



Going Faster and Farther: Harnessing Technology for Microenterprise

“The world is flat,” says Thomas Friedman, pointing to the extraordinary change in the way business is done around the world – due to technology. Because of it, we live in a new era of globalization where “so many people now have the communication and innovation tools to compete, connect and collaborate from anywhere.”¹ Yet for many microentrepreneurs, and microenterprise programs, the world is still decidedly too round, too rimmed by barriers and too local. This is because the opportunity of technology is also a formidable challenge. Harnessing it for development and business advancement requires a willingness to innovate and openness to learning. It requires expertise and resources to support the full process of technological adoption, adaptation and roll-out. This guide summarizes the experiences of a number of microenterprise development programs that have invested in technological innovation, and of donors that have supported it, and the lessons they have learned along the way.

Overcoming geographic boundaries

The challenge: Disadvantaged microentrepreneurs are 10 million strong across the United States, but they are geographically dispersed, expensive to reach, extremely busy and easily discouraged by the high transaction costs implicit in many microenterprise development programs.²

How are technology innovators seeking to overcome this? By launching national services that reach across barriers of time and space to offer loans, training and technical assistance. Among them are:

- ACCION USA and Count Me In offer small loans (up to \$25,000 at ACCION and up to \$10,000 at Count Me In) via on-line lending services geared to micro and small business owners that face barriers to credit because of gender, business experience or credit history. Using their own proprietary credit scoring models and software, the services promise borrowers speedy turnaround time and convenience. As evidence that Internet use is growing even among those formerly on the wrong side of the “digital divide,” the programs have grown rapidly. ACCION USA, for example, reached its 1,000th application within six months of launch, and disbursed \$660,051 to 115 borrowers at the end of September 2006. Details on the programs are available at: www.accionusa.org/site/c.lvKVL9MUIsG/b.1415151/k.242D/How_to_Get_a_Small_Business_Loan.htm, and at www.countmein.org/loanapps/index.html.
- MicroMentor, (www.micromentor.org), created an on-line matching service to link emerging entrepreneurs to mentors with industry-based expertise and technical skills not easily available locally. The resulting mentoring relationships involve e-mails, phone and, occasionally, meetings. MicroMentor was incubated by FIELD and recently spun off to Mercy Corps, an international nonprofit that plans to take the national service global.
- My Own Business (<http://www.myownbusiness.org/index.html>), is an on-line business planning course designed for current and aspiring micro and small business owners. The course, offered in English and Spanish, teaches the fundamentals of business planning and includes sessions on communications and technology issues. Other on-line training opportunities, offered by organizations such as Accelerator Online (<http://www.acceleratoronline.com/>), and the North Carolina Rural Entrepreneurship through Action Learning (<http://www.ncreal.org/>), provide similar courses for participants in more limited geographic areas.

¹ Thomas L. Friedman, “Big Ideas and No Boundaries,” *New York Times*, 6 October 2006, sec. 1, p. 25.

² Caroline Glackin, “What Does It Take to Borrow? A Framework for Analysis,” *Journal of Microfinance* 4, no. 56 (Spring 2002): 115-135.

- *i*CAN, the *i*Capital Assistance Network (<https://www.icanloan.com/ican/index.jsp>), is a business loan referral network designed to help individuals access start-up and business expansion capital up to \$250,000. By clicking on "*Find a Lender*," users are directed to lenders in their area. Developed by the Self Employment Loan Fund in Arizona, the program's goals are to help loan applicants, especially those denied by the formal banking system, find a nonprofit lender more appropriate to their developmental and financial needs, and to efficiently increase the market for nonprofit lenders. The site also offers an on-line video instruction guide to help entrepreneurs prepare to meet with lenders of their choice.

Growing markets

The challenge: To grow, many micro and small business owners need to move beyond traditional marketing techniques to increase sales, but this requires gaining e-commerce skills, and making investments in Web development and technology that can seem daunting.

Microenterprise practitioners focused on this challenge have found that both group and individual services are part of the answer. They include:

- The creation and marketing of Web malls by programs on behalf of clients. WESST Corporation (<http://www.wesstartisans.com/>) in New Mexico is one of the programs with the longest experience in this area, marketing fine crafts on behalf of selected artisans through its site. Other programs offer directories of businesses operated by clients, including links to their Web sites. The Association for Enterprise Opportunity provides links to 48 programs offering this client service, and advertises these merchants through its Buy Microenterprise (Buy ME) campaign (<http://www.microenterpriseworks.org/index.asp?bid=148>).
- Offering technology labs (with computers, printers, scanners, cameras and other equipment) and technology training to entrepreneurs facilitating their efforts to design and produce more polished product labels, packaging and marketing materials. Assistance can include a focus on Internet marketing initiatives, from creating e-mail marketing campaigns, to selling on eBay, to creating brochures or full-service Web sites. Through the support of the Hewlett Packard Company, 37 organizations have received technology, technical assistance, and training to develop and deliver these services on behalf of clients.³
- Helping clients purchase technology and effectively integrate it into business operations. With the assistance of the eBay Foundation, four organizations have made 158 equity awards allowing microentrepreneurs to purchase computers and/or related technology, and have helped them move their businesses on-line by providing training and technical assistance. The program is entering its second year of operations.

Increasing operational efficiency

The challenge: Serving more microentrepreneurs will require leaner, more creative methods of marketing and outreach, service delivery, management and administration. Yet many programs are constrained by inadequate management information systems, and technology budgets that limit their capacity.

Leaders in this area have figured out how to combine high-touch quality with highly efficient operations. They have focused on:

- Investing in management information systems that: provide detailed client contact, demographic and outcomes data; track service provision to clients; and produce timely and accurate loan portfolio reports and financial statements. While some programs have developed their own systems, more have taken advantage of a growing body of software offerings developed for or adapted to the industry's use.
- Using credit scoring to streamline decision-making on loan applications. ACCION USA and Count Me In have made the greatest advances incorporating scoring models into their Internet lending, while others have applied some elements of credit-score analysis in their manual reviews.

³ Association for Enterprise Opportunity, *Best Practices in Technology and Microenterprise Volume 1 and 2* (Arlington: Association for Enterprise Opportunity, 2004, 2006).

- Presenting more opportunities for prospective and current clients to access information on program services, other resources, and each other through program Web sites. The Northeast Entrepreneur Fund in Minnesota enables customers to both register for and take classes on-line, while the Jefferson Economic Development Institute in California has used video conferencing to include participants in remote locations in training classes. The Portland Small Business Community, operated by Mercy Corps Northwest (<http://www.pdxbizhelp.org/>), offers users in Portland and surrounding communities links to an array of business resources, a discussion board, a library, and links to One Economy's Beehive,⁴ offering additional information and links for those interested in starting a business. The Web portal enables Mercy Corps Northwest to reach more aspiring entrepreneurs with basic information than it could through personal contact, allowing staff to focus resources on those requiring and/or ready for a more intensive level of service.

What funders can do

As funders consider financing technology initiatives, it's important to ensure that some key principles are followed.

Invest in a program's technological capacity first.

Before launching technology services for clients, it's important that programs successfully integrate technology into their own operations. This includes investments in hardware, software, in the installation of effective management information systems, and in corresponding staff capacity. That capacity building not only will increase operational efficiencies, but also ensure that the program has absorbed the fundamental lessons of technology integration that should guide its work with clients.

Ensure that business needs drive technology – not vice versa – both when programs plan for technology and when they assist clients.

This means choosing the simplest technology solutions, and finding the right balance between immediate needs, financial constraints and long-term business vision. This approach must also guide technology training for clients, which should be integrated into and subservient to business content, and e-commerce. Microentrepreneurs need to learn that overall marketing plans come first and should drive e-commerce plans.

Insist on a technology plan.

The plan should: assess existing technology resources, define needs, describe proposed technology projects, and include estimated budgets and timelines. Project leaders should be staff, using technology specialists as advisors and implementers, not decisionmakers. The plan should always consider the “total cost of ownership” for any technology acquisition – including maintenance, equipment upgrades and staffing, as well as plans for ongoing sustainability. In addition, programs should be encouraged to partner with others that may already have underutilized capacity, such as colleges or community technology centers. Alternatively, if technology resources are scarce in a community, encourage managers to capitalize on their investments through revenue-generating opportunities that complement their own technology use.

Finally, encourage programs to include a technology line item in all proposal budgets, and consider this expense not as additional administration, but as a strategic investment in improving client services.

Be prepared and willing to invest in technology innovation to expand the field's capacity to reach more clients, more efficiently, and with better service.

U.S. microenterprise programs are only beginning to unlock the potential of technology to deliver products and services to thousands of microentrepreneurs. As they have, they have confronted the hard reality that the product development cycle is long, iterative and expensive. Innovation does not end with the development of the prototype, or initial offering, but continues through the painstaking work of product evaluation, modification, and the development of organizational capacity to support its roll-out to ever more customers. Programs engaged in this innovation could benefit from technical assistance and support, especially from corporate donors with strong capacity in this area, along with sustained financial support that will ensure that the product can, indeed, deliver on its promise.

⁴ One Economy is a multinational nonprofit organization that brings broadband to the homes of low-income people and provides a multilingual Web portal, www.thebeehive.org, providing information and services on an array of issues.

How Funders Have Exemplified These Recommendations

Through its \$8 million investment in 37 microenterprise programs, the Hewlett Packard Company has demonstrated the value of increasing organizational capacity first and then building client services. Grantees received technical assistance in developing technology plans, appropriate hardware and software, and assistance in installing and integrating it into operations, and deploying it to increase efficiency and offer new client services. Infrastructure upgrades have included new servers, installation of broadband and wireless access, and mobile technology that have allowed organizations like the Community First Fund of Pennsylvania to link satellite and home offices, and ACCION USA to provide technology to local partners that identify and recruit new loan applicants. These infrastructure improvements undergird new client services, such as the multimedia resource studio created by WREN in New Hampshire, which offers advanced print and Web site development tools, and like the client training, offered by New Mexico's WESST, in data mining and the use of GIS software to support market analysis. In these cases, and in HP's development of a curriculum for entrepreneurs, Smart Technology for a Smarter Business (<http://www.smarterseminars.org/english/default.htm>), the focus has been on using technology to teach, not just teaching technology. The curriculum helps business owners learn how to achieve business goals, and helps them master marketing challenges, as well as learn how to use technology in operations, management, finance and communications.

The eBay Foundation's Techquity program also supported a two-pronged approach, offering cash awards to build program capacity and grants to clients for technology purposes. The Utah Microenterprise Loan Program, for example, purchased a new server and printer to increase its efficiency and invested in technology training for staff. It then made grants to 34 borrowers for equipment purchases, and partnered with the local community college to offer technology training at 25 percent the normal cost.

Other grantees also demonstrated the value of partnering. The Edge Connection (formerly Cobb) in Georgia partnered with the Continuing Education Program of Kennesaw State University, which offered the Edge Connection space for a new 19-seat computer lab. In exchange for use of the lab on alternate days, KSU provides security for and maintenance of the equipment. And the Community Business Partnership leveraged its HP grant into a deeper partnership with the local Best Buy store, which now co-sponsors training sessions with CBP and offers discounts and additional incentives to CBP clients.

For more information

Elaine L. Edgcomb and Joyce A. Klein. *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States*. Washington, D.C.: The Aspen Institute/FIELD, February 2005. See specifically pages 92 to 94. Available from: <http://www.fieldus.org/publications/FulfillingthePromise.pdf>.

Also Karen Doyle Grossman, Erika Malm and others, *FIELD Best Practice Guide: Volume 5 Business First: Using Technology to Advance Microenterprise Development*. Washington, D.C.: The Aspen Institute/FIELD, August 2003. Available from: <http://fieldus.org/Publications/PrimeVol5.pdf>.

For past funder guides, please see <http://fieldus.org/Projects/donorResources.html>. Information on a donors' group on microenterprise development is also available at that site.

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