A micro business is any businesses with five or fewer employees. Women own 40% of the micro businesses in Maine. It is from these women micro-entrepreneurs that the project takes its direction.

Micro businesses and self-employment have become very important to economic development in Maine in the last ten years. "Micro-enterprises are very important to the Maine economy," states the Department of Economic and Community Development in a report released in November 1997.

Micro businesses and self-employment are absolutely essential to Maine women. In Maine there are 371,577 women in the workforce of those, 18% or 66,844 are self-employed. Women in Maine are more likely to be self-employed than women as a whole in the United States.

One of the reasons why Maine women choose self-employment may be that women in Maine working full time, full-year have lower median annual earnings than all women in the United States. Women's work in Maine pays 69 cents to every dollar earned by their male counterparts. This wage gap remains great in

Maine and one of the ways to bridge this gap is to add self-employment earnings. “Women who own their own businesses or are self employed control many aspects of their working lives”, records the Institute for Women’s Policy Research, in a report on the status of women in Maine.

It was because of economic inequity that Women’s Business Development Corporation, WBDC, was founded 10 years ago. The mission of the organization is to support women business owners; help women to create businesses and offer resources in support of women business owners. WBDC especially focuses on rural and low-income women who have not had equitable access to business assistance or credit.

Many of these women owned businesses are located in rural communities and are traditionally home based. There are approximately 31,584 women owned micro businesses in Maine and another 35,260 self-employed Maine women who do not look on self-employment as a business.

With better information, access to credit and a network of support, WBDC and the micro development community in Maine hope that more business start-ups and more mature businesses can be successful. It is also reasoned by the micro development organizations that the most necessary elements in the development of these businesses are financial management and the availability of small loans of up to \$25,000.

I also assumed that this community of business owners would have a clear idea of what were the factors that would effect their business success, and be able to express the need for help around the missing elements. It was assumed that every business owner saw the growth of her business as a mark of success and a means to support herself and her family. I also assumed that the word success held a similar meaning for this group of women business owners.

Project Goals

The goal of the Maine Micro Enterprise Project was simple: Identify what factors contribute to the growth of micro businesses for women micro-entrepreneurs and use the information collected to shape the products and services offered by WBDC. It may also be reasoned that what is good for women owned businesses could be applied to all micro enterprises

Currently it is the hope of many business development organizations that small business enterprises would develop into medium and big businesses and drive the economic recovery of the state of Maine. Much of the help and information available as “conventional wisdom” in the state today is suited to “small” business which is defined by the Small Business Administration as businesses with 10 to 200 employees with receipts in excess of \$500,000.

Business information, credit and one-on-one help has not trickled down to the micro businesses, or those with five or fewer employees and grossing less than \$100,000 in sales. Since 93% of Maine businesses are “micro businesses” it seems reasonable to concentrate some effort in this direction. But what do these businesses need to thrive?

The problem facing WBDC has always been helping these micro-businesses grow and sustain the owners and their families. The information I have gathered in my work with this group of businesses indicate that certain factors exist in rural Maine which are barriers to the success of these smallest of small businesses. Having identified the barriers, I now need to identify the business boosters, the factors that make these businesses successful. It was my hope, at least, to identify the basic factors important to the success of Maine micro businesses. If I was successful in identifying these factors and could provide the support, training and resources identified by the project research, WBDC would be able to help many more businesses succeed.

Business success as defined by WBDC, and what was hoped women business owners would adopt as a goal, was a return of at least \$11 an hour worked to the business owner and fair wages and benefits for

employees. Women working at “pink-collar” jobs in the state are earning from minimum wage to seven dollars per hour. The \$11 per hour figure seems like a large amount for most women, but it has been proven that this is the very minimum a family needs to support itself.

Project Purpose

The project purpose was to identify the various factors that contribute to the increase of income in micro businesses. The project sought to identify what micro business owners believed contributed to the success of their enterprises and provide access to the products and services the research suggested.

There was clear agreement on a number of products that WBDC could offer the micro business. But the survey results uncovered a good deal of difference of opinion about success, both on a business and a personal level. The question of business success and being successful personally should be examined at a future time.

The survey gave clarity to the work at WBDC when the major factors contributing to business success identified by all participants were the availability of a larger customer base and inexpensive marketing. This information was used to inform and create four separate but interconnected projects that on becoming established would successfully provide the opportunity for increased income among Maine women business owners. They are:

The Annual Women Business Owners Conference

Every year the conference committee informally surveys the membership of WBDC to find out the hot topics women business owners are talking about. The committee takes this informal information and uses

it to formulate the conference theme. This year's conference organizers had the survey to guide their decisions on the workshops and seminars that were presented at the October 1997 conference. This year a special addition had been made wholly informed by the survey. A special computer lab was set up that provided an introduction to computer software and Internet accesses. Women had questions answered by peers and trainers known for their accessibility by computer novices. The survey had pointed out that many businesswomen wanted access to computers, programs, the Internet and more computer training. WBDC is not in the business of doing computer training, but we have been asked to recommend training, programs and how to get Internet access so many times that this segment of the conference was added to answer these questions.

A New Workshop

Trade Show Savvy, a full day workshop on how to attend trade shows, how to display merchandise and how to take advantage of contacts made at trade shows was launched. A resource listing of all trade shows in Maine and all the major trade shows in the USA is compiled. Participants were given a chance to try out their newfound expertise at the WBDC Annual Women Business Owners' Conference. Trade shows offer place-bound businesses another more populated outlet in which to sell their products and services.

National and International Marketing Project

A sales agent position was created in the organization and members' products were reviewed and a portfolio was developed of the items thought to have wide market appeal. A show room was set up and contact made with out of state buyers. The agent also met with several international buyers and set up three contracts with these foreign buyers and two Maine women businesses to supply products for export to these countries.

Other avenues of sales are planned as the sales agent hits the road to various trade shows across the country. Women's World Banking is also offering support for this initiative and has already hosted a 26 country assembly of women business owners and importers in September. International trading partners were

qualified and friendships forged in preparation for trade activities beginning in the spring of 1998.

Internet Marketing

A web page that will support the organization marketing of Maine women's products and services is being developed. The web page will not only carry information about WBDC but also support a commerce area where women business owners can display their products and services for the cyber buying public. A women business owner who has a wildly successful web page is developing this web page.

Why WBDC became involved

WBDC has been in the micro-enterprise development business for 10 years and has developed a number of nationally recognized programs to help women business owners of Maine grow successful businesses. Recently member businesses have been asking for more services, instead of the training, credit and referrals the organization historically provided.

A participant at a membership committee meeting, where member services such as medical insurance, discounted supplies, and other services were being discussed, aptly stated her desire. She said, "Forget about all that stuff, just get me more customers for my business and I would be able to pay market price for all these services." It became clear that WBDC would have to become something more than the usual micro enterprise development organization. Not an easy task to change one's direction.

WBDC now has many partners in the micro enterprise development community in Maine, which was not always the case. Two years ago these micro developers created an organization for themselves called MICRONET. This organization seeks to bring together all the service providers in the state and provide forums

for the education of its members, a chance for collaboration on projects and a forum for the exchange of ideas and best practices.

MICRONET was the group that I came to, to discuss the need for better reporting on the number of micro enterprises in the State of Maine and the discussion of the various facets of the project. Three individual organizations stand out as partners throughout this process. They are:

The Cooperative Extension Service, in the person of Jim McConnan, has a historic view of micro enterprise development that pre-dates WBDC's. It was to him that I asked if any research had been done into this subject in the past. As it turns out there was one unfinished and unpublished survey by a graduate student candidate in economics at the University of Maine at Orono. I secured the survey questions from the Cooperative Extension office at the University. The survey was five years old and had been started by WBDC's executive director, Louise Chamberland, and never finished. Nothing had been done since.

Washington/Hancock Community Action Program was another member of MICRONET that offered input and support to the project. Various practitioners there offered suggestions and reviewed the survey questions, and helped with another part of the project, the Maine Bean Count. A display of 16 jars representing the counties of Maine filled with multi-colored beans depicting the number of micro businesses in each county. A seventeenth jar filled with 8,570 beans represented the other seven-percent of Maine businesses that had six or more employees. Of course 101,560 beans were a lot more impressive than that little jar with 8,570 beans.

Small Business Administration and SCORE offered support throughout the project and in many other ways to WBDC. The SBA's Business Information Center in Lewiston has afforded WBDC an office space and the research resources for developing many programs and especially the research that helped to inform this project. The SBA maintains a business library of hundreds of books and data bases both on disc and on-line that are in constant use by my colleagues and myself. But with all of these resources to offer the SBA could

not provide information on any research being done about the factors contributing to business success. What was available was the usual: advice on beginning and running a business; write a business; get a loan; manage quality, keep a mailing list. All-important, all correct but none really speaking to the subject of business success.

Surely the most interesting information that came out of this project was the fact that the micro business population in the State of Maine was almost invisible. Although the Department of Economic Development stated in a number of reports that this was a major area of concentration, DECD could not provide a number of micro businesses there were in the state. DECD up to this point, had been using the Department of Labor figures that originates from keeping employment figures for all businesses that declare one or more employees. This figure of 26,900 for businesses with one to five employees was far from correct. This figure did not capture the one-person businesses, the 'mom and pop' operations that were partnerships and the many businesses that use independent contractors instead of employees. Most family-owned businesses, agricultural related especially, often use immediate family members and do not declare them as employees. So it was felt that the DOL figure didn't do micro enterprise development justice.

Hence the development of the Maine Micro Business Bean Count!

In pursuit of the correct figure to represent the micro business community in Maine I spoke to many people in many state and federal agencies. These inquiries left most of them interested in finding out what the real number of micro businesses in Maine were. The business census by the Department of Commerce held part of the answer and the Maine Department of Labor held another. After some math and checking against a population sample from other states, I arrived at the figure of 101,084 micro businesses in Maine. A micro business is any businesses with five or fewer employees. That was quite different from the 26,900 the state subscribed to.

This figure so intrigued the MICRONET network, a group of 20 micro enterprise developers in the State of Maine, that they authorized me to formulate a way to “show” these businesses to the Maine legislature and to the Governor, Angus King, a self proclaimed supporter of business. So began the “bean count.”

The display was a big hit with the Legislature, it then went by request of the Governor to the Blaine House Conference on Small Business. It has also appeared at a number of Small Business Administrations functions and other economic development conferences. In addition, the numbers that were published by MICRONET in an accompanying document to the display were distributed to all the development agencies in the state. It was a big boost to the micro business community when DECD using the MICRONET figures published a paper on the development of micro enterprises in the state. The report The Current Status of Micro enterprise Development in Maine, will be delivered to the Joint Standing Committee on Business and Economic Development of the 117th Maine Legislature in January of 1998.

Results

When the project is successfully completed many of Women’s Business Development’s programs and services would be changed and new ones would be offered. Marketing members’ products and services along with the development of an organization that was on-line and reaching more women business owners would be created. Programs that reflected the needs of women business owners at all levels of maturity would be offered.

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wholly informed by the survey. A special computer lab provided an introduction to computer software and Internet accesses. Women had questions answered by peers and trainers known for their accessibility by computer novices

An unexpected output of this project was the Maine Micro Business Bean Count, it has been completed and will be in circulation in much of the coming year. The initial response of everyone who sees the display is one of disbelief that there are so many "micro" beans and so few "big " beans. But once it is further explained of how these micro businesses are being supported and how they represent a very independent spirit in the state, they become delighted. It is at this point that we ask for support of these businesses, tell the observers what future plans MICRONET visions and remind the onlookers that micro business is indeed the bed rock of Maine's future community and economic development plans.

The training component on trade shows has been offered several times throughout the state. The major roadblock to the continuation of this training is the question about the continuation of WBDC.

The Maine Marketing Initiative is not up to the capacity desired by the staff and members of WBDC but continued work will be carried on despite the future of WBDC. The person managing this program fully expects to continue with the idea. A major funder is willing to supply needed finances and expertise for this project, with or without WBDC. The Connection Center, a marketing showroom, producer's representative and trade show consultant will be funded by Women's World Banking. The center will help women business owners market their products, increase production, quality and most especially, increase customer base so increased revenues will follow. The center will be sustained by a grant for the first 18 months and will become self sufficient within five years.

A major output of the project was the marketing of members' products and services. Although the products are receiving attention from a number of initiatives, I am still in the dark about mass marketing

member's services. The marketing of services out of the immediate area of the business presents a hurdle that is yet to be surmounted. Services such as residential cleaning, beauty salon and childcare are usually practiced in the immediate area to the service provider. Our continued search will be for ways to assist this population in their marketing both cheaply and effectively.

No work has been done on two areas suggested by the project. A computer loan fund and the buying cooperative for raw materials used in the production of many of the items produced by micro businesses will have to wait. A loan fund was suggested, as a way to get needed technology to these small businesses and the buying coop as a way of increasing buying power reducing the cost of goods sold.

Revisiting the entire population of women business owners with follow up surveys and interviews would reveal what further services could still be offered. It also remains to ascertain what levels of income that the new initiatives can claim as having achieved and what levels could still be achieved without their help.

Anecdotal information from the surveys indicates that the definition of business success may be different for women business owners than for the general population. It was noted in previous reports that this subject of success interested the editors of the organization newsletter enough to have them devote an issue to its discussion. More research can be done on success among women business owners.

It was envisioned from the beginning of this project that the information thus gained would be shared with the micro development community through MICRONET. I do not think this will happen as the fate of WBDC and its membership in this organization is still in question. If it is at all possible I will make the results available to the individuals who helped with the project from its inception and will be content with that as fulfilling my original intention.

Conclusions and Recommendations

The original project has grown in both breath and scope. Many of the outcomes were unexpected and many of the expected outcomes did not materialize. The original purpose though has stayed the same: to identify the factors that would contribute to the success of women owned businesses in Maine.

The answer to that question, although quite obvious: “more customers, and more inexpensive marketing” has led to some unexpected consequences for Women’s Business Development Corporation and myself.

The survey itself a tool for gathering information for this project also became a tool for discussion at many different levels of the organization. The questions of business success and personal success began dialogues among businesswomen, the board and staff of WBDC. This discussion continues today. This discussion is also made more poignant by the fact that the fate of the organization effectiveness in taking its own advice is in question.

The survey began a series of discussions at both the board and staff level about the current programs and finding ways to change them to better fill the needs of member business owners. A revamping of training, more information in the newsletter and the expansion of the annual conference was directly attributed to the results of the survey. Offering more help to more mature women business owners along with start-up and low-income women caused a division among staff, board and membership of WBDC. Although a two-path course of action was agreed on by the board, a path for experienced business owners and start up, this course met with resistance.

In conjunction with the looking at programs the staff and board also looked at the services that the

organization was offering to members. The usual offerings of training, networking and access to credit had not changed in the 10 years of the organization's existence. Now, with the survey results in hand supporting what was the beginning of a national trend, the organization decided to look into the possibility of marketing the member's products. This was more direct involvement with members than the organization had ever participated in before. It called for a different identity for WBDC and a different relationship with its members.

The technology questions on the final survey also changed how the organization looked at its members. Eighty-seven percent of the women answering the survey had access to and used a computer in their businesses. Over sixty percent had or had plans for Internet access. The organization's management expressed a good deal of resistance to the use of technology claiming that the Maine women did not use or have access to computers and the Internet. Because of this thinking WBDC never developed on-line capacity. That will have to change in order to serve the business population in the future and may be necessary for the survival of the organization.

The resources that would have cut the development time of the marketing component were not immediately available to staff members when the project was begun. The lack of funds and the lack of information on other organizations in the state attempting the same project kept the staff in isolation. Woman's World Banking offer of funding and expertise will change the balance on this part of the project. Their help will move the initiative ahead quickly and grow the number of business owners served.

Interestingly the MICRONET display representing Maine micro businesses by 39 pounds of beans and the impact of finally defining the number of micro businesses to the state agencies dealing with business, was a surprise addition to the project and will probably be one of the lasting outputs of this project. It will also, in view of a number of conference showings, have the most long-range effect on micro enterprise development.

The actual number of these businesses was a significant factor in the SBA's decision to have women's micro business conference in April. The use of the phrase micro business to identify businesses with five or fewer employees, which is 93% of the businesses in Maine, has been evident at the state level up to the governor. This naming and depicting of micro businesses has brought recognition of the importance of this segment to the economy of Maine

I feel that there is a growing awareness of micro businesses economic contributions and also the needs of these businesses by legislators. The Governor has also begun using the term "micro business" when he speaks on business issues. Bankers and insurance agents are also more aware of this now perceived to be organized sector, I am not sure whether this is beneficial to micro businesses or not.

I hope that by identifying this business population, that more help will be directed towards their needs. Maine is a small state in population and a great state in size; information in the state gets shared rapidly where everyone knows everyone else. Using the MICRONET to lobby the legislature, the governor's office and the various economic development agencies is just a beginning step in bringing more resources to the table when the interests of micro businesses are in question.

Although the project is in its concluding stages it is important to note that the information it sought to identify is far from conclusive. It is the continued application of this information and up dating that will produce the answers to the problem of self-employment/self-sufficiency.

If WBDC proceeds with the various projects outlined it will use the information gained from the survey in various ways, and will probably do other surveys to ascertain additional information pertaining to economic self-sufficiency.

Economic equity for all people and not only micro business owners is my real goal, and I have always seen business development as a means to this end. As I continue to work with micro enterprise development I will learn from the people involved how to better serve this community.

If micro enterprise development is to truly take its place in the tool box of the Community Economic Development professional, it will have to prove itself to be useful in helping create micro enterprises that return equitable and livable wages to the owners and employees of these businesses.

Recommendations to someone doing a similar project

I would suggest that anyone attempting a micro enterprise project is aware of the many levels of definition that word suggest. Micro-entrepreneurs come in all sizes and shapes and so do their businesses. WBDC for all of its ten years was focused on the start up business. As these start up business owners became maturer and successful they no longer found services in this organization. The goal of the organization has always been to help all women business owners to achieve success and to also pair successful women with beginning women in business. Because of lack of services to mature, more successful women business owners there was not enough of this population to help the others. Developing a few services for these women would have greatly increased their participation and the role they played in supporting beginning women.

Also many self-employed people do not see themselves as businesses people and hence find it difficult to relate to jargon of micro-enterprise development. The self-employed are also a group that needs to be considered because it contains wide variations in expertise and business potential. It has been WBDC's experience in the last three years that many of its start up programs were attracting a wholly different group of students. The newly graduated professionals, whether a podiatrist or physical therapist left school with no

business knowledge. WBDC was supplying vital business start up information to these people along with the other self-employed. Our usual training had to be “scaled down” for these folks who never were in contact with self-employment before. The development of training materials that take these factors into consideration would greatly increase the success of the project

It is also my feeling that any information that challenges the core programs of an organization, as the case with WBDC, can either build a stronger organization or pull a weaker one apart.

THANKS

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My most sincere gratitude and greatest thanks are due to my mate, Richard Denzer who made many sacrifices and cooked many meals while I was engaged with my project.

Mary Denzer

A handwritten signature in cursive script that reads "Mary Denzer". The signature is written in black ink and is positioned below the typed name.