

# **Ms. Foundation for Women**

THE NATIONAL WOMEN'S FUND

## **Women's Enterprise Development: Strategies for Success**

**Lessons Learned in the First Two Rounds of the Ms. Foundation's  
Collaborative Fund for Women's Economic Development**

**Anna S. Wadia  
Berta Colón**

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120 Wall Street, 33<sup>rd</sup> floor, New York, NY 10005 (212)742-2300 fax: (212)742-1653

[www.ms.foundation.org](http://www.ms.foundation.org)

## THE COLLABORATIVE FUND FOR WOMEN'S ECONOMIC DEVELOPMENT

The **Collaborative Fund for Women's Economic Development** is a unique partnership among large and small national foundations, family foundations, community foundations and individual donors who pool their financial resources and expertise to support women's enterprise development programs across the country. Donor partners participate in every aspect of grantmaking, from designing the request for proposals, to reviewing proposals, conducting site visits, selecting grantees, monitoring grantee progress and learning from grantee experiences. The Collaborative Fund is a proven mechanism to leverage significant resources for the women's enterprise development field; educate new and experienced funders about the lessons practitioner groups are learning; document and disseminate these lessons; and build the capacity of enterprise development organizations by providing them with multi-year funding, training and technical assistance, and opportunities to network and learn from their peers.

The Ms. Foundation for Women administers the Collaborative Fund, participates in the fund as a donor, and works in an ongoing technical assistance relationship with grantee organizations. Donor partners contribute a minimum of \$150,000 to the Fund over a three-year period, enabling the Ms. Foundation to provide crucial multi-year support to the Fund's grantees.

In the Collaborative Fund's first two rounds, which ran from 1991 to 1999, 28 donor partners pooled \$5.7 million to support a range of enterprise development strategies, from microenterprise development, to networks of small businesses, to cooperative and community-based businesses. *(Please see Box 1 for a list of first and second round donors and grantees.)*

The microenterprise programs we have assisted have crafted innovative and effective ways of delivering training, credit and peer support to low-income women entrepreneurs from inner city Chicago to rural Arkansas. Sectoral networks have enabled isolated low-income women to access far-flung lucrative markets. The cooperative ventures and community-based businesses have improved wages and working conditions and fostered greater participation in workplace management in traditionally female sectors such as child care, health care and apparel.

## BOX 1: FIRST AND SECOND ROUND DONORS AND GRANTEES

### DONOR PARTNERS

BP America<sup>1</sup>  
 Pamela Tanner Boll<sup>2</sup>  
 Citicorp Foundation<sup>2</sup>  
 Edna McConnell Clark  
 Foundation<sup>2</sup>  
 Clio Foundation<sup>2</sup>  
 Elizabeth Wallace Ellers<sup>2</sup>  
 FACT Services Co., Inc.<sup>2</sup>  
 Ford Foundation  
 George Gund Foundation  
 Hitachi Foundation  
 Hite Foundation<sup>2</sup>  
 James Irvine Foundation<sup>1</sup>  
 Jacobs Family Foundation<sup>2</sup>  
 Jean Street Fund<sup>1</sup>  
 W.K. Kellogg Foundation<sup>2</sup>

Albert A. List Foundation<sup>2</sup>  
 John D. and Catherine T.  
 MacArthur Foundation  
 McKay Foundation  
 Leo Model Foundation  
 Charles Stewart Mott Foundation  
 Ms. Foundation for Women  
 New York Community Trust  
 Nord Family Foundation<sup>2</sup>  
 Norman Foundation<sup>2</sup>  
 Rockefeller Brothers Fund<sup>1</sup>  
 Levi Strauss Foundation  
 Turner Foundation<sup>2</sup>  
 White Birch Foundation<sup>2</sup>

ACCION New York, NY<sup>1</sup>  
 Acre Family Day Care  
 Corporation, MA  
 Appalachian by Design, WV<sup>2</sup>  
 Appalachian Center for  
 Economic Networks, OH<sup>2</sup>  
 Center for Economic Options,  
 WV<sup>1</sup>  
 Childspace Day Care Center, PA  
 Coalition for Women's Economic  
 Development, CA<sup>1</sup>  
 Colorado Enterprise Fund., CO<sup>2</sup>  
 Good Faith Fund, AR  
 The Lakota Fund, SD  
 Montana Western Regional  
 Economic Development Group,  
 MT<sup>1</sup>

### GRANTEES

La Mujer Obrera, TX<sup>2</sup>  
 Paraprofessional Healthcare  
 Institute, NY  
 Southwest Creations  
 Collaborative, NM<sup>2</sup>  
 Valley Care Cooperative, CT<sup>1</sup>  
 Watermark Association of  
 Artisans, NC<sup>1</sup>  
 The West Company, CA<sup>2</sup>  
 Women's Business Development  
 Corporation, ME  
 Women's Self-Employment  
 Project, IL  
 Women's Housing and Economic  
 Development Corporation, NY<sup>2</sup>  
 WomenVenture, MN<sup>1</sup>

<sup>1</sup>first round only  
<sup>2</sup>second round only

The following examples illustrate each strategy.

- A microenterprise is generally defined as a business with five or fewer employees that can start with less than \$25,000 in capital. One example of the 400 or so microenterprise development programs in the U.S. is the Women's Self-Employment Project - or WSEP - in Chicago. Low-income women with a business idea come to WSEP to learn the business management, marketing and basic life skills they need to start or expand their businesses. Many also take out small loans of \$2,500 to \$25,000.
- Appalachian By Design, in West Virginia, is an example of a network of microenterprises in a particular sector. ABD trains low-income rural women to knit sweaters and home furnishings on handlooms in their homes. ABD staff, who have become very knowledgeable about the knitwear market, sells the products to up-scale designers and retailers such as Esprit International and Ethan Allen. ABD meets the orders by subcontracting with the women in its network. Through ABD, a woman in the hills of West Virginia can reach the type of high value national markets that she could never access on her own, and she can make between \$6.75 and \$10 an hour.
- Cooperative Home Care Associates in the Bronx (an affiliate of the Paraprofessional Healthcare Institute) is a worker-owned paraprofessional home care agency employing 500 women, most of whom are former welfare recipients. The majority of workers own shares in the company and worker-owners represent the majority of board members. Because CHCA is organized as a cooperative and markets its services based on the

premise that quality jobs result in quality care, it can offer the best wage and benefit package for home health aides in New York City.

All of the grantees have sought to influence the complex economic, political and social systems in which they operate. Collectively, programs using these approaches have improved the livelihoods of many thousands of women and their families in diverse rural and urban settings around the country.

Building on the success of the first two rounds, the Ms. Foundation has organized a third round of the Collaborative Fund to strengthen, expand and replicate successful model projects and continue building the knowledge base on innovative approaches to economic development. Reflecting the maturity of the field, the Ms. Foundation's commitment to innovation, our sustained focus on poverty alleviation strategies for low-income women, and the need to increase and diversify resources for the field, the objectives of the third round are to:

- increase funding for economic development projects benefiting low-income women;
- educate funders about women's economic development through a cost-effective structure and peer learning model;
- support effective program strategies and promote continued innovation and experimentation; and
- further learning about how enterprise development, as part of a broader set of asset building and workforce development strategies, can create ladders for women and their families to move out of poverty and attain long-term economic security.

The Ms. Foundation has issued A *Call for Letters of Intent* for the third round, available on our web site ([www.ms.foundation.org](http://www.ms.foundation.org)) and by calling Nora Grip at 212-742-2300, ext. 329. Letters of Intent must be postmarked by May 19, 2000.

### **KEY LESSONS FROM THE FIRST TWO ROUNDS**

Over the last nine years, the Collaborative Fund has provided the Ms. Foundation and its donor partners a window on the burgeoning field of women's enterprise development in the United States. Indeed, many approaches and methodologies commonly used by enterprise development organizations today were pioneered by the Fund's grantees in their work with low-income women. Collaborative Fund grantees have learned that in order to place low-income women on the road to self-sufficiency, programs must devise creative ways to enable low-income women's enterprises to compete and flourish in our complex economy. Furthermore, our grantees and others have learned that to effectively serve low-income women, programs must address the social and political, as well as the economic barriers, they face.

Key lessons learned by Collaborative Fund grantees and their colleagues in the field include:

◆ **Effective program design must reflect the realities of women's lives and multiple responsibilities**

Programs that have successfully reached out to low-income women hold training sessions at times and in places convenient and accessible to women, taking into account that trainees may be working full or part-time, may be caring for children, may be dependent on public transportation and may live in dangerous neighborhoods. Successful programs also often provide, or help clients make arrangements for, child care. They build working relationships with social service agencies so that they can refer clients for help in addressing issues such as domestic violence. While the cooperatives in the Fund have been able to provide health insurance to their employees, this remains a critical challenge for microenterprise programs, which are beginning to explore ways to group individual entrepreneurs to access affordable health coverage.

◆ **Programs must recognize and reflect the reality that low-income women often combine self-employment with other sources of income**

Microenterprise development organizations have increasingly realized that low-income families often combine income from many sources including wage and self-employment. These experiences, coupled with severe pressures on public assistance recipients to move quickly into jobs and the increased availability of employment in some areas, have led several microenterprise programs to build alliances with job placement and training entities. Practitioners have also learned that microenterprise training gives clients who enter wage jobs the life skills, financial skills and ability to market themselves that serves them very well in today's job market.

Collaborative Fund grantees have been among the innovators in offering low-income women opportunities to develop businesses and pursue employment at the same time. In some cases, this approach allows clients to earn income from a job while developing their businesses into their long-term primary source of support. In other cases, women face the economic reality of having to supplement low-wage or contingent jobs with business earnings. In yet other cases, women may chose to emphasize self or wage employment to different extents at various times in their lives; i.e., moving out of a wage job and into a home-based business when they are caring for small children.

◆ **Training and technical assistance are key to business success**

Microenterprise programs in the US have increasingly recognized the importance of providing clients with the training and technical assistance they need to operate successful businesses in our sophisticated economy. Many programs find that the majority of people who take part in training do not, in fact, apply for loans. In these cases, the business, financial and marketing skills and peer support gained may be as, if not more, important to

business success as loan capital. In addition, programs working with women transitioning off welfare often provide “pre-training” sessions to help clients address the multiple personal barriers they face.

Cooperatives and community-based businesses also emphasize both skills and management training for worker-owners and employees. Sector specific and management skills enable workers to move up the career ladder and obtain better-paid and more secure jobs. Furthermore, to successfully compete in lucrative niche markets, cooperative and community-based businesses need well-trained staff to produce quality products.

◆ **A sectoral focus can further the effectiveness of enterprise development programs**

Across the country, community economic development organizations have been experimenting with sectoral economic development strategies that enable women and men to earn incomes that raise their families out of poverty. Some aim to improve access for low-income people to high-wage or high-profit sectors while others work to restructure jobs or businesses in low-wage or low-return sectors. Collaborative Fund grantees have pioneered sectoral enterprise development programs which either:

- create cooperative or community-based businesses in a particular sector, or
- cluster or network microenterprises within a particular sector to gain access to markets and/or take advantage of economies of scale.

These strategies have the potential to increase wages and business income for several reasons. First, a sectoral focus enables organizations to develop the in-depth market expertise needed in order to access the most lucrative markets. Second, programs that operate within a particular sector can improve the quality of their products or services by providing employees or entrepreneurs with intensive training in sector-specific skills. Third, businesses in sector clusters can reduce costs by sharing information, learning skills from each other, as well as purchasing supplies and marketing goods collectively. Finally, sectoral programs have become a voice for change in their sectors, successfully focusing their advocacy efforts on public and industry policies affecting low-income workers and entrepreneurs.

◆ **Programs can increase business revenue by proactively identifying and facilitating access to high-value markets for their clients’ or employees’ products or services**

To increase business revenue, enterprise development organizations need to make their or their clients’ businesses more cost-efficient, on the one hand, and better able to create products or services that can demand high prices, on the other hand. Given the social goal of raising the incomes of microentrepreneurs or employees, these businesses are constrained in their ability to cut costs. However, they can seek out high-end markets where they can sufficiently mark up the prices of their products or services. In order to do this, enterprise development organizations must devote considerable attention to researching, identifying

and accessing high-value markets. To be successful, the businesses need to design and produce high-quality products or services with considerable market appeal. Furthermore, the needs of the market should inform the content of training and technical assistance programs and the types of capital provided to entrepreneurs.

◆ **Policy advocacy is vital to program success.**

Government policies at all levels determine whether enterprise development can successfully be used as a self-sufficiency strategy for low-income women. Welfare regulations can either facilitate or hinder the ability of recipients to start and expand businesses; public and industry policies in a given sector can impact the access of low-income women to that sector as well as the profitability of their businesses; and the definition of allowable activities for job training programs can determine whether enterprise development is an option for many low-income women. Public policy advocacy, involving both staff and program participants, is therefore vital to program success.

◆ **Asset development is an important strategy in alleviating poverty, and is integrally linked to enterprise development**

Historically in the United States, families have moved out of poverty not only by incrementally increasing their income, but also by acquiring and building wealth and assets. From the beginning, enterprise development organizations have seen the link between business development, asset development and economic security, often requiring or encouraging borrowers to save and advocating for increased asset limitations for welfare recipients. Clearly, enterprise development and asset development are highly complementary strategies, and it is not surprising that enterprise development organizations, including many Collaborative Fund grantees, have been at the forefront of best practice and policy advocacy on Individual Development Accounts (IDAs)<sup>1</sup>. IDAs and other savings programs help entrepreneurs accumulate capital to invest in their businesses, and entrepreneurs are, by definition, building an asset as they grow their businesses. Furthermore, research shows that low-income entrepreneurs in particular experience significant gains in asset accumulation.

The economic literacy training essential to effective IDA programs both builds on and complements the business training already offered by most microenterprise programs. Since they already lend money to clients, and generally have cultivated close relationships with local banks, microenterprise organizations are particularly well suited to handle the financial aspects of IDA programs. Cooperative and community-based businesses that involve workers in financial management decisions also have laid the groundwork for effective economic literacy training. They are in a good position to experiment with innovative

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<sup>1</sup> Individual Development Accounts are dedicated savings accounts targeted for purchasing a first home, for education or job training expenses or for capitalizing a small business. Contributions from eligible low-income participants are matched, using private and/or public sources.

employer-based IDA programs, for example, by making the IDA contribution a payroll deduction.

◆ **Replication is not duplication**

Several Collaborative Fund grantees have successfully replicated their program approaches in other regions of the country. In doing so, they have learned several important lessons. First, programs must be adapted to the conditions, constraints and opportunities of the new site. Second, the replication process must transfer program culture, as well as structures. Third, the original program must have adequate resources and staff to prevent conflicts between its needs and the intensive demands of starting up and providing guidance to a new site. Finally, replication sites need on-going technical assistance, on the one hand, and, on the other hand, can provide important lessons to the original site. A federation of replication sites facilitates such peer learning.