

# “Beyond Microenterprise: Growing Businesses in Low-Income Communities” Conference Recap

## Panel 1: “Entrepreneurship Strategy for Inner City Revitalization”

The first panel explored the environment in which low-income entrepreneurs start and grow their businesses.

**Alvaro Lima**, managing director of ICIC-Boston, described the factors that hinder and help low-income entrepreneurs



Alvaro Lima

on their path from wage laborer to growth business. At each key decision point, entrepreneurs balance the benefits of growth against the risks of moving to the next level of business activity. Some examples would be the taxi driver leaving the relative security of being part of a taxi company to buy a van and operate his or her own limo service, or the retailer taking on the larger costs, risks, and management challenges of opening a second store.

Lima pointed out that the skills and knowledge needed to operate a microenterprise are quite different from those required to succeed in a larger business. Inventory control, capital finance, and employee management issues become more important as the original skill—be it cooking, sales, driving, or customer service—are used less and less. Careful niche market selection or other specializing factor becomes more and more important (as shown in the box at right).

**Daniel Monti**, of Boston University and director of Inner City En-

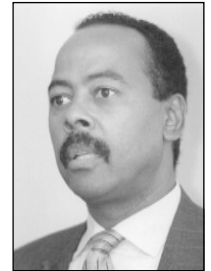
terprises, offered his perspective on the role of culture in supporting low-income entrepreneurs. He noted the importance of understanding the cultural context within which microbusinesses operate and grow.



Daniel Monti

Such an approach emphasizes benefits to the larger community from successful entrepreneurship among low-income residents. Business success stories not only bring wealth and jobs to distressed communities but also provide strong social supports, including powerful evidence of the opportunities available to others and the stabilizing effect of a strong local business with a cultural connection to the community.

**Juan Evereteze**, community builder for New England’s regional HUD office, described fascinating patterns of business development shaped by the cultural traditions and experiences of Massachusetts immigrant communities. Vietnamese nail salons in inner-city Boston are supported by informal financial networks. In Lawrence, Dominican immigrants are tapping into the concentration of Latino consumers in the area to get their businesses started before expanding their services into the broader community.



Juan Evereteze

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## EXAMPLES OF ENTERPRISE DEVELOPMENT

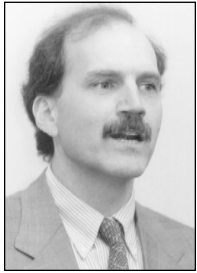
	Wage Labor (Employee)	Self-Employed	Small Employer	Growth Business
<b>TRANSPORTATION</b>	Taxi/Limo driver Delivery (food, other)	Taxi/Limo driver Delivery (food, other)	1-3 limos Multiple (leased) medallions 1-3 delivery cars	Multiple cars (3+) Multiple services (delivery services, or limo services)
<b>BEAUTY/GROOMING</b>	Manicurist Hair stylist	Leased seat in hair salon House calls	Nail salon Beauty salon	Chain of nail/beauty salons Multiple services
<b>CLEANING SERVICES</b>	Janitor Cleaning person/ House cleaner Maid/hospitality	Solo operator (janitor, cleaning person) Solo franchise	Local contractor Dry-cleaning store Small cleaning business	Regional contractors (commercial, residential) Multiple services
<b>EATING PLACES</b>	Cook Waiter Caterer	Take-out stand Burrito cart	Restaurant (w/eat-in, take-out, delivery) Small catering service	Multiple restaurants Multiple services (catering, delivery) Food services
<b>RETAIL</b>	Cashier Salesperson Stock manager	Door-to-door sales Third-party marketing franchise	Small franchise Small store Third-party marketing	Retail chain

—From Alvaro Lima’s presentation

**Panel 2: “Nurturing Growth-oriented Businesses”**

The second panel discussed helping a microbusiness become a growth company.

**John Friar**, director of the Northeastern University Center for Technological Entrepreneurship, outlined the important operational differences between a microbusiness and a growth company (see chart below).



John Friar

Friar noted that a microentrepreneur is a hands-on worker with direct customer contact who has control over all aspects of the enterprise, is not a manager, and is often the only stakeholder in the business. To lead a successful growth business, the microentrepreneur needs to become an effective manager who can delegate responsibilities, acquire financial and organizational skills, and seek out advice from others.

**Andrew Chen**, of Boston Community Capital, reinforced Friar’s message in describing the features of businesses in which his organization invests. Boston Community Capital operates a Community

Development Venture Capital fund aimed at businesses from low-income areas that have:

- a strong management team;
- a distinctive competitive advantage;
- the ability to scale operations with changes in demand; and
- sustainable profitability.

The panel concluded with a presentation by **Andrea Silbert**, CEO of the Center for Women Enterprise. Silbert discussed how business assistance agencies need to be strategic in structuring their programs. Just like the businesspeople they seek to counsel, assistance agencies need to segment their market, targeting only those they have the capability to serve well. To move into several market segments, an agency must reach a substantial scale that can financially support a robust program.



Andrew Chen



Andrea Silbert

**Keynote: Chris Delprince – “From Street Vendor to Inner City 100 Company”**

The experience of Buffalo apparel retailer **Chris Delprince** brought life to the messages from the two panels. As an older, northeastern industrial city, Buffalo is not unlike many of Massachusetts’ urban areas. Delprince described his path from high school drop-out in a welfare family, to street vendor, to becoming one of America’s fastest growing inner city companies.

Delprince attributes his success as a street vendor of novelty items to his confident personality and sales skills. But opening his first apparel store he realized he needed an entirely new set of skills. “When I was in the novelty gift item business, if you sell one red phone you reorder



Chris Delprince



one red phone. With the clothing business you are ordering stuff six to eight months in advance. You have to plan your business,” he said.

Underlining a key theme of the conference, Delprince sought out experienced advisors. He collected expertise from an array of public agencies, including the local Small Business Development Center, the University at Buffalo Center for Entrepreneurial Leadership, and marketing experts at the regional economic development agency.

By constantly broadening his business knowledge and relying on a circle of trusted advisors, Delprince’s Lifestyle Street Gear has grown from a single 6,000-square-foot store in 1991 to a chain of six 11,500-square-foot stores spread across the western New York/Pennsylvania region.

Chris Delprince is an exceptional individual. But his story is clear evidence that successful entrepreneurship can and does come from humble beginnings in distressed urban areas.

**CHARACTERISTICS OF ENTREPRENEURS AT VARIOUS STAGES OF DEVELOPMENT**

	<b>MICROENTERPRISE</b>	<b>SMALL BUSINESS</b>
<b>SKILLS, KNOWLEDGE, AND PERSONAL TRAITS REQUIRED</b>	<ul style="list-style-type: none"> <li>• Finds and services customers</li> <li>• Manages simple cash flow</li> <li>• Has limited ability to leverage capital, labor, technology, skills</li> </ul>	<ul style="list-style-type: none"> <li>• Manages across all functions</li> <li>• Builds organization with a number of hired employees</li> <li>• Must have detailed understanding of business industry</li> <li>• Is limited to a single technology, production, or market area</li> </ul>
<b>STAKEHOLDERS</b>	Other members of the company	Employees, family members, friends
<b>DEFINITION OF SUCCESS</b>	<ul style="list-style-type: none"> <li>• Revenue is usually less than \$100,000</li> <li>• Sufficient individual income to control lifestyle and work as much as they want to</li> </ul>	Combination of salary and value of company

—From John Friar’s presentation