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Staying Connected:

Building Entrepreneurial Networks

FIELD Best Practice Guide: VOLUME 6

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Acknowledgments

When I started work on *Staying Connected: Building Entrepreneurial Networks*, I was not convinced I would find anything worth writing about. The concept of networking just seemed so self-evident. We all do it in some way. Most programs claim it as a program activity or component, but few would dispute its benefits. Yet, as I began to explore the concept with practitioners and academics, I was humbled by my limited knowledge and quickly shed my doubts about the challenges it raises. Networking has emerged as a social science, studied and applied to numerous goals including regional economic development and enhanced employee effectiveness and productivity within companies. While practitioners of microenterprise development focus on networking as a tool to provide support, connect entrepreneurs to clients and build community, they have experimented with many different ways to maximize its effectiveness. Meeting this challenge has yielded the rich experience that I have the privilege to present in this guide.

The information and best practices discussed here are based on the insights, experience and guidance of respected practitioners in the field. Special thanks are extended to the members of my Advisory Board, Natalie Woodroofe of WREN and Anita Moeller, former Executive Director of Acre Family Day Care Corporation. Together we set parameters for this research and identified key issues to explore. They lent their long experience in building and sustaining entrepreneurial networks; both answered many questions, referred me to other experts, contributed tools and reviewed drafts of the document. In addition, they both opened their programs to me, facilitating access to clients and staff whose thoughtful answers and many stories were invaluable. I could not have proceeded without their wisdom and encouragement.

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Project Overview

The impetus for this project grew out of years of extensive research by FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, into the types of training and technical assistance (TA) provided by microenterprise programs across the United States. FIELD's research revealed that although more than 90 percent of all microenterprise programs provide training and technical assistance, there are few resources available to help implementers improve their services and/or assess their efforts against best-practice standards.

This project aims to address that need. Using grant support from the U.S. Small Business Administration and the Charles Stewart Mott Foundation, FIELD has created this series of "best practices" training modules designed to help microenterprise programs deliver more effective training and technical assistance to low-income clients.

These modules are based on lessons learned from FIELD's past work, as well as from input obtained from leading practitioners, who served as advisors. As funding becomes available, additional guides will be developed. Topics for the six modules completed to date in the series are:

FIELD Best Practice Guide: Volume 1
Entering the Relationship: Finding and Assessing Microenterprise Training Clients explores how program practitioners can conduct market research, develop effective marketing strategies, and appropriately screen and assess incoming clients.

FIELD Best Practice Guide: Volume 2
Building Skills for Self-Employment: Basic Training for Microentrepreneurs offers best practices in core training and their implications for improving training services.

FIELD Best Practice Guide: Volume 3
Training for Microenterprise Development: A Guide to Curricula identifies the characteristics of an effective business-planning curriculum for low-income clients and reviews a set of products currently being marketed to practitioners.

FIELD Best Practice Guide: Volume 4
Keeping It Personalized: Consulting, Coaching & Mentoring for Microentrepreneurs provides a summary of findings from research in business consulting, coaching and mentoring with case-study examples of best practices in all three types of technical assistance targeted to low-income clients.

FIELD Best Practice Guide: Volume 5
Business First: Using Technology to Advance Microenterprise Development introduces a framework for selecting and planning technology to support business objectives and offers insights into how programs can assist microentrepreneurs with business automation, on-line learning and Web-based marketing.

FIELD Best Practice Guide: Volume 6
Staying Connected: Building Entrepreneur Networks discusses how networking, associations, peer and affinity groups can support business growth and provides guidance on how to assess the costs and benefits of these strategies.

Introduction

It would be impossible to identify the first network. The concept of individuals forming groups to pursue a common purpose is ageless and fluid. From medieval craftsmen's guilds to today's political organizing on the Internet, networks have extensive reach. In the business world, the traditional "old boy" networks link boardrooms to golf courses, and chambers of commerce are a mainstay of cities and towns across America. Ethnic enclaves are evidence of a high degree of networking among immigrants who share job information, rent, transportation and countless other resources best accessed through each other. For young professionals "networking" is a buzzword that is put into gear at Friday evening happy hours in pubs across the country. On Sunday mornings at church, networking is alive and well regardless of wealth or race.

Networking is everywhere. Informal or formal, personal or professional, social or business, it has touched most of us in one way or another. Nevertheless, practitioners of microenterprise development need to ask how this ubiquitous phenomenon can be harnessed to the benefit of microentrepreneurs. Does their need and ability to network differ from those of anyone else? Is not networking a natural outcome of people coming together for a common purpose (e.g., learning how to start a business)? Does networking among microentrepreneurs need special attention? Can it to be taught? Do its benefits merit program investments?

To date practitioners have addressed these questions in a somewhat haphazard fashion, having sponsored networking activities with varying degrees of success. Most flourish as an idea and fade in reality. However, the power of networking done right is like a siren call. Some practitioners have answered it with carefully designed, conscious approaches to building entrepreneurial networks among their clients, graduates, alumni and borrowers with more enduring results in terms of the network itself and the business gains for individual members. This guide surveys these efforts and highlights the lessons they offer. Establishing the rationale for a conscious approach to networking in the need to build social capital, it provides a brief overview to the diverse networking experience among microentrepreneurs. Individual chapters explore distinct types of entrepreneurial networks in detail.

The Rationale for Staying Connected

The merits of networking for any entrepreneur – regardless of business size or type – are rooted in the important concept of social capital. Hard to measure or hold, social capital is constituted by the shared norms, values and trust that grow from reciprocal social relationships.[1] These relationships foster cooperation for mutual benefit and make it easier for people to get through their days (to get the information they need), find people with whom they have common interests, enter into agreements, contribute to community activities, and enrich themselves through civic participation. Networking is at the core of social capital – one of its principal sources or tools – because networking of all types "grows" social capital. Participation in sports clubs, parent-teacher organizations, church choirs, book groups, service clubs and a myriad of other social groupings is the fodder for social capital. These are the venues for people to meet, learn, teach, exchange, refer, help and be helped. They are "classrooms" where people practice reciprocity and learn to trust. Social capital thus generated, feeds on itself. Those who have it get more as participation in one activity usually leads to others, a connection to one group of people easily multiplies, and the ties developed in one setting transfer to another.

[1] The following discussion of social capital draws on the work of social scientist Robert D. Putnam, including his best-selling work *Bowling Alone* (New York: Simon & Schuster, 2000) and an earlier article "The Prosperous Community," *The American Prospect*, 4, No. 13 (March 21, 1993).

What does this broad web of relationships that enrich our lives have to do with business development and performance? Social capital is the link between the civic, political and economic life in a community as the relationships developed in one arena are carried over to the next. Social capital theorists posit social capital at the nexus of human and physical (or structural) capital. The presence of social capital enhances the value of technical skills, knowledge and related physical assets, enabling people to draw on their connections and relationships to use both more productively. Within firms, social capital exerts significant influence on patterns of communication and information sharing between employees. Those who have it emerge as thought leaders. Those who do not have it contribute to the development of bottlenecks in the flow of information. Between firms, social capital is the intangible asset that helps entrepreneurs to close gaps in knowledge and experience, to find potential partners, and pursue new ideas. At the very least, social capital saves time by facilitating access to information; but it can also lead to innovation and growth.[2]

Social capital is created by social networking. That entrepreneurs have long understood this (without the theory to explain it), and understood the use of networking to build and maintain their stock of active connections is evidenced by the ubiquitous chambers of commerce that typically offer members opportunities for joint marketing (e.g., a listing in the local directory of businesses), recognition through chamber-sponsored community events, and, perhaps most importantly, regular opportunities for socializing and hobnobbing with fellow members. Beyond this tradition, networks serve other purposes. In recent years, entrepreneurial networks have been noted for their role in fostering cultural change that is necessary for communities in economic transition. In multiple sites around the nation, networks of start-up entrepreneurs, service providers, local development officials and investors have formed to promote an emergent industry. By enhancing the visibility of the new business activity, and signaling its acceptance in the community, these networks attract others interested in starting up or investing in the industry.[3] Finally, entrepreneurial networks, particularly with the growth of self-employment, can be a voice, a vehicle for establishing legitimacy in the eyes of the public, and an advocate for the needs of microentrepreneurs. Several of the networks featured in this guide have successfully obtained government recognition of the economic contributions of microentrepreneurs and tackled political issues such as restrictive municipal ordinances regulating business operations in residential neighborhoods.

Entrepreneurs use networking for different purposes at different stages in the life cycle of their businesses. New entrepreneurs, struggling to overcome the challenges of inexperience, need access to peers for information, advice and support. They are typically in the process of establishing routine business procedures for which the voice of experience is often the best guide. Previous FIELD research on the effectiveness of training and technical assistance highlights the importance of ongoing contact with graduates of microenterprise training to improve their chances of starting and/or expanding their business. Microentrepreneurs often need time to actually start their business; with growth, they experience new challenges for which they require advice.[4] Networks can be an effective vehicle for that important contact and follow-up service in the initial 12 to 24 months after training. As the business matures, owners have less time for the learning and a greater need for strategic alliances. Although a challenge, networks can address this spectrum of needs partly because they are relationship-based, and building relationships is the core of networking.

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[2] Patti Anklam, "Knowledge Management and the Social Network," in *Knowledge Management*, on-line periodical located at www.kmmagazine.com, Vol. 6, Issue 8 (8 May 2003).

[3] For more information about these (mostly information technology) networks, including five case studies, see Erik Pages, "Building Entrepreneurial Networks" a report of the National Commission on Entrepreneurship, December 2001.

Although the benefits of networking, long recognized within business communities, are the same for microentrepreneurs, gaining access to them is not. Microentrepreneurs with very small businesses, often tentative and isolated, typically do not find a home at their local chamber of commerce, for example. Although they need the benefits of chamber membership, the chamber is not a community of peers, which challenges the relationship building that is a key to realizing those benefits. While successful business owners have nurtured their stocks of social capital over a lifetime, clients of microenterprise programs have fewer, narrower opportunities to do so and, consequently, may have less of this asset, particularly those relationships that will help them build a business. Some practitioners have observed that while clients are eager to get connected to suppliers and customers, they do not recognize the value of and resist investing in personal networking to help them find those connections. These observations justify attention to networking for microentrepreneurs. Some literally need to learn how to do it, some need to learn the value of doing it, and some simply need the right opportunity or arena to do it to gain access to peers with whom they can build productive relationships.

How This Guide is Organized

The search for "micronetworks" revealed a growing recognition of the needs described above. In recent years many networks for microentrepreneurs have formed; they share common goals but have taken on multiple forms, such as the groups intrinsic to the peer lending methodology and alternative chambers of commerce. Some are self-directed by self-employed individuals; others have been initiated by microenterprise programs. Most are multipurpose, addressing personal and business issues; a few are narrowly focused on a specific task. Table 1 provides a typology of networks targeting microentrepreneurs. It is presented with an important caveat: the commonality of network goals blurs the distinctions between their types. One could easily assign any given network to multiple categories laid out in the table.

It should also be noted that in developing this table, many more groups of entrepreneurs were identified than included. An advisory group of practitioners who are leading "networkers" in the field helped to develop criteria for inclusion that resulted in a loose definition of networks as formal or informal groups of individual business owners sharing common concerns. Worker-owned businesses are not considered networks for the purposes of this guide, nor are barter networks where members exchange services with each other

This guide offers a detailed description of five of the networks noted in Table 1 (page 13). These five types were selected for further discussion because they are most common to microenterprise programs and offer the most appropriate lessons for practitioners. However, the private sector referral networks for the self-employed offer an interesting model that should inspire replication or adaptation. The next five chapters are:

Peer Lending Networks outlines what the community of peer lenders has learned about fostering strong peer groups and the new trend to bring these small groups of entrepreneurs together into a macrolevel network.

Alternative chambers of commerce features Mountain Microenterprise Fund and its focus on building a community of self-employed people who join the network for an array of benefits. It also highlights experiences of other grassroots efforts to create a chamber of commerce for the self-employed.

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[4] Elaine L. Edgcomb and others, *Improving Microenterprise Training and Technical Assistance: Findings for Program Managers* (Washington, D.C.: The Aspen Institute, 2002).

Alumni Networks conveys some valuable practices that one organization uses to sustain alumni participation even after the enthusiasm generated in their business training program fades.

Sector-based Networks explores the business opportunities that business owners in the same or related industries can exploit working together. It features Acre Family Day Care Corporation in Lowell, Mass., and draws on network experience in food and tourism as well.

Community Networks, as exemplified by WREN, incorporate elements of sector-based networks and are, similarly to sector-based networks, committed to the joint promotion of entrepreneurship and community economic development.

Throughout these chapters, two basic questions inform the discussion.

1. What type of network should be launched and how?
   - Who are the members?
   - How will they be recruited and retained?
   - What activities or services can the network offer?
2. How can the network be sustained? How will it adapt to members' evolving needs?

This guide is rich with answers to these questions, which, though basic, need to be addressed by any program serious about networking. Networks for microentrepreneurs have not proven to be natural phenomena. They need care and feeding; the experiences discussed in this guide highlight ways to do that.

Prior to these five chapters, however, the guide offers a checklist to help readers compare their practices to those that have been identified as best practices in network design and development. As readers familiarize themselves with the different network models presented in this guide and move toward a vision of the type of network most appropriate for their program goals, they can use the checklist to note the practices that need attention.

Table 1: A Typology of Networks

Network Type	Description	Purpose	Example
Peer Lending Groups	Groups of 5 to 8 members, who meet regularly to review, approve and monitor loans that they co-guarantee for each other. Groups frequently include nonborrowers who participate for the support and camaraderie.	■ To serve as the vehicle for microcredit programs to make noncollateralized loans to low-income borrowers ■ To support and motivate new entrepreneurs ■ To provide a channel for the efficient delivery of training and TA services ■ To create opportunity for business-to-business networking	MicroCredit-NH facilitates 51 peer groups representing 400 members located throughout the state. It offers three core services: loans, education and networking. Since 80 percent of the peer group members do not borrow, the education and networking are significant. Five regional managers supervise the groups and help them learn how to run effectively. MicroCredit-NH sponsors a number of regional and state events to bring peer groups together in a larger network. **Membership fee:** none
Chamber of Commerce for Self-Employed	A membership organization of the self-employed or home-based business owners	■ To provide networking opportunities for the self-employed ■ To provide opportunities for continuing education ■ To offer members discounts on business services ■ To create marketing tools for members such as member directory, Web page listing, ■ To increase visibility and legitimacy of home-based businesses	The Minnesota Homebased Entrepreneurs Association (MHEA) has 100 members evenly split between men and women who are musicians, artists, child-care providers, computer consultants, accountants, landscapers, etc. It holds a monthly networking meeting and an annual trade show that draws 500 to 800 visitors to a dynamic conference program and exhibition hall. Network members can access a package of business discounts, a newsletter and a listing in the MHEA electronic directory. **Membership fee:** $119 per year

Network Type	Description	Purpose	Example
Alumni Networks	Groups open to graduates of microenterprise core training programs.	■ To maintain the bond and transformative power many graduates associate with program participation ■ To provide entrepreneurs a source of support and motivation ■ To serve as a vehicle for ongoing business education	Women's Initiative for Self Employment holds a monthly "check-in" meeting that is open to all graduates of its 14-week Managing Your Small Business training course. The check-in meeting is three hours long and follows a standard agenda. Two facilitators from Women's Initiative cover business and empowerment topics, reflecting the two-pronged focus of its core training. Participants set goals and hold each other accountable to them. **Membership fee:** none.
Sector-based Networks	Associations of entrepreneurs working in the same industry	■ To exchange industry information ■ To collaborate in purchasing, production, selling ■ To foster product development (innovation) ■ To access new markets	The Stewardship Tourism Marketing Group was started by the Jefferson Economic Development Institute (JEDI) for businesses related to tourism. Building a brand name for themselves as tourist businesses conserving the natural and cultural heritage of the Mt. Shasta region in northern California, this network focuses on marketing. Activities include a group Web page, securing media coverage for the group, collaboration with the Visitors' Bureau, and establishing the Stewardship Visitor Fund. **Membership fee:** $50/year

Network Type	Description	Purpose	Example
Affinity Groups	Groups of 5 to 15 entrepreneurs in the same or related industries.	■ To exchange information ■ To engage in joint marketing efforts, including advertising, trade shows ■ To refer business to each other ■ To support members and keep them accountable to their business goals	The "Stars North" affinity group was founded in 2002 under the umbrella of WREN in Bethlehem, N.H. It includes nine women who are self-employed financial professionals, including financial planners, accountants and a business educator. They decided to position themselves as an elite, highly trustworthy group of women professionals. They have elected leaders, meet monthly and have developed a brochure profiling each member. In this process, members helped each other refine business vision, core services, and the features that make each enterprise a quality service. **Membership fee:** None
Community Networks	A membership network representing diverse interests, businesses, and socio-economic profiles. The network is a nexus with something for everyone: business education, access to markets, a technology center, cultural events, affinity groups.	■ To provide opportunities for rural women to connect with each other ■ To provide channels of communication among members ■ To provide opportunities for members to pursue new access to markets ■ To provide access to technology ■ To support the revitalization of the community	In Bethlehem, N.H., WREN is a rural network with 700 members. Founded as an economic development program for low-income women, WREN has blossomed into a dynamic network that offers a huge range of activities and opportunities responding to its increasingly diverse membership. It supports entrepreneurship with business education, loans, technology training and opportunities to access new markets. It has built a destination spot – a place to come, learn, connect, eat and shop – in an otherwise depressed town. It responds to member-initiated projects, providing them opportunities to lead and explore new pathways. In short, the WREN network is rooted in community and committed to its revitalization by supporting a culture of entrepreneurship through a network that offers opportunities for exchange, learning and collaboration. **Membership fee:** $35 = basic; $50 = business; $100 = super

Network Type	Description	Purpose	Example
Referral Networks for the Self-employed	Privately organized chapters of 15 to 30 members representing different professions and businesses who meet weekly for networking and referrals.	■ To increase business sales for members through referrals ■ To create an environment in which an entrepreneur can present her business to others and distribute her business cards for them to distribute ■ To increase one's resourcefulness for clients by referring them to known, trusted professionals ■ To provide the opportunity for entrepreneurs to practice and perfect their "elevator speech"	Founded in 1985, Business Network International has grown to be one of the largest networking organizations in the country with 2,600 chapters and 52,000 members. Chapters vary in size from 10 to 35, but only one person per profession is eligible to join a chapter. BNI imposes strict attendance requirements and the expectation that members will make at least two referrals per month. Groups meet weekly at churches, restaurants, senior centers, etc. Elected leaders manage the 1.5-hour agenda, which includes time for networking, a short motivational session on how to network, the exchange of referrals and the "30-second" sales pitch by each member. BNI provides materials, forms for referrals and updated statistics on referrals. **Membership fee:** $240/yr + $75 application fee

Assessment Tool: Staying Connected

Use the following checklist to help you keep track of the issues and tasks related to building a successful network for microentrepreneurs. Please note that this list is inclusive of all types of networks, but not all items on the list are applicable to every type.

In preparing to launch a network for microentrepreneurs, our program has:

— Developed a vision and goals for the network that is embraced by the entire organization and that is a good fit with our program, clients and context.

— Worked with clients and other potential members to identify activities that respond to client needs and network goals.

— Selected the benefits that will be accessible to network members.

— Allocated staff and budget to building network activities and a benefits package.

— Decided on a fee structure for network membership.

— Designed mechanisms for member participation in network decisionmaking.

— Developed strategies for training and supporting network leadership (especially for peer lending networks and affinity groups).

— Decided the type and location of physical space to provide for the network and how much to nourish that space as a gathering place.

— Found ways to make participation in the network meetings easy for members.

— Developed incentives for attendance and participation.

— Thought about ways to sustain the participation of network members who are experienced entrepreneurs.

— Identified strategies for using the network to connect members to the broader business community.

— Identified potential partnerships that the network can forge to help members gain access to more diverse resources.

Peer Lending Networks

Peer group lending, the pioneer method of making noncollateralized loans to high-risk borrowers, offers one of the earliest network models – the peer group. The classic methodology incorporated a vision for a multipurpose borrower group. On the lending side, the group was intended to review loan applications, vouch for the character of the borrower and co-guarantee loans to members. Beyond loans, the group also functions as a vital psycho-social resource for members: it is a venue for exchanging information, for emotional support, accountability, ongoing education, marketing and networking. Given that in many programs, the majority of peer group members do not borrow, the latter set of functions, all related to networking, have assumed greater importance and value to them. Over time, programs that have kept the peer lending methodology have experimented with policies and practices to strengthen their peer groups and enhance their broad networking capacity. As a result, it is common to find networking functions at two levels: at the peer group level and the larger program level, as programs invest in building a network of networks. This section will explore lessons learned at both levels.

Micro Level: Individual Peer Groups

Benefits of peer group membership

The benefits of peer lending are well known. They encompass concrete contributions to new businesses, skill development and personal growth. Taken together, these benefits are the building blocks of social capital for the disenfranchised. While the lending side of peer lending may challenge a programs' financial goals, peer groups are successful vehicles through which entrepreneurs can access nonfinancial benefits and should inform newer iterations of entrepreneurial networks. The peer group package of benefits for marginal entrepreneurs includes:

- peer support, advice, ideas, encouragement
- relief from the isolation of self-employment
- new relationships
- alternative to the negative or defeatist environment of disadvantaged neighborhoods
- motivation, focus, accountability
- skill development: business management, leadership, communication
- business contacts, customer referrals, patronage marketing opportunities
- increased confidence in oneself and one's ability to run a business
- community impact through new businesses on the street that often work together to improve their neighborhoods, or find ways to use community service as a marketing tool
- in rural areas, a peer group may be the only business infrastructure in the community

Often uncertain and insecure in their new role, entrepreneurs need both the encouragement and accountability they find in a peer group of like-minded individuals. Many peer group members

Box 1: PDP Peer Group, The Ambassadors, Exemplifies Benefits of Membership

"Although one of the purposes of a peer lending group is to borrow money, Ambassadors Group members are waiting until they can use the funds most effectively. 'We'll take advantage of the Community Capital Works funds, but we want to wait until we have a specific need,' promises Dixon [group secretary]. In the meantime, Ambassadors Group members are using their biweekly meetings to hone their business skills, discuss their goals and clearly explain how they plan to achieve them. The group has opted to focus on one member's business at a time…... Currently they are helping [fellow member] Daniel Ham with Pneuma Graphics. Ham says that the group helps him gain perspective on business situations or get feedback on an idea. 'We act as a kind of 'think tank' and share the different experiences each of us has in business,' he remarks. 'We bounce ideas off one another and gain new perspectives.' For Rachel Richards [chairwoman], the group provides motivation as well as moral support. 'This makes us all accountable to one another,' she reports. 'When you put an idea out there to the others, you tend to push harder to achieve the goal. The Ambassadors Group keeps me going.'"

Source: *Microenterprise Solutions*, Vol. 6 Winter 2003; Newsletter of the Philadelphia Development Partnership

have reported that it is the accountability to their group that pushes them to make progress on their business goals. During meetings members have the opportunity to seek answers to questions, to develop their sales pitches, and gain experience communicating about their product (and ultimately themselves) that builds the confidence to do so on a wider basis.

Over time, the relationships they build with fellow members often become business friendships. In describing how a fellow peer group member found a filing cabinet for him, a Working Capital client[5] explained the relationship, "He cares about me and my business and I care about him and his business and there is no other reason for it other than we have been group members. I don't know a lot about him and his personal life. It's not that kind of relationship. In a business relationship he is looking out for me and I am pushing people to him. ... I think that is really gratifying. We don't profit from each other's businesses but we contribute to them."[6]

For entrepreneurs who do not have a marketing budget, reliance on word of mouth makes the referrals and patronage from peer group members a vital contribution to their business.

While the moral support, motivation and accountability are hallmark benefits of good peer groups, some clients realize benefits of a slightly different nature when their groups choose to undertake collaborative business activities, moving from the realm of emotional support to action in joint marketing, innovative financing, and subcontracting to each other. For example, MicroCredit-NH's Future Fortunes peer group in Rochester, N.H., engages in joint marketing at numerous venues including local fairs and festivals. Group members designed a group booth to accommodate their diverse businesses, which ranged from honey and jams to a customizer of children's books, shared entry fees, and rotated staffing the booth. The Inspired Women in Business (Keene, N.H.) organized an open house where members can showcase their businesses at the same location; their proceeds benefit a local nonprofit organization.

[5] Working Capital, headquartered in Cambridge, MA from 1990-2001, made nearly 4,000 loans to microentrepreneurs in New England, Delaware and Florida. It merged with ACCION USA in 2001.
[6] Jennifer S. Barsky, *Working Capital's Group Model and Its Effects on Microentrepreneurs, Their Businesses and Their Communities*, Working Capital Report (Cambridge, MA, 2000).

Building and sustaining dynamic peer groups

The benefits of peer groups described above are very real for successful groups. But not all peer groups are successful. While the peer lending methodology by design tends to serve the more marginalized of the self-employed, and indeed extends them a heartfelt welcome, forming, training, and sustaining dynamic groups is a huge challenge; many fall apart due to an array of life circumstances that can influence the clients' participation. From logistical barriers (e.g., child care and transportation) to personality conflicts among members, some combination of factors that negatively impact a peer group can probably be claimed by every group that has ever formed. Yet, some take off, while others languish. What explains this?

Group composition and structure, leadership, ongoing education and loans are the key answers provided by active peer lending programs today. While each of them may emphasize one of these factors over the others, all require intervention from the program. Such investments have yielded leadership training, standardized systems and dynamic participatory training in business management as "best practice" tools for maximizing the peer group potential.

Strong peer lending programs have adopted structured programs that include uniform policies, standard meeting agendas and close supervision.

Box 2: Group Formation at Washington CASH

Kathy Gilman, director of Washington CASH, reports that the process of group formation can go quickly or take forever depending on the group. Those anxious to borrow are ready after two meetings, while others might spend 4 to 5 meetings over a two-month period haggling over group rules. Experience has taught WC staff that members of these groups are using the process to avoid their own business tasks and are not ready to borrow. That is fine, Gilman says, as long as the group members are still engaged.

In the past, the peer groups' uneven performance, linked to the array of challenges mentioned above, has required intensive personalized assistance from staff. This resulted in high costs, including staff burn out. Programs have responded in several similar ways.

Washington CASH forms peer groups from class participants during the last class of its eight-week training program. The group begins meeting the very next week at the same time and meets every other week after that. They have a series of steps to accomplish before being eligible to borrow, including learning about each other, learning the program rules and establishing their own group rules. Washington CASH assigns a volunteer mentor to each peer group (drawn from the community, women's organizations, Rotary clubs, etc.) who attends every meeting and reports to the branch office staff facilitator. Attendance is mandatory at every other group meeting; members who miss two consecutive meetings lose loan eligibility and are placed on three-month probation.

MicroCredit-NH has strengthened the training it provides to peer groups before they are eligible to borrow. Now a minimum of four training sessions precede any review of loan applications. These sessions focus on a three-part group formation process that starts with group bylaws and officer roles, covers the loan underwriting procedures and helps them learn how to manage meetings and resolve inevitable conflicts. Each session has a corresponding training packet that members keep in a manual. These include, for example, templates for group bylaws that members can adopt right away and adapt as they gain experience, as well as guidelines for responding to common problems associated with group dynamics or loans (see Tools section).

Such tools increase efficiency and save groups the hassles they incur deliberating group policies and procedures. Regional program managers maintain frequent contact with each group (in the beginning contact is weekly) via group meeting minutes and regular visits.

Furthermore, MicroCredit-NH has added structure to its training agenda, largely to support members regardless of their borrowing status. To its monthly agenda of stand-alone seminars, it has added several workshop series on topics such as financial fitness, marketing and business planning. Director Rob Riley reports that as a result of these changes, the program is experiencing more member-to-member recruitment, increased recruitment through the seminars, greater member retention in peer groups and improved loan applications and underwriting.

Micro-Business, USA organizes its peer groups right after orientation, so that clients go through the eight-week core training as a peer group. At the end of this period, about 40 percent drop out; the remaining 60 percent stay in their peer groups to access loans and ongoing training. These peer groups are *not* self-managed; they meet twice a month, once to carry out loan reviews and once for training. These meetings are structured and strictly business. The program has established clear expectations for both clients and staff; everyone knows what is going to happen and what they need to do. While meetings follow a standard agenda, the training, which is continuous over a 24-month period, is highly participatory and fun. As a result, the meetings, though required, offer significant value for clients. Each group is run by its elected leaders, with help from a Micro-Business, USA facilitator who is present for the training. Each group submits reports to the center managers who keep a close watch on all of them.

Practitioners frame the increasing emphasis on close supervision and standardization in peer group facilitation as promoting professionalism that is characterized by productive, efficient meetings instead of excessive control. Micro-Business, USA even translates this goal to meeting venues, which are located in shopping malls that offer security, lighting, free parking and cleanliness. Executive Director Diane Silverman explains that such a venue, offering a stark contrast to the depressed communities where many clients reside, is a conscious choice designed to inspire entrepreneurs and teach them to aim high.

Because peer groups will fail without strong leadership, programs are investing in training and monitoring group leaders.

Peer group leaders wear many hats; they are facilitators, mediators, collection agents, enforcers, innovators and babysitters. They need to be able to follow a meeting agenda, achieve its objectives and address problems. Leaders who can follow a set agenda tend to have more productive meetings. When this is not the case, members complain about wasting time, especially on the discussion of personal issues.

Box 3: Washington CASH Meeting Agenda

1. Check-in
2. Goal setting and progress reports
3. Loan presentation
4. Mentor presentation or spotlight on a member business.

Striking the necessary balance between strong arm dictator and effective leader who keeps things moving and gets things done is a challenge for both the group members and the programs behind them. Many microentrepreneurs have never wielded such a responsibility and need guidance. For their part, programs end up walking a fine line between top down management and fostering self-managed independence. At the end of the day, programs support peer group leaders with tools such as a standard meeting agenda, leadership training and mentors or monitors who provide ongoing guidance. Close supervision is important because poor leadership can cause the group's demise.

Washington CASH requires group leaders to rotate every six months and provides monthly leadership training to help them learn how to set an agenda and run a meeting. The mentors are trained to watch for diversions from the agenda, distractions or too much time spent on discussions not related to business. They help peer group leaders keep their meetings on track. Micro-Business, USA also offers training for peer group leaders and will not hesitate to remove the weak ones. The regional managers at MicroCredit-NH work with each peer group leader to set their meeting agenda six months in advance. That agenda is used whether two people show up or ten.

Because composition is an important factor to group success, flexibility and time for trial and error is often needed.

In facilitating hundreds of peer groups for over a decade, Working Capital learned that peer group composition is critical. Although it is nearly impossible in the North American context to expect groups to self-select from among friends and acquaintances, it is important for group members to have something in common. Groups tend to be more successful when members share a strong motivation to their business goals. They are thus motivated to attend meetings and take advantage of what the group can offer. In the early stages of group formation, there is often significant movement as groups fall apart and form again. At Washington CASH, serious members of a failed group will get reassigned and might change groups two or three times before finding the right fit.

In some cases, loans are the common factor, the glue that holds groups together. Entrepreneurs who do not graduate from the relatively small peer loans they can access through these programs typically do not have anywhere else to borrow. They are highly vested in their peer group, and consequently, groups with active borrowers tend to be more dynamic. At Micro-Business, USA, most members are also borrowers because those not interested in borrowing drop out of the program after the initial training.

Size also matters. A group needs to be large enough to offer critical mass for interaction and networking opportunities but not so large it threatens group cohesion.[7]

Finally, Micro-Business, USA finds that training is a key factor keeping peer groups going. It uses regular (monthly) professional business training to make the peer group meeting a worthwhile event in members' busy lives. This program is committed to significant skill development beyond that afforded by peer exchange. Peer groups that rely on self-teaching eventually reach a limit when members do not have the technical knowledge or experience to address the issues on the table. At this point, motivation to participate begins to fade.

Box 4: Blind Leading the Blind

One peer group met faithfully for two years, longer than many. But gradually, members began to feel that they had outgrown the group's capacity to help them with their businesses. They had become, as one member said, "the blind leading the blind." It was time to move on.

The average life span for peer groups ranges from 18 to 24 months. This relatively short term may be inherent in the overall methodology since it is designed for those who can benefit from the smallest loans, often start-ups. Entrepreneurs with growing businesses outgrow what their peer group can offer, while those who flounder or never start a business are likely to drop out.

However, groups that do stay together evolve and take on more collaborative activities. They need

[7] Jennifer S. Barsky, *Working Capital's Group Model and Its Effects on Microentrepreneurs, Their Businesses and Their Communities*, Working Capital Report (Cambridge, MA, 2000).

less structure and claim their independence. The wisdom of experience enables them to survive crises more easily. Washington CASH reports that when the most common crisis – loan default – occurs, the group begs for an exception to the rule. When refused, they choose to pay up somehow or quit and dissolve. Although Gilman estimates a 50-50 split between these two options, she finds that the older groups are more likely to circle their wagons around a member in trouble. When one woman wanted to quit because she had to leave town to take care of her sick mother, her group talked her out of it. Instead, she took a leave of absence and mails her loan payment to Washington CASH. Another longstanding group took on the responsibility to bring a troubled member to meetings, arrange her child care and help her make payments. In that group, several members are serious about their loans and will do anything to maintain their eligibility to borrow.

Macro level: Building a Network of Networks

Today, practitioners of peer lending are actively trying to expand the networking benefits of the individual peer group by building a community of peer groups. To all peer group members, they offer different combinations of advanced training, field trips, access to relevant conferences, discounts to business services, marketing opportunities and advocacy. In this system, the individual peer group maintains its role in personal support while the broader network offers greater opportunities for accessing the wider world and mainstream economy. By building a dynamic network operating on two levels, programs can offer expanded benefits that provide something for new and older members alike. Evidence suggests that members appreciate the advantages of this broader network (see Box 5) which include:

Box 5: MicroCredit-NH Members Use Their Network

From member surveys, MicroCredit-NH has learned that:

- 72 percent take advantage of one or more opportunities offered by the network.
- 66 percent use, purchase from or market their business to other network members.
- 42 percent have gained clients through network activities.

1. Links to broader world and mainstream economy
   - Philadelphia Development Partnership (PDP) helps members to attend relevant conferences and other public events such as the Philadelphia Tribune's business conference for African Americans.
   - PDP organized a bus trip to New York City for clients to learn about wholesaling.
2. Better marketing opportunities
   - Peer groups have collaborated to put on trade shows together.
   - Members market to members of other peer groups. Peer group members contract with, advertise for and make referrals for each other.
   - Member directories are a marketing tool that link members to each other and to broader community.
3. Continuing education
   - PDP organizes periodic "cluster training" for members of various peer groups who face common business challenges like cash flow.
   - Washington CASH has quarterly meetings for all peer groups in one center with two to three speakers from whom members choose.

4. Discounts on common business services; free or discounted services from other members who seek the opportunity to practice a new technique or market a new service
   - An accountant offered a free workshop on the federal Schedule C for members.
   - A publisher of dining periodicals offers discounted advertising to members and collaborated with another periodical publisher to increase distribution of both papers.
5. Program-to-program networking increases members' access to a continuum of service
   - By holding its training events at facilities belonging to other economic and community development organizations, MicroCredit-NH facilitates members' access to additional support such as business incubators.
6. Greater visibility and legitimacy
   - PDP brought members to city council hearings on strategies for economic development to testify about microenterprise development.
   - PDP invites local politicians to graduations and other special events, thereby raising the profile of the event and the achievement it marks in the eyes of both members and the broader community.
   - MicroCredit-NH holds an annual Statewide Microenterprise Day that attracts hundreds of people. State officials are invited, members organize a trade show and the program announces special awards (see Box 6). Every year the governor makes a public testimony highlighting the contribution of microenterprise to New Hampshire's economy.

Box 6: Peer Group Awards

Every year, MicroCredit-NH announces winners of five different awards, given to peer groups for their achievements over the past year. By celebrating the achievements of the group, instead of individual members, these awards have motivated groups to reach award winning levels, surpassing the accomplishment of the previous year's winner. The awards have taken on a life of their own – politicians seek out the winners for photographs, winners have had their award hung in the windows of stores that carry their products, their group advertisements refer to the group as "an award winning MicroCredit-NH group." The award categories are:

Recruitment for the group that has developed and initiated innovative recruitment strategies to engage with microentrepreneurs in their communities.

Learning for the group that has spearheaded new learning opportunities for existing group members as well as microentrepreneurs within the community.

Marketing to the group that sees a value in shared and ongoing marketing efforts to gain exposure for the group members' businesses and that has implemented that vision on a regional scale.

Collaboration for the group that has developed new systems to support their member businesses to grow as a group, as business owners, and as connected members of the community.

Financing for the group that has developed new loan products and that has utilized loan capital as an innovative learning and leveraging tool.

7. Listservs for members
    - They are gaining more currency as programs introduce them for announcements and regular bulletins. Members use them to trade information and to seek advice.
8. Social events
    - Holiday parties, summer picnics, awards ceremonies and shared meals all contribute to a sense of community and often result in personal connections that lead to solid business. For example, in New Hampshire, an audiologist met a mechanical engineer/inventor at a MicroCredit-NH summer picnic. They got together to design, patent and sell a new hearing aid for children.

Micro-Business, USA offers an exception to the trend towards building a network of networks. Notable for its relatively high loan volume, this program does not focus on networking beyond that which occurs in the context of the individual peer group. The director is adamant that activities such as group trade shows demand too much effort for too little gain. And, the effort invested mostly comes from staff while the clients fail to show up. Yet, peer groups are grouped by geographically-based program centers, and all center groups meet on the same night, at the same location, by design. This approach creates high energy and a sense that one is part of something larger, without an additional investment of staff time and organizational resources to build a coterie of activities for a network of networks. That is the gist of bringing small peer groups into a network of networks – to be part of something larger.

At MicroCredit-NH, Director Rob Riley estimates that each of his five regional directors spends 40 percent of his or her time on networking – outreach, capacity building with peer groups, and networking with partner institutions to broaden client access to other resources. This is the rough equivalent of two full-time positions for 500 clients. Riley points out that, this investment of staff is largely directed to building and maintaining services for the majority of MicroCredit-NH members who are not borrowers. This is an important distinction between a program like Micro-Business, USA, which concentrates on borrowers, and other peer lenders that have many nonborrowing clients. For these dues paying members, the network gives them a place to be, an affiliation and a set of activities they can plug into. In rural New Hampshire this type of network creates an infrastructure, albeit invisible, where often none other exists.

Practitioners who advocate peer lending know that networking is a key part of the methodology. Networks offer a place to belong for emerging entrepreneurs who, by virtue of the fact that they are willing to engage in a somewhat cumbersome group process to access small amounts of working capital, are likely to be marginalized in some way from the economic mainstream. They are a source of emotional and technical support. They are in demand by clients. They help entrepreneurs build their businesses.

Alternative Chambers of Commerce

The name goes a long way to explain the type of network. The networks in this category look and function much like a traditional chamber of commerce, but do so for the emerging entrepreneur; the marginal home-based business owner; or the low income, part-time patcher. All of the examples noted below are membership organizations with very similar purposes but have different origins and sponsorship. Some were initiated by microenterprise programs; others are the result of an entrepreneurs' own initiative. All provide a home, place or community for self-employed entrepreneurs to meet their needs for information, support, business referrals, ongoing education and political influence.

- The Membership Program of the Mountain Microenterprise Fund (MMF) draws its 140 members from graduates of the organization's "Foundations" core business training program and serves as the vehicle for the clients' ongoing relationship with the program. For an annual fee of $120, members access business discounts; free technical assistance from MMF staff; monthly networking events; advanced training; office equipment (e.g., digital camera, computer, scanner, etc.); and a listing in the member directory. MMF is developing the Membership Program with the intention of fostering a long-term community of entrepreneurs.
- The Minnesota Homebased Entrepreneurs Association is a not-for-profit organization that is not tied to any entrepreneurship program. It draws its 100 members from the wide-ranging population of self-employed in the Twin Cities area who want the benefits of networking but cannot access them effectively in a traditional chamber. It sponsors an annual "expo" that draws 600 to 800 visitors, monthly networking meetings, discounts on business products and services, and an electronic directory of members.
- The Home-Based Business Association of Wisconsin, Inc., located in Green Bay, Wis., has 50 members, all home-based entrepreneurs. They have access to a Web page on the association's on-line business directory; they can attend monthly networking meetings and market their business at the annual trade show. Since inception in 1998, it has been an all-volunteer organization.
- The Nogales Business Association is closely linked to the PPEP/Micro loan program in Arizona, although it was started as an association of Micro borrowers, its membership is open to nonborrowers who now comprise approximately 16 percent of the association's 50 members. Furthermore, many of its public activities, including events to foster civic pride, advocacy and education, respond to concerns of all small entrepreneurs in Nogales. Its immediate goal is to use the network's collective strength to increase access to municipal government, visibility and community impact. The association actively encourages members to use each other's services (e.g., insurance, car repair, legal services). However, the longer term goal is to make the transition from informal association to a legal 501C-3, and eventually, a Community Development Corporation, in order to function as lending intermediary for Micro.

The case study of Mountain Microenterprise Fund's Membership Program that follows captures the key aspects of an alternative or micro chamber of commerce.

Case Study: Mountain Microenterprise Fund, Asheville, North Carolina
The Membership Program

Since 1989 the Mountain Microenterprise Fund (MMF) has been promoting self-employment and business development in Asheville, North Carolina, and surrounding communities. Among the 1,400 people who have taken its business training, over 600 have turned their dreams into reality by becoming business owners. They include those who thrive on the arts-oriented, new age Mecca that Asheville has become and those who are cleaning homes, cutting hair and catering. Three years ago, MMF expanded its technical and financial services with a membership program that offers training graduates the opportunity to maintain an active relationship with the MMF community of business counselors and other self-employed entrepreneurs.

Characterized as a micro chamber of commerce, the Membership Program is open to any graduate of MMF's flagship Foundations business planning course. It offers a diversity of services to new business owners, and with them, fosters a community of self-employed people who can support, learn and contract with each other. For an annual fee of $120, members have access to the financial, educational and promotional benefits detailed in Table 2.

Table 2 : Mountain Microenterprise Fund Membership Program Benefits

Financial	Educational	Promotional
Loans: Members can apply to MMF for loans using its established peer group lending process.	Business consulting: Members can call or meet with MMF staff as needed.	Joint advertising: MMF places advertisements featuring members in newspapers, magazines and guidebooks
Vendor discounts	Advanced training seminars	Advocacy
Individual Development Accounts	Business Reunions – Monthly networking meetings	Referrals
Insurance Discounts	Attorney referral service; Discounted legal services for business issues	Access to markets for artists via MMF's retail store Mountain Made
Office Support (office machines, Internet access, etc.)		Participation in annual MMF Showcase

Since its inception, Mountain Microenterprise Fund has operated as a peer lending program. Peer groups are formed from each Foundations class and function as both loan committee and support group for members after the class ends. With a peer network already in place, why did MMF introduce the Membership Program? Executive Director Greg Walker-Wilson offers multiple reasons. For entrepreneurs, the peer group, he claims, is not, in and of itself, a big enough network to foster business growth. By virtue of its size and intimacy, it has limited potential to connect microentrepreneurs to the wider world. In contrast, a community of all Foundations graduates offers greater potential for making contacts, finding customers, negotiating discounts, mounting promotional campaigns and exchanging information. For the organization, Walker-Wilson was looking for a way to ensure program relevance to trainees after graduation and felt that a fee-based program would provide the market feedback MMF needed. It would also allow the staff to prioritize who to serve and generate

revenues for the program.

Thus, MMF's peer groups and its Membership Program are complementary; the first serve as the source of peer support and motivation for graduates to pursue their business goals; the second is the vehicle through which MMF provides ongoing education, business development services and business-to-business networking. Both are introduced to clients at the end of the Foundations course. During the last class session, the Membership Program coordinator makes what is essentially a sales presentation outlining the benefits of membership. Some aspects of this presentation have immediate impact for many course participants: membership is necessary in order to apply for a loan; membership is also required for ongoing access to their business counselor (the Foundations trainer). Finally, they learn that the annual membership fee of $120 is discounted to $80 for those who join within two weeks after graduation.

Box 7: MMF Advanced Workshop Schedule – 2003

March 7, 14, 21: 6–9 p.m.
Accounting with QuickBooks

April 8: 6–9 p.m.
Effective Public Relations

June 3, 10, 17: 6–9 p.m.
Accounting with QuickBooks

July 28: 6–9 p.m.
Building on Your Marketing Strengths

November 13: 6–9 p.m.
Effective Public Relations

TBA
Financial Planning

The Membership Program has 140 current members; in its three years of operation, it has attracted approximately 40 percent of those who enroll in Foundations. The members tend to be business owners (90 percent), women (73 percent) and urban residents (69 percent) live in Buncombe County encompassing the city of Asheville). Forty-eight percent are low income and 14 percent are minorities.

To build the Membership Program and make it work, MMF has committed the equivalent of roughly 2 1/2 full-time staff positions. The membership director (an 80 percent full-time equivalent (FTE)) recruits members, develops the benefit package and oversees the events such as the frequent business reunions and advanced training workshops (see Box 7). And the four business counselors (whose title is program coordinator) together spend the equivalent of one FTE on business consulting with members. And last, but certainly not least, all staff share responsibility for planning and executing the multiple events of the network. The Membership Program is very much at the heart of MMF's goal to build an integrated program of services and a vibrant community of low-income self-employed people as opposed to a discrete set of short-term or single interventions. To realize this goal, all staff must be engaged.

How does the Membership Program differ from Asheville's traditional chamber of commerce? Is it duplicative? Are two parallel networking organizations in one small city necessary? The answer can be found in the words contained in MMF's vision statement. *"...All who participate will know MMF as a trusted gathering place and community to bridge the gap between entrepreneurs of varying incomes, geographies and ethnicities."* Indeed, the one word that members commonly use to describe the Membership Program is "welcoming." Their other words are similar – accessible, warm, open, sincere – and capture both the principal strength of this network and its most significant difference with most traditional chambers. Around

the country, microentrepreneurs commonly report that they are uncomfortable in the more formal atmosphere of their local chamber of commerce; that they are put off by the intense sales and promotional nature of chamber events; that their business is too small to be of consequence to chamber members. At MMF, members trust that the staff will respond to their needs and that these are understood and felt by fellow members; over time that trust, strengthened by experience, translates into loyalty to the program. They use their network – whether it is going first to the MMF alumni directory to identify needed services or offering their own business service at a discount to members.

Success in building such a membership network is not without its challenges for MMF. For the staff, the shift to a fee-based program represented a significant cultural change. Widely recognized for their sincerity and commitment, staff still finds it difficult to say no to a client's request for help if she is not a paid member. In some instances, staff are keenly aware of the financial hardship the membership fee represents. In others, charging a fee seemingly contradicts the message of cooperation and solidarity that has been an important feature of clients' relationship with the program. MMF's Hispanic program coordinator reports that because clients develop such strong bonds during the Foundations course, after graduation they already feel part of the MMF family, including having the right to unlimited access to her help without paying the membership fee. They often start the telephone call with, "I just have one quick question." How does she reply? Walker-Wilson would respond that MMF is not a social service or welfare agency. It seeks to establish a professional image, offer high quality services and communicate high expectations for itself and its members. Although staff also embrace this vision, they continue to confront a myriad of situations that challenge the new fee-based policies.

Box 8: Must They Pay? Two Dilemmas

In a small town 20 minutes from Asheville, Rose and her sister dreamed of opening a soul food restaurant. With help from MMF, they secured two microloans and a matching grant totaling $7,500 in start-up capital – barely enough to fully equip a restaurant. The MMF program coordinator spent many hours helping the sisters prepare their business plan and loan applications, even though Rose still owed $300 for the Foundations course. When she eventually paid for the course, the program coordinator found it hard to then, in addition, ask for the membership fee.

The same staff person received a call from a new, potential client, Bertha Birch. She wanted help and had many questions, but complained bitterly about MMF's fees. But when MMF learned that Ms. Birch was a key local leader who could be a valuable contact for the organization in its efforts to meet established outreach targets, the program coordinator relented, offering his assistance for free.

A second challenge is engendered by MMF's own success. In recent years, the organization has diversified, expanding into both rural counties and Hispanic communities. While this new diversity has the potential to strengthen the network, realizing that potential involves change and additional expense. MMF has to branch out from Asheville, holding more networking events in rural locations and offering more of them in Spanish.

The third challenge lies in developing a vision for the life cycle of clients' relationship to the network. The following examples

illustrate how, as members build their business, the network benefits they use and appreciate can evolve in different directions.

- After completing the Foundations course four years ago, Sara built a successful catering business. But now she is planning to open a restaurant and feels overwhelmed. Lately, she has returned to MMF, increasingly seeking out her MMF program coordinator for help with her business plan and the myriad of issues that have arisen as she develops it.
- Sandy and Jim have built "Pathways" a personal and professional coaching service with the help of MMF and Foundations that they took four years ago. They joined the membership program when it started, mainly out of loyalty to MMF. But their busy lives and elementary nature of the educational events has led to sporadic participation. However, given the complementarities between their coaching business and the MMF mission, the network is still relevant for them. They especially appreciate the inexpensive advertising in its newsletter sent to hundreds of people and the opportunities for mutual referrals.

- Norma operates her "green" housecleaning service in "the boonies" where she is frustrated with the isolation, a stagnant economy, and the dearth of reliable help that keeps her from expanding and local provincialism. She admits that she adopted environmentally friendly cleaning for her own health and safety; her customers hardly care whether she uses toxic cleaning agents or not. Living far from Asheville, she isn't able to participate in the network as actively as she would like, but she never questions the value of her membership. She calls her program coordinator whenever she needs advice and her occasional trips to Asheville for network events are a breath of fresh air, renewing her spirit.

While these stories illustrate the potential for diverse relationships between members and their

Box 9: What Is a "Build Your Business Reunion?"

It is an event, a place to eat, greet, meet and learn something new. While most business reunions are scheduled twice a month from 6 to 9 p.m. and combine networking with a topical seminar, the annual calendar includes a picnic, a Latino business fair, a "Buy Local Bonanza" and a holiday party. In March, 2003, the reunion was held in Hendersonville, a town about 45 minutes east of Asheville, at the Latino community center. Arriving members and guests (who are charged a $3 fee) were greeted by several MMF staff including the director, the membership coordinator and three program coordinators. Like most reunions, this one started with plentiful buffet catered by an MMF graduate. After a half hour of eating and socializing, two program coordinators got the formal program underway – one speaking in English, the other translating to Spanish – with announcements and an ice breaker, standard elements of the business reunion agenda. On this evening, participants were able to choose from four mini-seminars, repeated twice. A representative from MountainBank spoke about basic banking services for entrepreneurs (in Spanish); a local insurance agent answered questions about entrepreneurs' various insurance needs (in English with translation as needed); a local business woman addressed the requirements of an import-export business (in Spanish); and a real estate agent discussed issues related to business space including leasing and renovation. After a half an hour, members moved to another session. At the end of the evening, some people lingered to chat while others cleaned up.

network, in truth the Membership Program is most useful to new entrepreneurs. MMF staff know that clients feel the need and are drawn to join the network most strongly right after graduation when they are eager to maintain their connection to MMF and still have many questions about starting their business. (This explains the policy to discount the membership fee when purchased immediately. Their first promotional strategy – several months free membership – failed because by the time the free period is over, the motivation to join has diminished). However, those able to expand their business eventually outgrow most program services. They work their way through the course of advanced training workshops (which are repeated from year to year); their interest in the business reunions gradually wanes as they become the experienced entrepreneurs at educational events, which tend to draw newer ones. While some, like the Pathways business described above, continue to find the network a valuable marketing tool, mature businesses tend to shift from active participants to more passive supporters. The average length of membership is currently ten months. This relatively short engagement poses a challenge in that new members are often looking for mentors, for guidance and inspiration from the success stories of those who preceded them. To retain the active participation of experienced entrepreneurs, the Membership Program will have to develop benefits relevant to this segment of members. It may need to think of incentives that will attract these entrepreneurs, busy as they are, to leadership and teaching roles within the network.

MMF's vision for the Membership Program as alternative chamber of commerce for microentrepreneurs is a dynamic one that addresses many goals. But one should not be misled by the concept of alternative. There is nothing marginal about this parallel network. Indeed, MMF and the Membership Program go a long way to lend mainstream legitimacy to clients' businesses. They do this through professional demeanor; active engagement in the community (Director Greg Walker-Wilson was a candidate for the chamber's Business Person of the Year award in 2003); opening a beautiful craft gallery in a recently renovated, historic building; and hosting highly visible events like the Buy Local Bonanza.

Why Do Such Networks Exist?

Alternative or micro chambers of commerce serve small and home-based entrepreneurs who, whether professionals or tradespersons, need relief from the isolation of self-employment. Like traditional chambers, they are membership organizations that offer a range of services and benefits to their members. In fact, on the surface, they look a lot like traditional chambers. The difference lies in the members and how the network responds to them.

Self-employed, struggling or otherwise marginal small business owners have generally found that the traditional chambers of commerce, at least those in larger cities, do not meet their networking needs. Entrepreneurs echo the complaints articulated by MMF clients: The chamber fees are too high for those just starting their business; they don't feel comfortable with the larger, more established business owners who tend to dominate chamber events; the atmosphere is too formal; participants seem to be in full marketing mode and act solely and perhaps too vigorously out of self-interest. The small and home-based business, particularly one owned by a woman or a minority is clearly the poor relation in most chambers.

To be effective business networks for the self-employed, alternative chambers create an organizational culture and atmosphere that is welcoming to the target clientele.

They have adopted an overall approach that is characterized as business casual – that is, informal, yet professional. They are open, responsive, accessible and nonjudgmental. One woman in Wisconsin cited the frequency with which she fends off the image of home-based business owners as women at home in their pajamas. She, and others like her, need a network where their businesses are accepted as legitimate, and they, as the owners, can get support, interaction, information and contacts. Alternative chambers of commerce have responded with relevant benefits and educational programs that are tailored to members' needs. In short, alternative chambers fill a niche that is largely overlooked by traditional chambers of commerce.

Part of their welcoming character, these networks tend to be built around an ever-expanding web of personal relationships. At Mountain Microenterprise Fund, members know the staff, which answer the phone and trust that they will help them. The President of the Minnesota Homebased Entrepreneurs Association (MHEA) is an active matchmaker, always on the look-out for who is doing what and whose interests overlap. MHEA's electronic bulletin board is underused because members prefer to call the president or vice-president with their questions and quests for referrals; that way, they know who is responding and they are assured of a rapid response.

What Are The Benefits of Membership?

As is the case for most networks, a participant can get as much or little from his membership as he chooses. "Network participation is like membership in your health club – going is the value"[8]. Alternative chambers offer a range of business benefits that can be as nonthreatening as exchanging business cards at monthly meetings to exhibiting at trade fairs; from attending educational seminars to testifying before the city council or state government.

Like MMF's Membership Program, the MHEA benefits outlined in Table 3 are numerous and varied. Its Wisconsin "cousin" also offers mentoring and company tours. For technical assistance, these two associations rely on members to counsel and mentor each other. In contrast, as an established economic development organization, MMF can offer business consulting by its professional staff.

[8] Phil Black, Director of Community Economic Development, Economic Development Group, People, Incorporated of Southwest Virginia, interview, March 2003.

MHEA President Ron Wacks is relentless in his effort to add health insurance to the association's list of benefits. Surveys of over 450 self-employed entrepreneurs have told him that, in their view, affordable health insurance is their most important concern and the biggest hurdle to business success. To date, the insurance industry in Minnesota has resisted the perceived high-risk profile of home-based entrepreneurs, but MHEA continues to educate it about the actual market potential of this demographic and sees a breakthrough coming in the near future.

By active partnering, networks can vastly expand the benefits they offer to their members.

Table 3: Minnesota Homebased Entrepreneurs Association Membership Benefits[9]

MHEA members receive	Cost to members	Market value
Business AdvantEdge products and services discount program (e.g., travel services, cell phone plans, printing, photocopying etc.)	$20 (included in membership fee)	$195 per year
E-Biz Web site Program; 5-pg. hosted site FREE; members use software provided to design own Web site.	Free	$19.95 per month; $239 per year
11 monthly educational & networking meetings	Free	$15 per meeting charged to nonmembers
Member rate for exhibitors at Minnesota Small Business Expo & Conference	From $360-$430	From $485-$560
50-word listing in the MHEA electronic directory on Web site	Free	Not available to nonmembers
Discounted advertising on KCCO radio, Twin Cities business radio.	In 2 groups of 3, MHEA members can purchase 20 'shared' 60-second spots per week for $690, or $115 per person	
James J. Hill Library Plus Affinity Program	$495 per year	$595 per year
Member discount at TwinWest Chamber of Commerce events	$10-$25 discount per Chamber event	$385 per year. Chamber membership fee
Greater visibility for business through MHEA strategic partnerships		
MHEA newsletter – 8 issues	Free	
25 percent discount on newsletter ads		

[9] From MHEA Web site, www.mnhomebiz.org/membership.html

While these networks are largely a vehicle for bringing disparate, unrelated individual entrepreneurs together, they can also open doors for them – be they educational, commercial or regulatory. Networks that are vested in networking, network among other institutions, programs and service providers. MHEA President Ron Wacks is always looking for deals with new partners that can benefit members. He describes what he generates in the process as a "collision of networks" that finds MHEA engaged with such diverse public, private and not-for-profit partners as Wells Fargo Bank, the Minnesota Inventors Congress, WomenVenture, the Minnesota Women's Business Center and the National Mail Order Association. Perhaps the best example is the deal that MHEA has developed with a private Twin Cities firm called Business AdvantEdge that arranges discounted business services for subscribers. While the price tag on its package of discounts is usually $195, MHEA members pay only $20, which is incorporated into their $119 annual membership fee. In return, MHEA offers Business AdvantEdge exhibit space at its Expo, a Web site link and newsletter advertising. While the benefits of its other partnerships may be harder to quantify, the expanding web of relationships enhances both the credibility of MHEA and the quality of networking it offers to members. MHEA has taken its networking to a national scale to develop relationships in other states including California, New York, Pennsylvania, Arizona, and Alabama. Through such partnerships, MHEA can access the SOHO (Small Office-Home Office) loan program, a unique loan model co-sponsored by the SBA and the National Community Reinvestment Coalition, and designed to assist the exploding number of small and home-based businesses to obtain SBA guaranteed loans. Wacks believes that by pursuing diverse institutional partnerships regionally and nationally now, MHEA is sowing the seeds for mainstream, commercial recognition of home-based entrepreneurs and their importance to the economy.

Alternative chambers can be one of the few voices for the self-employed, particularly home-based, entrepreneurs.

Home-based entrepreneurs are a relatively new and largely invisible sector of the economy. Their numbers are growing but extremely difficult to quantify; their impact on the economy is not well understood. Yet, a loud complaint from an irate neighbor about noise, parking, traffic or other disruptions to residential neighborhoods often brings the city government down on their heads. Several years ago, when the city of Minneapolis introduced tougher ordinances restricting commercial activity in residential areas, MHEA engaged in a dialogue with municipal authorities to find compromises that addressed the concerns of both sides. In the face of such issues which will only gain greater public recognition as the self-employment and home-based businesses grow, associations like MHEA and HBBA have an important role to play in educating the public about the contributions these entrepreneurs make to the economic health of their community.

Monthly meetings should be scheduled on a regular day each month and follow a standard format, facilitating planning by both volunteer organizers and members.

Monthly networking meetings are a cornerstone of alternative chambers. Most follow a standard format and agenda that eases the volunteers' planning burden and helps members know what to expect. The Home-based Business Association of Wisconsin's meeting agenda is as follows:

1. Welcome
2. Main Speaker (e.g. tax and legal issues, accessing capital, e-commerce)
3. Business showcase (a member presents her business in some depth)
4. Round Robin (1 to 2 members have the opportunity to present a business problem and ask for advice)

What Are the Challenges of Building and Maintaining a Dynamic Chamber?

Alternative chambers need to develop a sustainable organizational structure that can effectively support the network vision. Both the Minnesota and Wisconsin associations have been built by energetic and committed volunteers. That means, not surprisingly, that they often depend on the good will of a few individuals. The larger of the two, the MHEA, requires at least 50 hours per week of professional leadership, currently provided by two volunteers. They organize a major trade show and conference that pays for itself, partly because the teachers and presenters volunteer their time in exchange for booth space, a Web site listing and long-term exposure on MHEA's new "Expo" Web site (http://www.smallbusinessexpo.org). Both associations are trying to make the transition to a paid staff because their volunteer staff is limited in how far it can carry the network. MHEA has a vision to build a statewide network of local branches, but cannot effectively service a more extensive geographic area with its present resources. As a basis of comparison, Mountain Microenterprise Fund runs its Membership program with nearly three full-time staff.

Whether operating with paid or volunteer staff, networks need to bring in new people and fresh ideas. While consistency of leadership is very valuable in the early stages when so much of the network development depends on personal relationships, the same people cannot be expected to constantly innovate and energize the membership.

Most networks are investing their resources in serving the new and emergent entrepreneur. Program-sponsored networks like MMF's see the network as a vehicle for providing follow-up assistance after training. Educational offerings in the form of speakers at monthly meetings tend to focus on topics that start-up businesses really need to know. As businesses grow and mature, however, their owners perceive that they have less time available for basic networking, and for seminars on topics with which they already have experience. While their departure can be viewed as natural in the life cycle of an enterprise, it depresses the value and richness of the network experience for those who seek role models and mentors. Yet to give, in roles as mentors and teachers, experienced members also need opportunities to get – to learn and problem solve with their peers.

Creating such opportunities might require more industry-specific initiatives. Experienced entrepreneurs look for more concrete business benefits such as new marketing opportunities, new sources of capital, resolutions to specific barriers they face (e.g., bottlenecks in accessing raw materials or outmoded technologies). Affinity subgroups can be useful mechanisms to address such issues in collaborative projects or research. Although a daunting task, alternative chambers need to think about a diversity of offerings that represents and responds to the composition of the members.

Alumni Networks

Among microenterprise practitioners, the word network most often calls to mind efforts to create a vehicle for program alumni, typically graduates of business training courses, to continue meeting and maintain their connection with the program and each other. This concept is widely embraced by both staff and clients. After the intensity of the training experience which they frequently characterize as transformative, clients clamor for a way to stay in touch and to maintain access to new friends who have become their sources of inspiration and support. Many programs have tried to respond with monthly or quarterly events such as breakfast meetings or wine and cheese in the evening. But turnout is uneven and most initiatives do not last long as former students either get too busy in their business or abandon their dream of self-employment. As a result, alumni networks appear to be a good idea that few have time for. Yet, the profiles of three program experiences below describe both success and failure and incorporate important lessons about how to make an alumni network effective.

- At Women's Initiative for Self Employment (WI) in San Francisco, Calif., alumni have been attending a monthly check in meeting on Thursday mornings for two years. Although the meeting is now open to all graduates of WI's 14-week Managing Your Small Business course, the group was originally started by graduates from one class as a way to keep a very dynamic and close group of women together. Given that staff characterize this particular class as being the closest, most bonded group in WI history, it was no surprise when, before the last session, one of its leaders organized her classmates to continue meeting at WI on the same day and hour. Of the original 17 members, five still attend regularly and another five to eight attend sporadically. Meanwhile, the group has opened to any Managing graduates.

  The meeting is facilitated by two WI staff, a business trainer and the Personal Empowerment Program facilitator, reflecting the same staff teaming that is done in WI's core business training. Together they run the three-hour meetings, each conducting a section from their respective expertise – business management and empowerment. The agenda is the same from month to month, and includes check in, a speaker and a goal setting session. Although speakers and topics change, participants know what to expect.

Box 10: Women's Initiative's Monthly Check in Agenda

30 min. Introduction/check in

30 min. Speaker, successful graduate or job candidate

BREAK (with food)

20 min. 1 to 2 people selected to present a business issue for feedback

20 min. Business technical session

20 min. Empowerment exercise

15 min. Setting goals for the next month

5 min. Announcements (client shows or performances, training opportunities, etc.)

- In Georgia, the Cobb Microenterprise Council (Cobb) holds Alumni Night every third Thursday of the month which all clients learn about from their first class. In fact, upon entry to the program they sign a contract that outlines expectations for their continued participation in program activities after training (see Tools section for a copy of this contract). The Thursday Alumni Night is the place to begin. It is where they continue their business education, meet their colleagues, mentor new graduates, find business partners, review job postings, and learn about new opportunities. In fact, eligibility for Cobb-sponsored opportunities – be it advanced training, booth space at a graduation event, or scholarships to attend business conferences – is in part determined by their attendance at the Thursday Alumni night. Cobb's executive director, Patricia Harris, maintains that this monthly meeting is not only graduates' "bloodline" to the program; participation is an important investment in one's self and one's business.

Box 11: How to Keep Them Coming?

When Cobb produced its first graduating class in 1999, everyone knew they were expected at the Thursday Alumni Night. Ninety percent showed up at the first meeting. But by the second meeting, only 50 percent came, and that figure dropped to 30 percent by the third month. Director Patricia Harris acted quickly; she purchased a range of business products valued at $100 or less – a scanner, a cell phone, a shredder, a cheap printer – to be raffled off at Thursday Alumni Night. Attendance shot back up to 80 percent. The meeting always takes place from 7 to 9 p.m., the raffle doesn't happen until the end. But the clincher is that in order to get a raffle ticket, graduates must be on time. Anyone arriving after 7 p.m. is out of luck.

Cobb tries very hard to undermine the usual excuses for not coming. The program sends out reminder postcards announcing that month's featured speaker. More importantly, perhaps, it provides both dinner and day care. Teenagers of alumni baby-sit for the younger children, and everyone gets pizza if they arrive before it's been devoured. Cobb surveys clients quarterly to identify the topics they want to learn about and carefully screens presenters to ensure that they spend their time at the meeting *sharing* their expertise as opposed to *marketing* it.

To keep members coming, the Thursday Alumni Night is the gateway to a host of other opportunities. For example, in response to an alumni initiative, Cobb chartered a Toastmasters club where participants learn public speaking and business presentation skills. Over time, Toastmaster members have refined their skills by representing Cobb and promoting microenterprise in the broader community. Graduates in good standing can also access Cobb's internet marketing program; for a $500 fee, they learn to launch a Web site, gain a one-year subscription to a browser and get their own computer. In addition, Cobb sponsors at least four Access to Markets opportunities each year and quarterly workshops on QuickBooks.

Through these offerings, Cobb remains engaged with clients, constantly encouraging them to invest in and improve themselves. The program sets high expectations, but then offers the opportunities for clients to meet them. As a result, many clients continue their participation after their initial two-year contract for which they pay a one-time sliding scale fee upon entry to the program. Harris is contemplating how to transition these mature clients to a more formalized alumni association with elected leaders and membership fees.

Cobb's success in attracting both recent and older graduates to the alumni network is very valuable. Cobb staff admit that they have been challenged to convince clients of the benefits of personal networks. Initially clients are only interested in contacts that lead to sales. But alumni activities enable them to make connections and build relationships, which in turn often evolve into sources of referral and even professional partnerships. Through the alumni network, they gradually discover their neighbors, fellow members of the church choir, and kids' teachers, unaware that these acquaintances were part of the same program. Graduates thus expand their social capital, making connections on multiple levels that strengthen the social and economic fabric that supports their business. As the number and diversity of Cobb graduates grow, so do the opportunities for mentoring and business partnerships. Cobb has brought together several graduates with complementary interests, introducing them at Thursday Alumni Night and letting them pursue the opportunities for internships, subcontracts and joint ventures.

Box 12: We Met at Thursday Alumni Night

When even small decisions like finding office space are challenging to new entrepreneurs, belonging to a network can help. One Cobb client signed a lease for office space and sublet space to three other Cobb graduates at reasonable rates.

Two jewelry makers, both Cobb graduates, met through the alumni network and have collaborated on several pieces and product lines.

From graphic design to computer support, Cobb graduates know to look first within the network for the professional services they need.

- Business*NOW* in Atlanta, Ga., facilitated a successful alumni network for two years, but eventually, the growing number of graduates brought a diversity of businesses and business needs to the table that challenged the program's ability to respond effectively. Networking sessions became increasingly focused on personal griping instead of business problem solving. The organization came to the conclusion that an alumni network is ineffective as a vehicle for ongoing technical assistance and follow-up services because it cannot provide specific enough help to diverse businesses. In a survey, members indicated that they valued a space to meet but wanted more input into the meeting agenda and activities. Specifically, they advocated for specific technical assistance *as needed* rather than the general advice offered during network meetings.

What Are the Lessons of These Experiences?

One must be committed to a network and build it into the program design with a budget to support it.

An alumni network is not likely to take off if it is introduced casually as an afterthought. It must be an integral part of the overall program. The concept needs to be embraced by all staff and introduced to clients early on. However, at Cobb, overall responsibility for the alumni network is assigned to one staff person to ensure consistency in service delivery. In addition, Cobb budgets approximately $200 for each monthly Thursday Alumni Night (including the costs of the business incentives it raffles off at each meeting) and secured a grant from a local church for this purpose.

Make it easy and attractive for clients to attend meetings.

Find a time that seems to work for the majority of members, and schedule the meeting at the

same time each month so that it is easy to remember. Then, send a reminder. Food is a key element, common to most network meetings, but a creative approach to incentives has also proven effective. The staff who participate in the meeting should be familiar to the clients. At Cobb, the program manager facilitates the Alumni Night; at Women's Initiative, the agenda includes both strands of their core training with facilitators known to clients from their "student" days.

Listen to clients; survey them regularly to identify needs.

Networks have a greater chance of success when their program, including course offerings, speakers, etc., addresses clients' actual needs. Business*NOW* learned that it's top-down, program-led approach to its alumni network was one reason behind its eventual failure. Cobb introduced its quarterly client survey after the executive director attended an extremely boring Alumni Night meeting and realized that her staff did not have their finger on the clients' pulse. Using that tool, staff learned that clients want ample opportunity to share their business issues with each other and solicit feedback. As a result, at least once a quarter, a roundtable discussion replaces the speaker on the agenda at the Thursday Alumni Night.

Provide opportunities for clients to give back to the program and to participate in the program as representatives, speakers, teachers and mentors.

Cobb graduates seem to grow into a diversity of roles vis-à-vis the program as they progress from student to graduate to business owner. Older clients mentor newer ones; Toastmaster club members practice their public speaking skills in presentations about Cobb; one business owner hosted the Cobb holiday party for alumni and families. In recent years, Cobb has led a United Way campaign among its graduates, pioneering the idea that recipients of United Way generosity can also be contributors. Last year, this campaign raised $5,200. Coupled with an ever evolving slate of program offerings, these opportunities help retain the interest of older graduates who might otherwise perceive that they have outgrown the network.

Sector-based Networks

Conceived as affiliations of business owners in the same industry, sector-based networks are akin to trade associations – for microentrepreneurs. As practitioners are learning in many aspects of microenterprise promotion, working within a specific industry offers rich opportunities for economic growth. Building a knowledge base within an industry with its unique production processes, technologies and market niches enables one to identify and pursue specific opportunities for entrepreneurs in that industry. Although sector-based networks are as varied as the sectors in which they flourish, their experience highlights joint marketing, public-private ventures, public campaigns, infrastructure development (in the form of retail and production incubators), and business-to-business collaboration leading to innovation in products and services. Such benefits have led some advocates to posit sector-based networking as a strategic cornerstone of local economic development. And, while the resulting business growth may go beyond the motivational, moral support and community building benefits of the more heterogeneous microentrepreneur networks featured in this guide, the factors that account for their success are very similar.

Sector-based networks of microentrepreneurs are most common in the food industry, home-based child care, tourism, and arts and craft production. Such networks are strongly influenced by the sectors in which they are rooted. Home-based, child-care networks are shaped both by state regulations governing the industry and the entrepreneurial profile of their members. They are often structured programs offering a set of services that support entry and survival in the child-care system. Commercial food production has technical, infrastructure and marketing requirements that microentrepreneurs can often address better collectively than individually. As a result, food producers' networks often take the form of a cooperative business. But, in southeastern Ohio, ACEnet has nurtured a network of specialty foods producers that is informal, dynamic and constantly evolving. While ACEnet does offer multiple services, entrepreneurs use them as needed and in no set order. This section explores this range of networks offering examples from each of the most commonly "networked" sectors and extracting lessons from successful experiences across them.

Home-based Child Care

Two factors influence the networks of business owners in the home-based, child-care sector – the regulated nature of the industry and the profile of entrepreneurs it attracts. Each state has its own licensing requirements for family child-care operators and processes for allocating child-care subsidies. The latter, in particular, have led to a range of child-care systems, networks and associations that vary from state to state. Consequently, the term network means something different in each one.

- In Massachusetts state-funded child-care slots are distributed via established systems like the Acre Family Day Care Corporation (Acre) that acts as the intermediary between the state and family child-care providers. It recruits and trains providers, bills the state for

services they render, and, in turn, pays them every two weeks. Each recognized system may or may not foster networking among its family child-care providers.

- In New York, established child-care networks are the principal vehicle for monitoring, oversight and distribution of benefits from various city or state programs. There are over 100 such networks in New York City alone. Providers choose their network based on geographic proximity, services offered, access to city contracts or funded slots, and program reputation
- In Georgia, family child-care systems that function as state contractors are complemented by an array of more informal networks, associations and support groups that do not offer funded child-care slots to providers.

Linked to the state's role in subsidizing child care for low-income families is the profile of the business owners. The sector's low barriers to entry attract low-income women and many immigrants who need to make a transition to an increasingly regulated, professional industry. Limited English and other hurdles associated with adapting to a different culture call for program services that guide and support fledgling entrepreneurs in their new roles. Thus despite wide variation by state, their role in a regulated industry that attracts new entrepreneurs makes child-care networks function as programs providing a defined set of services. Areas of common program focus include:

- Professional skill development in early childhood education (training, toy lending libraries, help with continued education and professional certifications);
- Business management to build family child care as a successful business (budgeting, marketing, achieving the right mix of families, avoiding common pitfalls such as providing discounted services to family and friends);
- Technical assistance with operational needs, licensing requirements or insurance;
- Mutual aid and support (providers in the same network serve as back-up for each other; go on field trips together; attend monthly meetings for information updates, social time, peer networking; and develop partnerships with parents about children's schooling, medical checkups, parenting information, and even job referrals);
- Advocacy (programs often lobby on behalf of network members about regulatory, legislative and budgetary issues that affect child care in the state).

Networks focus on one or more of these program areas. In New York City, the Women's Housing and Economic Development Corporation (WHEDCO) emphasizes business development. Its 140 members are screened for their commitment to family child care as a business, and members have increased their average annual business income from $11,000 to $26,000.[10] In Massachusetts, Acre started with an economic development/job creation thrust in a low-income community, but has gradually shifted to focus on professional development in early childhood education.

The following profile of the Acre Family Day Care Corporation in Lowell, Mass., provides insight into how one child-care network has not only helped new entrepreneurs get established in the sector, but has also fostered a rich web of relationships and cooperation across ethnic groups.

[10] Donna Rubens, WHEDCO, interview, March 2003.

The Acre Family Day Care Corporation: A Profile

In the library of a public school in Lowell, Mass., pizza is disappearing, multiple slices at a time. Twenty women, one third Khmer and two thirds Hispanic, are gathering for the monthly meeting of the Acre Family Day Care program. Home-based, child-care providers and members of Acre, these women are laughing and calling across the room to each other in several languages. Tonight they will learn about changes in the state budget that will affect the reimbursement rates for their child-care slots; they will discuss dates for a curriculum workshop sponsored by the local public television station; they will brainstorm ideas for the next network-sponsored field trip; they will vote on a venue for the annual Acre celebration; and they will be invited to join Acre's director for coffee at one of Lowell's newest cafes. Some ask questions in halting English; the director repeats key points in Spanish. A couple of their kids look at books...

Founded in Lowell, Mass. in 1988, the Acre Family Day Care Corporation is built around 40 independent child-care providers who serve 150 low-income families and 230 children. Based in a low-income community historically home to immigrants, Acre addresses two significant barriers to economic development – jobs and child care. It helps women to become self-employed via a child-care business, which in turn helps recent immigrants and those transitioning off of welfare to enter the job market. While Acre exemplifies the strengths of sector-based networks as an economic development strategy, it is also defined in part by its role as an intermediary in the very sector it serves.

In the home-based, child-care system as developed in Massachusetts, Acre is an intermediary between the state – its regulations, licensing requirements and subsidies – and the providers. Although Acre members are all independent business owners, they can fill their spaces with children who are eligible for state-subsidized child care through contracts that Acre holds with the state. Providing the state with trained and licensed child-care providers, Acre bills it for these slots and pays the providers for services rendered. This is the core of the home-based, child-care systems in Massachusetts. As such, Acre is in a delicate position vis-à-vis its member business owners. Acre is their advocate, trainer, and support network; it is also responsible to the state for ensuring quality child care. Yet, because Acre provides a range of services that extend well beyond state requirements for such systems, it has evolved from a basic state-sanctioned child-care system into a rich network encompassing and serving both the child-care providers and the families who are their clients.

Acre's services are offered in three languages by a staff working in Spanish, Khmer and English; they are child-care specialists, social workers and trainers. Services include the following:

- **Referrals:** Acre links parents seeking child care to its providers, allocating children to available slots according to parents' preferences for child-care hours and language spoken in the home. Because the state will not contract directly with providers, these business owners have to become a member of Acre or other system to access income-eligible children.
- **Billing/Payment:** Acre bills the state and collects state-mandated fees from parents based on income; it also pays its member providers every two weeks. Providers, thus, do not have to struggle with billing or collection problems, and they can budget on predictable, regular income.
- **Transportation:** Acre provides daily transportation for kids from their home to their child-care site.

- **Training:** Acre exceeds the state mandated 20 hours of training per year for home-based, child-care providers. Its initial training and internship take three months to complete; its regular, ongoing professional development opportunities are offered in three languages.
- **Loans:** Acre has a loan fund to help its members pay for the insurance it requires, assets for their business or the state licensing fee. In 2002, Acre made loans totaling $18,000.
- **Technical assistance:** Acre staff pays monthly visits to each provider, helping them with a host of issues from the simple, such as sorting and translating the mail for non-English speakers, to more complex challenges of finding affordable housing, buying a home or gaining professional certifications. Staff models child-care concepts that are taught during the trainings so that the provider can see, firsthand, how to implement what she has learned. They often link providers to other state programs for food vouchers or continuing education.
- **Network as community:** Acre sponsors events, field trips, celebrations, and special trainings for its members whose support for each other as colleagues and friends increases with time in the network.

The members of Acre are all women; most are Hispanic and Cambodian reflecting the demographic trends in Lowell (home to one of the largest Cambodian populations in the country). Most are low-income and enter the Acre network as start-ups. As new entrants to the home-based, child-care industry, they need the support that an established system can provide. This support – including training, referral and follow-up services – enables them to earn more money than they would as independent providers functioning outside the system.

Networking among providers starts in training when they get to know each other over a period of several months. Once they start their businesses, they turn to each other for back-up care adding a business dimension to the budding relationships. They talk to each other on the phone and at the Acre monthly network meeting

As providers settle into their new roles, their needs evolve. Acre encourages and supports its members to pursue further education such as the GED, English as a Second Language training or the Child Development Associate credential. It has

Box 13: Becoming an Acre Member

Becoming a member of Acre can take several months for new providers. The process involves the following steps:

1. Submit application
2. Schedule home visit by Acre staff that assesses an applicant's potential to be licensed for child care.
3. Complete Acre's start-up training which involves 240 hours over a three-month period and includes an internship, often with an experienced Acre member. An applicant may have to wait until this training is offered in the appropriate language. A $20 training fee can be applied to the license fee for those who graduate.
4. Apply for state child-care license at a cost of $100 for two years.
5. Purchase liability insurance required by Acre. Loans are available for this purpose (cost of insurance ranges from $250-500 per year).
6. Sign contract with Acre for initial three-month trial period. Most fill slots with state-funded referrals from Acre. Only a few have private clients. They are not allowed to charge less than the state rates.

recently started a program for providers to work toward accreditation by the National Association for Family Child Care.

This client profile has implications for how Acre provides services. Most significantly, it has to offer training in multiple languages. Acre trained in Spanish before English and it was the first child-care program in the country to offer training in Khmer, facilitating the first Khmer-speaking child care in Lowell.[11] Yet, even with its multilingual capability, communication is a challenge for staff. Given their clients' limited literacy, limited English, and an aversion to technology, staff rely on face-to-face, in-person meetings and follow-up phone calls to communicate with members. The more inexpensive, efficient methods of communication such as e-mail, fax and even newsletters have been less effective. Acre's monthly meetings are, thus, a vital part of the program's information system that staff uses to communicate important messages. And, members want the social time. Even though the evening meetings do conflict with their night classes and other jobs, 50 percent still show up regularly.

Although Acre is one system among hundreds across Massachusetts, its members join a community of child-care providers that support each other, a community in which members have a voice (formalized through the four seats on the Acre Board of Directors reserved for members). Informally, members interact with staff frequently and communicate their needs and priorities. Acre staff have succeeded in building trust among members who enjoy the network's family atmosphere and solid connection to the community in which they live. Members often serve as back-up for each other when one needs to be away from her child-care business; experienced providers serve as mentors for new trainees; some members share curriculum materials with each other (see Box 14).

Box 14: Members Support Members

The 15 children in Celina's home-based child care cycle through on different schedules each day. Celina increases her income by offering alternative hours for which Acre pays a higher rate. Originally from Colombia, Celina has been a member of Acre for six years. Although she no longer needs Acre to fill her slots (she could do so now through word of mouth), she remains an active participant in the network and appreciates the ways in which Acre helps her to keep current with developments in her profession. Aware of the challenges in planning curriculum that new providers face, Celina offered curriculum training in Spanish in her home to other Acre members. To the eight other providers who attended, she sends out monthly mailings with curriculum ideas and materials that she receives from her sister in Colombia.

Celina purchased a triple-decker house as an investment. At the same time, another Acre member was evicted from her apartment after the publication of a newspaper article about her successful entry into the child-care business. Objecting to a business being run on its property, the property management company terminated the lease. Quick to learn of a fellow member's predicament, Celina offered her colleague an apartment in her triple-decker.

Acre teaches providers how to build positive relationships with parents by focusing on those details that will both help parents and ultimately benefit the child-care business. They help parents remember important requirements for accessing child-care benefits; they facilitate job sharing information; they help keep track of kids' need for physicals.

[11] Martha Shirk and Anna S. Wadia, *Kitchen Table Entrepreneurs* (Westview Press, September 17, 2002), 138.

Acre's providers remain with the network for an average of three to four years. New members are attracted to the network by word of mouth or because it offers training in their language. Older members stay because of the ease of Acre referrals and billing, opportunities for continuing education and technical support. Nevertheless, Acre has approximately a 30 percent turnover in members each year due to job changes, geographic moves or defection to other systems. For example, one member switched to a system that paid higher rates for part-time slots.

As a sector-based network, Acre faces an interesting challenge of focus. It was founded as an economic development strategy intent on supporting child-care providers as business owners. This strategy responded to robust demand in this low-income community for state-subsidized child care. Acre has effectively responded to this demand by positioning itself as an intermediary between the providers and the state. But in that position, Acre has experienced a shift in focus from business development to quality child care. Partly in response to state requirements, its training focuses more on child development and curriculum; its staff, many of whom have been recruited from the membership, are in school themselves pursuing additional qualifications in fields related to child care and child development. The needs and opportunities to improve the business management of child care have taken a secondary position to this professional development – professional development that Acre has decided is the most effective path to increasing the legitimacy of home-based child care as a profession.

... and afterwards, they talk, they approach the Acre staff with questions, they network. This is the heart of the Acre network – one meeting at a time, every month, a place to find friends, stay informed, be part of something bigger.

A range of benefits

A formal intermediary in the Massachusetts child-care system, Acre occupies multiple roles as trainer, advocate, facilitator, and quasi-employer. Not all child-care networks operate like this. Experiences of other family child-care networks further illustrate both the range of benefits that are possible and the factors common to the networks that are able to realize them.

Like Acre, the Women's Housing and Economic Development Corporation (WHEDCO) is one among New York City's 100 family child-care networks – the established vehicle for regulated child-care services. Yet, WHEDCO is one of only four "independent" networks among 28 operating in the Bronx – meaning that it does not access publicly funded child-care slots for its members and thus does not maintain the same intermediary role that Acre has. Its 140 members are all women and mostly Spanish speaking. Despite its lack of subsidized child-care slots, these women are drawn to WHEDCO for its emphasis on business development and growth. While WHEDCO fully acknowledges the multidimensional goals of family child care (e.g., removing child-care barriers to sustainable employment for low-income parents, early childhood development and successful self-employment for the provider), it homes in on helping child-care providers to achieve self-sufficiency through better financial and business management.

To achieve this goal, WHEDCO selects its members on the basis of their commitment to family child care as a business. They screen for the true entrepreneurs as opposed to those who choose family child care as a way to stay home with their own children and earn a little extra money on the side. As a dues-paying member (dues are $25 per year), a provider can access training, scholarships, quarterly home visits, seed capital grants, the book and toy library, and food subsidies. With an array of over 70 workshops, training covers child-care operations (including

education and development) and business management. WHEDCO has identified key operational indicators of business success for child-care providers that can be directly addressed in training (e.g., charge standard rates, recruit a mix of private paying and subsidized clients, work with multiple referral sources, offer extended hours and shift care, and keep reliable and consistent hours).[12] By focusing on one industry in this way, WHEDCO has developed an in-depth understanding of its multiple dimensions and elaborated a set of services for network members that targets quality child care as a component of running a successful business.

The state of Georgia sponsors child-care systems much like that of Acre, channeling public dollars, training and technical assistance to a network of home-based, child-care providers. But those providers who seek more independence to be their own boss have access to an array of informal networks, support groups and associations of child-care providers that flourish throughout Atlanta's neighborhoods. While the distinctions between these groupings can be blurry, most are voluntary associations that help providers start, maintain and improve their child care. Their approach is very hands-on, assisting with licensing, marketing, procuring equipment and even painting the walls. Most are local organizations, established in neighborhoods with space at the local church, public housing complex or social service agency. Some are organized along ethnic lines, drawing from several communities; the Latina Family Child care Association, for example, is a multigenerational and very socially oriented group, with frequent gatherings to celebrate members' personal milestones. Many have developed a focus on fostering the provider-parent relationship with educational and social events in the providers' homes for parents. These have included seminars on taxes, job hunting, accessing public programs, buying a home, communicating with the child's school, and even, massage.

Long-time consultant in the field, Roberta Malavanda, contends that these networks in their various forms are the link to multiple arenas including microenterprise development, professional child development and community development. While members rely on them as mutual aid societies, they also use them as a stepping stone to local politics and other community activities.

Success factors

Build trust: First and foremost, networks serving family child-care providers need to be present. Staff or volunteers need to know the providers well, visit them often and deliver on promises.

Build networks in the local community: The local connection is the key to building trust. Acre's providers and client families are in Lowell. The informal networks in Atlanta are largely neighborhood-based with advisory boards comprised of local church leaders, social service workers and parents who are able to link providers with other agencies serving that community. Atlanta's networks actively engage providers and parents, strengthening the bonds between them and their place in the community.

Balance member choice and autonomy with standards and expectations: While WHEDCO allows members to determine their own level of participation in the network and expects fluctuation, it has adopted a "guided choice" approach to training, whereby staff recommend specific training workshops based on observed need. It sets achievement standards for business income and growth. Acre has reserved several seats on its board for members who are elected by fellow members to ensure their voice in network governance.

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[12] Donna Rubens, *Family Day Care Business: An Exploratory Study of Training and Technical Assistance Effectiveness*, Final report prepared for The Aspen Institute, FIELD Training and Technical Assistance Cluster, Washington, D.C. www.WHEDCO.org. (South Bronx: WHEDCO, 2001).

Find the most appropriate and effective modes of communication: Anyone working with networks obviously need to communicate in the language that members speak. In addition, network staff need to experiment with best methods for keeping members informed. Acre found that technology has not been very helpful.

Keep the network relevant for mature members: WHEDCO has built an ongoing process of professional development that moves from licensing to business growth.[13] Training is not divided into "core" and "follow-up"; there is no graduation. At Acre, established child-care providers serve as mentors for trainees. Those who are ready can get help pursuing professional certifications and other degrees.

Food-Products Sector

While making large batches of a favorite family recipe for sale at the church bazaar long predates the term microenterprise, consumer preferences for gourmet, specialty and natural foods has sparked a boom in enterprises built on one or more food products. Yet, the enthusiastic bakers, herb growers and salsa mixers have discovered the complexity of moving a secret recipe from their kitchen to the grocery store shelf.[14] Networks in this sector are often shaped by this complicated process requiring money, infrastructure, multiple skills in production, design and marketing, and access to a distribution system. To support successful food entrepreneurs, programs must look at the ecology of local food systems, understand the connections between their different components and foster them.[15] In so doing, they have found a plethora of related arenas in which to intervene, including building networks of both individual producers and institutional supporters.

Typically programs that foster enterprise development in this sector bring entrepreneurs together to tackle the big challenges, and these groupings take different forms. Some have organized producers into cooperatives that market individual products under one label. Some networks focus on linking growers and producers, acknowledging that many farmers need new revenue streams but resist assuming new roles as entrepreneurial food processors. The Taos Food Center has been guided by core principles of unity and family to build a network of over 35 Hispanic and American Indian entrepreneurs who actively use its kitchen incubator and related services.

Box 15: Intervening in the Food Sector

To support microentrepreneurs in the food sector, there are many approaches and points of intervention. The following list is only a sample:

Workforce training in the food sector	On-farm food production
Community-owned food businesses	Community supported agriculture
Developing a brand of food products	Marketing – product look (packaging, labels, etc.)
Kitchen incubators	Accessing markets (fairs, retail stores, restaurants)
Financial services for food producers	Manufacturing extension

[13] Elaine L. Edgcomb, *Improving Microenterprise Training and Technical Assistance: Findings for Program Managers*; FIELD publication (Washington D.C.: The Aspen Institute, 2002).
[14] A good summary of multiple aspects of the specialty foods market can be found in Mary McVay and Madi Hirschland, *Making the Connection: ACEnet*, Access to Markets Case Studies Series, No. 1 (Washington D.C.: The Aspen Institute, 2000)
[15] AEO, Learning Cluster: Innovations in Food Sector Microenterprise, Meeting Notes, December 2001

In addition to networks of entrepreneurs, the technical sophistication and complexity of the food sector calls for substantial networking at the institutional level. Product development is often carried out in conjunction with university extension services or state departments of agriculture. Business students are brought in to help with marketing plans; product placement is boosted by outreach to food cooperatives, local restaurants and gourmet food stores, where in addition to shelf space, products can be promoted with food tastings and other special events. Local banks and microloan funds help with financing. Local chambers of commerce and municipal leaders are recruited as supporters of citywide promotional activities such as festivals and competitions.

The Food Ventures program of the Appalachian Center for Economic Networks (ACEnet) has developed networking on both levels further than most. In fact, networks and networking are at the core of its economic development strategy. Food Ventures has assisted over 200 entrepreneurs starting and growing businesses in the specialty foods sector. In the process, it has fostered a new identity as a food Mecca for its hometown of Athens, Ohio. Its comprehensive services are similar to those of other programs operating in the sector – kitchen incubator, technical assistance with product development, market research, technology services, business linkages, and a wide range of partnerships with other public and private institutions to increase access to finance, technology, policy and markets. But the key to making all of this work for real entrepreneurs is networking. Although ACEnet's director, June Holley, has elevated networking to an academic science, one will not find there an organized network, established cooperative with defined categories of membership or a formal system similar to those described elsewhere in this section. This approach to networks offers other lessons for the field.

Box 16: "From Our Farms to Your Table"

In rural Tennessee, Appalachian Spring Cooperative offers farmers the opportunity to replace lost tobacco revenue with food businesses. They have access to multiple services that will help them develop a product, produce it and get it to market where they can choose to sell on their own or under the Appalachian Spring label.

Although marketing is envisioned as the real payoff for coop membership, the average new product takes 1 to 2 years to reach the market. In the shorter term, Appalachian Spring entices members with more immediate benefits such as discounts on insurance, supplies, shipping, etc. For example, the coop was able to secure one Universal Product Code (UPC) for all products under its label (up to a maximum of 999) which, with a standard price tag of $800 per code per product, represents significant savings for producers.

This coop network has a challenging task to recruit farmers off the field and into the kitchen, particularly when the promise of stable new income is often in the distant future. In response it pursues many paths to expanding the resources it can share with members. A partnership with the Heifer Project International's beekeeping program helps the co-op recruit and retain members. To expand its products, food producers who are not farmers are granted nonvoting associate member status. And, to further draw in farmers, it has produced a growers' guide that works backward from high potential products to the crops needed to produce them.

At Appalachian Spring, fiercely independent farmers are coming together to pursue new aspects of their lifelong work in the food business.

Box 17: ACEnet Offers

- Access to state-of-art commercial kitchen
- Technical assistance in business management, product development, production, packaging and marketing
- Participation at fairs and trade shows
- Access to other producers, suppliers, distributors, retailers through informal networking and formal marketing relationships
- Innovation emerging from entrepreneurs working together
- Access to resources and services via ACEnet community partnerships
- Market research
- Contacts with known local grocery stores and restaurants
- "Buy local" campaigns
- Advertisements about local food producers in chamber of commerce tourist brochures
- Access to regional grocery stores through other successful ACEnet clients
- Research in new products leading to new business opportunities

Although reducing ACEnet's theory of entrepreneurial networks and economic development to a few words does it an injustice, the key operative words include: information sharing, collaboration, diversity, innovation and synergy. As entrepreneurs meet each other and share information, they discover opportunities for collaboration, small and large. Diversity inspires innovation; contact with growth-oriented business owners, innovators and risk takers can influence behavior among a broad group of entrepreneurs, eventually affecting the climate for business. Gaps in skills and resources can be filled by a diverse range of institutional partners. Through informal exchanges, entrepreneurs can identify and "work" environmental, cultural and economic trends for the product and business development opportunities they hold.

ACEnet sees its job as creating the opportunities – the physical spaces, the personal introductions, and the institutional partnerships – to facilitate and feed networking. Yet, the network itself is informal; there is no structure, established leadership or membership dues. It has been built around relationships, a flow of information and resulting collaborations. Its strength comes from flexible responses to varied opportunities. ACEnet believes that formal associations or cooperatives may be called for eventually, but they can only be built successfully on the foundation of collaborative relationships among entrepreneurs and institutions. This is a key lesson ACEnet offers.

Do not get bogged down in organization building. Get things moving, make things happen first; foster a continual stream of collaborations, joint projects, experiments; watch people combine and recombine. Build increasingly sophisticated collaborative relationships based on small gains.

How this happens is remarkably simple. ACEnet provides a place for food producers to gather. They work in the kitchen incubator; they drink coffee at the adjacent café; they meet in the retail shop or library. The local farmers' market, a client-owned bakery with restaurant seating, and other businesses outside of Athens proper also serve as places to congregate. Its Foodnet listserv offers another avenue for entrepreneurs to talk to each other. ACEnet staff know who is doing what and make introductions as they become aware of potential collaborations. They act as the catalyst, but leave the actual deal making to the entrepreneurs themselves.

It is important to note, that for ACEnet, informal does not mean haphazard. In its conceptual framework of network building, ACEnet is the weaver – the active leader who has the vision,

energy and social skills to connect small clusters of like-minded people to each other. The weaver acts as the hub extending spokes to distinct clusters, trying to break through their isolation. The weaver also brings diverse, external connections to the process of information sharing, adding new resources and ideas to the mix. Eventually, as the informal network grows, new weavers emerge, reducing dependency on the central hub. While ACEnet still plays this dominant role in southeast Ohio, it is changing; its disappearance now would affect the region far less than it would have just five years ago.[16] This framework suggests another simple but critical lesson for network building.

Box 18: Pork Topping and Pizza

King Family Farms produces hams and Avalanche Pizza makes, yes, pizza. In 2003, ACEnet brought two local food businesses together to combine their respective products for a new line. King came up with a bacon-flavored pork topping for pizza which is significantly less expensive than bacon. The first pork topping led to others. ACEnet's marketing team helped the two businesses create promotional materials for Avalanche's new specialty pizzas. The new product line has resulted in increased sales for both companies.

Know your network. Know where its participants are and what they need. Introduce those who can be mutually beneficial to each other. Connect them with others who are both similar and different.

The weaver, ACEnet contends, must know its network. Mapping the social and economic connections in the food industry is a key to this goal. Network maps provide a snapshot of the disparate clusters one is trying to connect. One of the factors that ACEnet tracks in its mapping is leadership. It identifies the different types of leaders among its clientele – the mentors, the innovators, and the catalysts – and who they influence. The catalyst entrepreneur, for example, draws others into the sector, or is first to explore a new market; the values entrepreneur models positive labor relations or healthy work environment that others can follow. ACEnet keeps track of these sometimes hidden leaders in order to draw them out, support them and enhance their influence. Responding to each distinct type of leader and the strengths he or she brings to the network, ACEnet has developed support strategies that include raising money, getting media attention and bolstering organizing efforts. (See the Tools section of this guide for ACEnet's "Priority Entrepreneur Types" – a matrix that matches supportive activities to leadership types.)

Tourism

As a meeting ground for those in many different types of businesses suited to self-employment (e.g., artisans, producers of specialty foods and owners of bed and breakfasts), tourism is a dynamic sector full of potential for microentrepreneurs. In many areas, it is targeted by a range of public entities as the cornerstone of an economic development strategy. Their investments – in urban renewal, historic preservation, and park improvements – create business opportunities and open doors for microentrepreneurs. Working in the sector, microenterprise development programs are helping to develop specialty tours (eco-tours, historical tours, cultural heritage tours); promoting site development in partnership with stewards of public lands; helping

[16] Valdis Krebs and June Holley, "Building Sustainable Communities through Network Building" Paper available on the Internet at www.orgnet.com. 2002. This Web site contains other resources related to social network analysis and network mapping for readers who want to learn more about network theory and its applications.

Box 19: Leading and Leading Others

ACEnet staff consider salsa producer, Toad Ranch, a lead entrepreneur in the Food Ventures network. Evidence of its risk taking, growth orientation to business includes consistent new product development, renovation of a new production facility, and success in placing products on the shelves of major grocery stores. But in addition, Toad Ranch helps others by making its facility available, recommending suppliers and organizing the local Chili Pepper Festival. This entrepreneur is engaged in a 'conspiracy of hope' to build a viable local economy.

Source: "Making the Connection: ACEnet", McVay and Hirschland, FIELD Access to Markets Case Study Series/ No. 1., p. 34

farmers remake themselves as agri-tour operators; and promoting new off-season activities in regions with healthy, but seasonal, business demand. Artisan organizations are busy attracting the tourist trade to their products.

Amidst this dynamic activity, entrepreneur networks are emerging in several shapes and sizes. Some are the result of program efforts to bring a wide range of tourist related businesses together to promote a niche market in a specific region (see Box 20 on JEDI); others are smaller affinity groups, typically more homogeneous groupings of businesses like bed and breakfasts or artists; still other networks take the form of entrepreneur directories for marketing purposes.

HandMade in America, for example, developed a guidebook *The Craft Heritage Trails of Western North Carolina* that outlines eight distinct trails guiding tourists to over 400 artists and crafters who maintain open studios. In addition, HandMade in America maintains a Web-based craft

Box 20: A Network Defines New Market Niche

When the Jefferson Economic Development Institute(JEDI) began looking into sector-specific programs, tourism was high on its list as a growth sector. Its Stewardship Tourism Marketing Group started in 2002 as a support network of business owners. When the members advocated for a more tangible focus on business growth and marketing, JEDI responded, helping them develop a new identity as a niche marketing group that would work together to promote "stewardship tourism" in the region. Members – including an outdoor outfitter, a mountain guide service, a local brewery, an adventure travel author, a children's camp, a health food store and a petrol company with 14 local gas stations – built a vision of business growth through protection of their natural and cultural heritage. A requirement of membership is to incorporate deliberate acts of stewardship in one's business (easy for a river guide, but more challenging for a bed and breakfast owner). Together, they launched the Stewardship Tourism Fund of Far Northern California for which they solicit contributions. The fund makes small grants to projects that demonstrate stewardship of the cultural, historical, small town and natural assets of the region. In its first year, the fund granted $3,700 to nine local projects, selected from 24 applicants.

To facilitate the network, JEDI hired a coordinator with expertise in marketing and the outdoor adventure industry. She has helped the group to establish itself as a select network of related businesses and to develop cooperative marketing strategies. The network has succeeded in securing a listing in a tourist guide, has attracted Bay area media coverage and has developed a Web site: www.e-jedi.org/travelgreen/.

registry listing over 1,300 artists working in western North Carolina. Each entry includes the artist's contact information, a picture of the artist's work, a list of the outlets where the work is available and a link to the artist's own Web site for those who have them. This electronic network offers three main advantages: 1) retailers can easily find the type of craft they seek for their store or gallery; 2) artists can connect with each other to collaborate on products (e.g., a furniture maker seeks a ceramic tile artist) or sell equipment; and 3) it serves as a bulletin board for news, events, and shows. While clearly not the face-to-face network that dominates the discussion here, this craft registry connects many disparate artists-entrepreneurs to each other and to potential markets, and offers those who are techno-phobic a business presence on the Internet.

Affinity Groups

Each of the sectors discussed above – child care, food and tourism – have spawned substantive networks of entrepreneurs that evolve with structures, roles and activities most appropriate for that sector. In child care, networks are often the business owner's link to a market and income; food producers join forces to gain access to the technical assistance they need in order to transition to commercial production; and in tourism entrepreneurs are using networks to gain access to markets. Yet these disparate networks are similar in their search for concrete business opportunities for members. While access to peer support, breaking through the isolation of self-employment and motivation are also valuable benefits of membership, they are not the raison d'etre of sector-based networks. The commonalities among entrepreneurs in the same industry – often shared problems that can be best addressed by a collective response – opens the door to economic opportunities.

Such potential for opportunity has led several microenterprise practitioners to promote smaller informal member-directed networks called affinity groups. These smaller groups of entrepreneurs engaged in like or complementary businesses can be organized wherever a critical mass of interested parties exist; in fact, they are cropping up in many different sectors. In northern New Hampshire, WREN supports affinity groups of financial professionals, computer consultants, and artists. Further south in that state, peer lender MicroCredit-NH is promoting affinity groups of artists under a program called Art for Business Sake. In Maine, Coastal Enterprises has supported a group of bed and breakfast owners. In St. Paul, the Neighborhood Development Center (NDC) has experimented with an affinity group in office services, wedding services and gifts.

Affinity group strategies and activities for business promotion vary. Common strategies include marketing brochures, shared booth space at trade shows and business referrals. Because they tend to be self-directed, the success of such activities depends on the dynamism of the group and the strength of its leadership. Sometimes the process of carrying out the activity is more beneficial than the outcomes of the activity itself (e.g., new contacts, sales, etc.). When Stars North, an affinity group of financial professionals affiliated with WREN, began to develop its brochure that profiles each member and her business, several reported that they struggled with defining their business vision and focus. Writing their profile for the group brochure forced them to make critical decisions about the services they really wanted to market. Other members of WREN's affinity groups report that being responsible to others and specific group projects helps to keep them focused on their business in the face of multiple distractions. Several women noted how difficult marketing oneself is; doing it with others in a group is easier both for the support and motivation. Even when joint marketing is not the goal, affinity groups can offer other benefits. The eight members of WREN's technology group, for example, meet once a month for lunch; their facilitated discussion covers new developments in information technology (IT), new contracts out for bid, common problems they face and referrals. They have no plan to engage in collective business projects.

Although the rationale for affinity groups is linked to the inherent strengths of sector-based development, these groups, like peer lending groups, face many challenges. Self-directed groups struggle to develop a sustainable vision, need strong leadership, often confront issues of trust (Do I want my name on a marketing brochure with *that* person?) and suffer from irregular participation. While WREN played an active role in launching its original affinity groups by recruiting the original members, facilitating the initial meetings and making small grants for group activities (e.g., trade show fees or printing costs), it has witnessed uneven performance as each has confronted one or more of the issues noted above.

Experience to date with affinity groups that are organized by external promoters (e.g., an economic development program) reveals slightly different challenges. NDC brought together clients in related businesses (that it called clusters) and launched a multifaceted marketing campaign on their behalf that included brochures, mass mailings and sales presentations. It intended to generate sales leads that would be referred to group members to follow-up. Efficiency was the driving force behind this approach; marketing on behalf of a group of entrepreneurs would be more cost effective than individual technical assistance. However, when these activities yielded weak sales results, NDC realized that it had perhaps overestimated the group members' capacity to act on the leads it generated. Their cluster marketing strategy did not include technical assistance to members to ensure that they could market themselves, close deals and deliver high quality customer service.[17]

Box 21: An Elite Brand

The members of the Stars North affinity group in northern New Hampshire are self-employed women accountants, financial planners and educators. They are using this structure to market themselves as a top-notch group able to provide the full range of financial services. But, in order to successfully project that image they have to believe it themselves. Group members have invested significant time getting to know and trust each other as professionals so they feel confident making referrals and engaging in joint marketing efforts. They are very disciplined with strict rules governing attendance, dues and participation.

Affinity groups offer a relatively simple method for reaping some of the benefits of a sector-specific approach that does not require the major investment associated with developing in-depth knowledge of a given sector. That said, practitioners are learning that affinity groups do need guidance, leadership and small financial incentives. Careful selection of group members – those committed to and capable of carrying out group goals – has proven to be another key factor in their success.

[17] For more information on NDC's cluster marketing approach, see Candace Nelson and Janney Carpenter, *Making the Connection: Neighborhood Development Center*, Access to Markets Case Study Series, No 2, (Washington, D.C.: The Aspen Institute, 2001) available on the FIELD Web site: www.fieldus.org.

Community Networks

The last type of network presented in this guide is different from the others. Like them, it targets the self-employed; it offers an array of business services to support emerging entrepreneurs; and it uses networking in a variety of ways to foster opportunity and innovation for its members. But, this type of network has more diversity in its membership and a mission that links it to the economic health of the community in which it thrives. The community network ties entrepreneurship to community economic development, serving both aims in an integrated approach that involves members in diverse roles as leaders and followers, agents, and beneficiaries of change. This type of network is also unusual for being rare; there is only one known to target microentrepreneurs, and that is the Women's Rural Enterprise Network located in tiny Bethlehem, New Hampshire. Albeit singular, WREN is dynamic. It claims to be the fastest growing network in the state and it is changing the face of its town. To understand the network model that WREN embodies, this chapter zeroes in on the network it has built, explaining its vision, how it functions and what distinguishes it from other networks of microentrepreneurs. While the WREN model offers an intriguing approach linking entrepreneurship to community economic development, it may not be easy to replicate and includes trade offs that practitioners will want to consider carefully.

Case Study: Women's Rural Entrepreneurial Network

It takes about four minutes to drive through the town of Bethlehem on Route 302, one of the major east-west highways that snake across northern New Hampshire. Passing through, the traveler sees an odd combination of the old, the new and the old renewed. The eclectic assortment of interesting old homes, buildings, hotels either dilapidated or boarded up or refurbished, and brightly painted Victorian inns forces the stranger to wonder what this town once was and what it will be. A thriving summer resort at the turn of the century, Bethlehem is perhaps better known today as the place to mail Christmas cards from – the post office keeps special Saturday hours during the season for the regulars who travel from afar for just this purpose. But, at the western edge of the business district, just before drivers would normally begin to accelerate back to highway speeds, there is something just a little different from the previous string of gas stations and storefronts. The traveler passing through might not notice, but there on the same block is a one-story building home to several interesting stores: the 3 of Cups antiques, Cold Mountain Café, an office, and WRENOVATION a craft store. Across the street is the Colonial Theater, the oldest movie theater in the country.

This is the block that WREN built. The building it occupies with its offices, gallery and store is a condo under shared ownership with the café, antique shop and hair salon. The theater across the street played porno movies before it shut down, but in the summer of 2002 it reopened for a new season of live performance and film. This block is the beginning, the core, of a new destination in a town that lost most of its visitors 50 years ago. This is the base from which WREN plays a leadership role in renovating Bethlehem. It is also home to a network of nearly 700 members scattered across northern Maine, New Hampshire and Vermont, many of whom drive the distance to Bethlehem, to WREN, to be part of the action that originates here.

Mission Statement: WREN inspires possibilities, creates opportunities and builds connection through community

WREN started in 1994 with a one-year grant to provide job training to poor women. A program located within a housing agency, WREN graduated 12 women that first year that went on to start 10 businesses. During the second year, the first year graduates stayed involved as informal mentors to the new group of trainees, the seeds of a new community were sown; WREN was taking shape as a network. By 1997, the network was formalized with dues-paying members who began to initiate programs under the WREN umbrella. Today, WREN encompasses a wide range of activities and services for its members including skills training in business planning, technology and graphic design, access to markets, and active networking via investment groups, special trips, regular wine and cheese gatherings, and gallery openings.

The Wren Institute is the umbrella for all WREN-led training. Classes and workshops fall into three main areas: business and financial planning, technology (computer software, graphic design and digital photography), and the Explore/Express series that incorporates a range of health, spiritual and creative themes. While the technology and business classes are official WREN offerings by instructors screened by WREN, the Explore/Express series is largely member-driven and taught by members in response to member demand. The instructors earn 60 percent of course fees, which gives them an incentive to actively market their classes. Tuition is standardized at $12 per class hour for members; $15 for non-members. In any given week, three to five classes will take place at WREN.

WREN members can participate in a rich diversity of access to markets activities. Artists and craftspeople can place their products in WRENOVATION, the retail store adjacent to the office on Main Street in Bethlehem. The store works with over 100 vendors. Behind the retail shop, a large comfortable room with antique furniture doubles as a gallery space. Each year, WREN sponsors five to six shows with publicity and openings that regularly attract at least 100 people. The February event in 2004 was called Matters of the Heart, featuring fine art, fine wine and fine chocolate. Another annual marketing event is a trade show that takes place in the fall at a former estate, now a Christmas tree farm. In 2003, the WREN at the Rocks Festival attracted 37 vendors and 370 visitors.

However, for the many members who are not craftspeople, business support is available through WREN-sponsored, member-led affinity groups. As discussed in the section on sector-based networks, affinity groups are small groups of entrepreneurs operating similar businesses who address their common needs and interests through joint action. The number of active affinity groups at any given time varies according to the group's focus and task. While there have been as many as seven groups meeting, currently, the following four are active at WREN:

- Instructors Group – those who offer courses at WREN and other local venues
- Stars North – a group of female financial professionals
- Northeast Home Inspirations – services and products for home improvement
- The Technology Group – software/hardware professionals

These groups are fascinating for their similarities and their differences and what they do and do not do. On one end of the organizational spectrum, Stars North is highly disciplined and well organized; on the other, the Instructors Group, comprised of artists and computer instructors, has struggled to define its common vision. Some have coalesced around a specific task, such as getting organized for a trade show which is very hard to do on one's own, while another, the Technology Group, was born out of a need to escape the isolation of rural-based consulting. The

eight members drive from Vermont and all over New Hampshire to monthly luncheon meetings at the Cold Mountain Café, just down the street from WREN. Although the two Web designers in the group are competitors, the informal nature of the meetings minimizes the tension between them.

These concrete programs and services are augmented by a host of networking opportunities through activities open to the community, one-time events and a multitude of partnerships. WREN hosts two investment groups, Nest Egg and Gold Diggers, which meet monthly and are open to anyone. The member-initiated Wings of the Wren offers experiences in art and adventure to girls, ages 10 to 18 and draws on the skills of WREN members. Partnerships with the SBDC and MicroCredit-NH provide access to individual business consulting and microloans, respectively. WREN's technology center and library are open to the public. Finally, WREN means fun. Last year, it filled a bus with 38 women eager to escape the dead of New Hampshire winter with a trip to the Boston Flower Show. During the school year, networking luncheons are held at member-owned restaurants scattered across the north country; in summer, the gathering changes to a wine and cheese evening hosted by various members.

Box 22: From Student to Teacher

For almost 20 years, Helen was a police officer in the north country. But when she needed a change and more flexibility in her work life, she visited WREN to explore the idea of starting a bookkeeping business. She took a business planning course and several technology classes. Eventually, WREN asked her to teach computer software classes (Word, Excel, QuickBooks and Quicken) and connected her to other clients. With teaching contracts at WREN, the local technical college and the adult education program sponsored by the regional school district, teaching became the focus of Helen's new business. She joined two affinity groups – the Technology Group and the Instructors Group.

Helen loves the WREN community. She appreciates the fluidity between members and teachers, the opportunity to suggest classes for the WREN schedule and the fun times. In 2003, Helen joined the WREN Board of Directors. Although she is a local resident of Bethlehem, Helen rarely went downtown before WREN arrived. But WREN attracts people to town and as a result, she has made a lot of new friends. With WREN, the café, and the theater, Bethlehem is no longer just a place to pass through on Route 302. It offers a *place* that isn't just for tourists.

In this model, the network is the core of the program instead of being a distinct component added to business training. Activities – education, access to markets, social and other – are built around this core.

Obviously, WREN is a busy place. It draws participation from a huge geographic area that suffers a dearth of networking resources and active community gathering spots. Women regularly spend one to two hours driving to WREN. They come to learn, to meet others, to get help starting a business; they stay for the connections and to give back – to teach a class, to volunteer in the Wings program, to serve on the gallery committee or participate in the WREN at the Rocks trade show. There are no clients at WREN, only members. The distinction between network staff and network members is easily blurred as WREN acts as a facilitator for transactions and relationships between members. As the mission states, WREN inspires, creates and builds – there is no beginning or end in that process, only opportunities for members to pursue when and if they are able and so inspired.

The community network fosters an entrepreneurial culture that is vested in the long-term development of the local community. An economically healthy community will support its businesses. Network initiatives bring entrepreneurs to community improvement projects in ways that support both.

At its core, WREN is both a geographic location and a community. With its physical presence on Bethlehem's Main Street and its active community of members, WREN is a logical leader in the efforts to revitalize the town. The success of both are mutually dependent. WREN is an active member of the Bethlehem Redevelopment Association, a group of civic leaders, business owners and residents committed to Bethlehem's revitalization. Katy Curnyn, WREN's director of Retail and Market Access, is also the volunteer coordinator of the chamber of commerce. WREN has been instrumental in the renovation of the historic theater across the street, and has launched the Stars Come Out project which uses a star theme for street banners and other public art pieces. Given the overwhelming support for the 2003 summer banner series, the town government has awarded WREN $1,500 for a winter series in 2004. Again, local artists will compete, gain visibility for their work and even win prizes. While the more common approach to enterprise development is to focus on individuals – building the skills, confidence and assets necessary for successful entrepreneurship – WREN is increasingly targeting the development of its community, both its member network and its town, as the foundation and springboard for business development.

That WREN is about more than microenterprise development is reflected in the composition of its 614 members. While 94 percent are women, only 55 percent are business owners, and less than half can be considered low income. Given the nature of this dynamic, rural network largely built by and for women (although WREN is attracting more men), the diversity in membership is not surprising. This is not a social service or poverty alleviation agency exclusively; it is a network offering a wide range of opportunities where few such resources exist. Director, Natalie Woodroofe welcomes WREN's diversity:

"At the core of WREN is the notion of community, with the aim of deconstructing the existing barriers of economic class, geographic isolation, educational experience, age, technology and business know how. We see tremendous benefit in bringing a broad spectrum of people together – young and old; novice and professional; the highly educated and those who never completed high school; artist and techie; those financially poor and those doing just fine; and long-time and start-up business owners. The mix is rich with talent, ideas, inspiration and a willingness to collaborate."

WREN's diversity is part of its strength as an agent of community development, and is, thus, an important aspect of this network model. It is also true that WREN does not attract the very poor, clients on Temporary Aid to Needy Families (TANF), and those who desperately need even the incremental income that self-employment can provide. The community network model, as exemplified by WREN, is inspiring, yet, it may not offer the right fit for programs that have a more explicit focus on either entrepreneurship or the very poor.

That WREN is a network first and foremost may compromise the business outcomes it achieves. WREN has moved away from individual service delivery because it is expensive and unsustainable. (It refers members to the SBDC for one-on-one business consulting.) It has embraced affinity groups as a cost-effective alternative that enables it to channel its support to multiple members at once. Launching affinity groups, WREN staff selected members, provided initial leadership and supported group projects with small challenge grants. However, as WREN gradually traded its active leadership for a hands-off approach to foster group independence, the groups became uneven in their performance. A few have thrived while others have fallen victim

to weak leadership and lack of direction. Most chose to produce a group marketing brochure without a clear plan for its use – for several, a course of action based on what they knew versus what they actually needed. While one can argue that the relatively small loss associated with this type of poor decisionmaking is balanced by lessons learned, this example is also indicative of the balance WREN needs to find between hands-off support and more active guidance, instruction and leadership. In its search for this balance, WREN has hired a new affinity group advisor to address group needs and chart WREN's supportive role for the future.

The core network spawns a broad array of program efforts that will evolve and expand in response to member demand, but it can also survive contraction.

Having grappled with the trade offs between an individual approach to entrepreneurship and a network approach, WREN has clearly chosen the latter. But the choice did not come easily. Not long ago, WREN did it all. In 2000, 11 staff ran business training, coaching, intensive technical assistance for business start-ups and a graphic design department. But, like many not-for-profit organizations, WREN experienced a financial crisis that forced the director and her board to narrow their focus to selected priorities. Emerging from the giddy days when ample grant funding enabled the organization to be all-embracing, WREN realized that its true strength lies in its ability to become self-reliant; and for that, WREN needs to cultivate its core – its members and its community. Like most successful networks, it has become lean and mean once again with only four full-time staff. Through membership dues, training fees, gallery sales and advertising revenues, WREN is able to cover approximately 36 percent of its annual operating costs. The store, WRENOVATION, is projected to break even in 2004. The affinity group program needs approximately $10,000 per year to cover staff facilitation and challenge grants for the groups.

The WREN network is successful because it is rural, because it primarily and historically has targeted women who gravitate to opportunities to work and socialize together, because it has created a physical presence that invites gathering. It also benefits from an innovative leader who has been consistently building toward a vision for over a decade. Without comparative experience to draw on, it is difficult to know how critical this constellation of factors is to the success of the community network model. Woodroofe believes that this model can be successfully adapted to diverse settings that cry for community, where local energy and creativity can be harnessed to cultivate the community that will support and be supported by entrepreneurship.

Conclusion

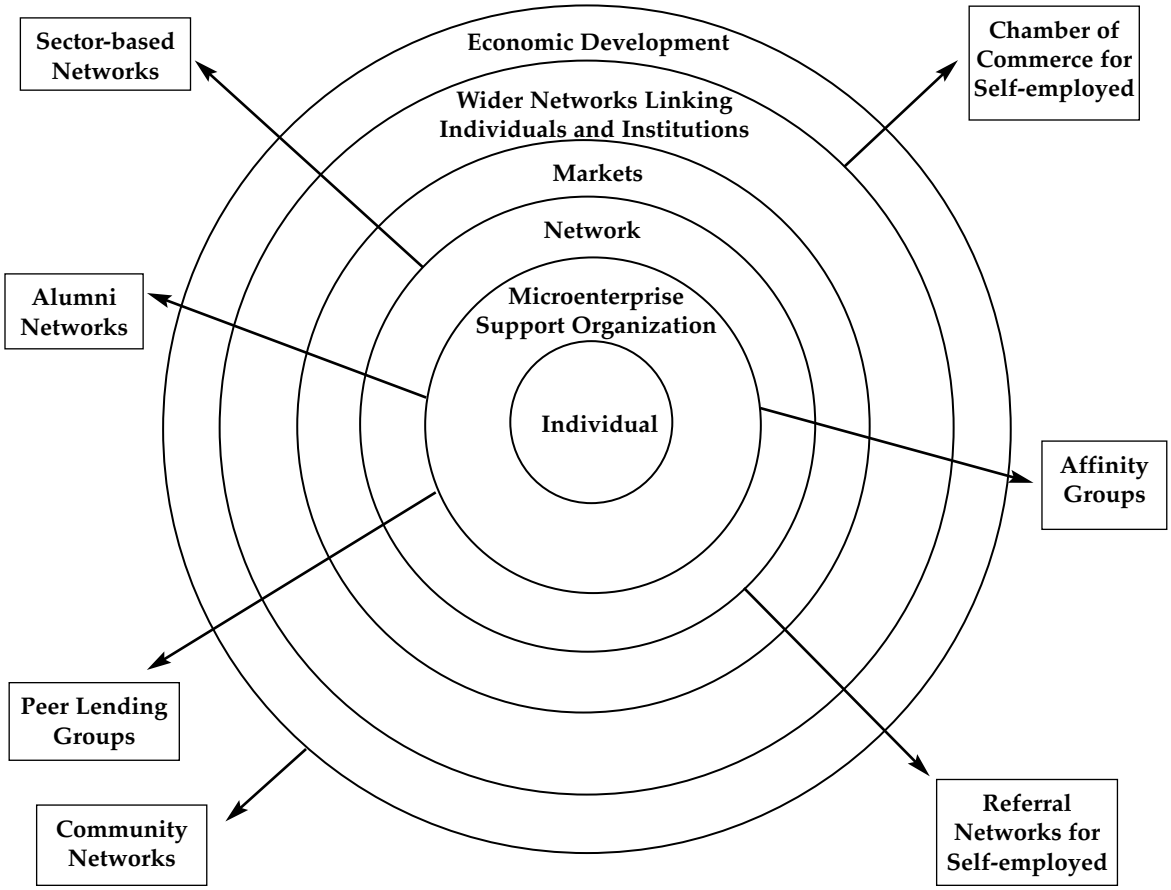
Despite their variation, entrepreneurial networks are, at their core, about building social capital and accessing opportunities linked to trust and reciprocity. Countless stories illustrate how people come together in these settings, support each other, learn from each other, contract with each other, refer each other and form partnerships. This is the essence of most networking. For microentrepreneurs, networks can be their lifeline to a stable business and greater economic security. Networks provide them a community that is a source of support and a set of economic connections. As a member of an entrepreneurial community, microentrepreneurs, who often work in isolation and are noted for their independence, gain access to the wider world. This is a connection many would not find on their own.

This guide starts with a typology of networks to help sort out the different, yet overlapping, variations on their structure and purpose. For many microentrepreneurs, a microenterprise support program is the first step in a journey toward self-employment, and ultimately, economic development (through the tiny contributions of many such businesses taken together). Participation in a network may be the next step, leading to new markets, and from there, new connections and other networks. We have seen that some networks are narrowly focused on a subset of program clients; others are positioned as community change agents. The networks described in this guide can best be distinguished by the level at which they operate, which circle in a series of concentric rippling circles, as shown in Figure 1.

The levels of experience captured in Figure 1, and illustrated by the networks featured in this guide, should help the practitioner to expand on the two basic questions posed at the outset and facilitate thinking about what type of network would be the best fit with program goals, clients and context. Is the network primarily a vehicle for follow-up services for clients? Will it be narrowly focused on program graduates? Or, should the network be an active link between clients and the community? Will the network primarily serve recent program graduates, or will it try to support mature business owners? Are there opportunities for sector-based networking among the clients? What type of expertise does the program need to facilitate the more technical projects of sector-based networks? What type of space or locale is needed?

The many choices of network services and activities – from continuing education, technical assistance and access to office technology to discounted business services, joint marketing efforts and events, product development, and institutional partnerships providing ever more diverse resources – result in a wide spectrum of common benefits. On the "soft" end of the spectrum, network members cite emotional support and motivation; participating in a group increases their accountability to their business goals. Increased self-confidence comes from refining their business goals, products and sales pitch with group feedback. The isolation of self-employment is eased by social contact with network members, who are, in turn, the best sources of referrals, contacts and clients. Moving from this "word-of-mouth" marketing along the spectrum towards more tangible business benefits, members access marketing opportunities through trade shows, network-sponsored fairs and affinity group marketing projects. Through their network, members find business partners, new ideas and innovation. In many instances, the collaboration fostered in the

Figure 1: The Ripple Effect of Networks within the Microenterprise Development Spectrum



context of the network carries over to the community as entrepreneurs choose to make contributions in a myriad of ways, including organizing community events and championing community causes.

Although network benefits are widely recognized, they are hard to achieve. Because networking is so ubiquitous and its benefits so apparent, it is considered easy, natural or spontaneous. Networking is not a phenomena readily associated with planning, program design, budgeting and strategy. Everyone wants to come to the first network meeting, but participation is hard to sustain. The social contact and support is great but will not keep people coming when they get busy. From the common needs of the emerging business owner to the more specific and technical challenges of the experienced one, networks need to offer a safe haven and compelling substance. To address such a daunting task, this guide features some of the most dynamic networks for microentrepreneurs that we could find. Their experience offers lessons that can inform future endeavors.

Plan and budget for the network. This is the most basic, yet most important lesson to be drawn from the wide spectrum of network experience. Too often networks are introduced as an after-thought, a component that is tacked onto an existing program because clients ask for the opportunity. But repeatedly, we have found that program-sponsored wine and cheese gatherings or breakfast meetings do not last, despite initial client enthusiasm. Someone needs to be responsible for the network; its purposes, meeting times, activities, and services need careful thought. What type of network makes most sense in the context of the program and its clientele? What types of support can the network offer that are high priority for clients? Although "lean and mean" is a wise

approach to the network budget, it does require some staff time and money for program activities. And, while one staff person may be in charge of the network, the whole organization must embrace and support its mission. Mountain Microenterprise Fund has a coordinator for its membership program who recruits members, negotiates with institutional partners for member services and discounts, and organizes network events; but at any such events, multiple staff are always present. Clients at Cobb learn about the alumni network when they enter the program and, at that time, sign an agreement that spells out their commitment to participate in it. Networks should be an explicit part of the program design.

Create a welcoming atmosphere. Traditional business networks do not attract microentrepreneurs because the latter do not feel welcome or secure in these settings. Their businesses are nascent and perhaps invisible; their style is typically more informal; their questions are those of the beginner; they may doubt if they have anything to offer. Different networks for microentrepreneurs are needed precisely to overcome these barriers. Their challenge is to strike the right balance between a welcoming informal atmosphere and seriousness of purpose. At the Minnesota Homebased Entrepreneurs Association, the operative concept is business casual. Members and their businesses are taken seriously but not because of what they wear or the presence of their storefront.

Make network meetings easy to attend. Schedule meetings at the same time and place every month and send out reminders. Offer food and drink. MMF contracts with a member to cater its business reunions. Some networks have child care available.

Offer incentives to attend and participate. Cobb has had huge success with its incentive system that raffles off a piece of business equipment at each monthly meeting. It also makes participation in the monthly network meetings a requirement for accessing a myriad of other program benefits. MMF offers a steep discount on the membership fee for early joiners. WREN's affinity groups can apply for challenge grants to fund their projects.

Invest in network leadership. Peer groups and affinity groups rely on strong leadership. A common complaint from members of dissolved groups is that too much meeting time was either spent on personal issues or consumed by negative group dynamics. Leaders need to learn how to facilitate an effective meeting, follow an agenda, and keep the discussion on track. Several organizations invest in training group leaders and provide them with standardized meeting agendas; others recruit community volunteers to monitor meetings.

Keep the network relevant. This is perhaps the most challenging lesson to follow as it applies to both new and old members but requires different responses. A vibrant network benefits from the active participation of emerging and mature entrepreneurs. New entrepreneurs share many needs in conjunction with starting a business that are relatively easy to address through support groups and ongoing education. But they also want contact with the experienced business owners. Yet, if the latter are to give back on a regular basis, they need to get something from the network too. Some will enjoy opportunities to teach, mentor and participate in network governance. Others seek marketing opportunities and strategic partnerships. A regular survey of members can help network staff to keep their fingers on the pulse of membership needs. Encouraging member participation in decisionmaking will help maintain relevance and avoid a precarious top-down management style. Knowing network members, and how one can benefit from knowing another, is key to maintaining relevance. ACEnet maps its network members and actively fosters connections between them. The president of Minnesota Homebased Entrepreneurs Association is an avowed matchmaker among and between network members. WREN continues to attract member participation, new and old, in a dynamic community that offers something for everyone, spanning social, business, education and community arenas.

Make the network an avenue for accessing the broader, mainstream economy and community. While networks need to be a place where microentrepreneurs feel at home and secure, a place for them to build their self-confidence through support and feedback from others who can empathize, it should also be a launching pad, an active link to the wider world. Networks have found many ways to accomplish this. They organize field trips to trade shows, large businesses or sections of a city home to concentrations of a specific business type (e.g., the garment district in New York City). They invite city leaders to network events and celebrations; Cobb increases visibility for microentrepreneurs by sending members into the community to speak on its behalf at fundraising events and political gatherings. WREN members have testified before state legislatures on small business development. The Minnesota Homebased Entrepreneurs Association actively weaves a web of institutional partners to broaden members' horizons and provide access to a wide range of benefits that extend well beyond the community of self-employed.

There are many lessons yet to learn. Today's information technology offers an obvious set of tools to foster networking that have yet to experience widespread adoption by networks and their members. WREN, the rural network in our study, thrives precisely because it offers members opportunities to come together and break out of their rural isolation. Acre found that recent immigrants were averse to using communications technology. And, while Web-based bulletin boards and listservs are in use, people are not yet ready to trade them for the personal contact that networking offers. ACEnet's goal is to move beyond the flashy Web page and invest in ways to really use technology to strengthen its network and foster business growth but admits that the field does not really know how to do that yet. The technology itself has surpassed practitioners' ability to use it. The one exception is Web-based directories of member businesses that are increasingly common.

Finally, perhaps one reason that networks have not embraced technology to date is their relationship to place. Each network we looked at has a unique relationship to a space and/or a location that helps to define it. In some cases, ties to location are primarily logistical; in others, place is part of the network soul. Acre, the network of home-based child-care providers is solidly rooted in the city of Lowell. Both providers and the families they serve live in Lowell and this contributes to their relationship to the network and each other. In Atlanta, the neighborhood base of informal child-care networks facilitates their access to local institutions – churches, social service agencies and public entities – that support them. In rural New Hampshire, the WREN community of members is scattered across the region, but they gravitate to the WREN space – the gallery, the store, the technology center. It is a gathering spot and nexus of the network. ACEnet's kitchen incubator serves a similar purpose. MicroCredit-NH seems to challenge this notion of place with its operations spread across the state including training events held in spaces borrowed from other organizations. Yet, it emphasizes its New Hampshire home, and regularly brings its members together with municipal and state leaders. This connection to a space or a place is key to achieving that sense of belonging to a community and through that community, gaining access to and more visibility in the world beyond the network.

Networking is an old idea and good one. This foray into the rich world of network experience illustrates that, despite their ubiquitous nature, questions related to the kind of network one chooses and the range of activities and benefits it will hold for members are not simple. Yet, how programs answer these questions does not have to be static. Few of the successful networks we found started out as rich as they appear today. Most have grown incrementally, adding activities and building the benefits they are able to offer. Those following in their footsteps have valuable lessons to guide them, and in turn, will develop their own twists on an age-old theme.

Tools

This section contains a selection of tools that various microenterprise organizations have used in conjunction with the entrepreneurial networks they support. Most relate to a specific type of network (e.g., peer lending groups) or a specific network service (e.g., WREN's application for its affinity group challenge grants). Two are contracts between the organization and the client. Several address group governance and by-laws, offering samples that can be adapted. The ACEnet tool shows how ACEnet is tailoring its program support to the various entrepreneurial types in its network.

1. Business Loan Group Bylaws, MicroCredit-NH
2. Peer Group Meeting Attendance Best Practices, MicroCredit-NH
3. Officer Job Description, MicroCredit-NH
4. WREN Affinity Group Challenge Grants
5. Cobb Microenterprise Center Entrepreneur's Agreement
6. Acre Family Day Care Contract for Quality
7. ACEnet Priority Entrepreneur Types

In addition to these tools, readers may find the following Web sites interesting for further exploration of network theory and practice.

www.orgnet.com – Social network analysis software, services and articles by Valdis Krebs, a management consultant and the developer of InFlow, a software-based, organization network analysis methodology that maps and measures knowledge exchange, information flow, communities of practice, networks of alliances and other networks within and between organizations. ACEnet has incorporated this kind of network mapping into its work with food sector entrepreneurs.

http://www.sfu.ca/~insna/ – International Network for Social Network Analysis

http://www.netvis.org/resources.php – Summary of Social Network Analysis resources, including software tools

www.netpreneur.org – The communications center and virtual community for (largely technology-related) entrepreneurs in Greater Washington and beyond. Originally established by the Morino Institute, this Web site has been taken over by network members and includes Netpreneur newsletters, discussion groups, content, databases, meetings and more.

www.bni.com – Learn about Business Network International, a private referral firm with thousands of local chapters comprised of self-employed entrepreneurs. Find networking resources and access local chapters.

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Additional copies of this report and the other Best Practice Guides can be downloaded free from the FIELD Web site (www.fieldus.org/publications/index.html), or ordered by calling the Publications Hotline: 410-820-5338. Only a limited number of copies can be distributed free; a small shipping-and-handling fee may apply.

Also available:

Improving Microenterprise Training and Technical Assistance: Findings for Program Managers, a synthesis and compilation of executive summaries drawn from research projects undertaken by five microenterprise programs seeking to identify the elements of effective training and technical assistance. This 60-page volume can be downloaded free or ordered for $10 to cover shipping and handling.

Full reports written by the five microenterprise programs that conducted research for *Improving Microenterprise Training and Technical Assistance: Findings for Program Managers,* are posted on FIELD's Web site, www.fieldus.org/li/improvingME.html, and can be viewed or downloaded free.

Assessment Tools for Microenterprise Training and Technical Assistance, a manual offering 13 tools designed and used by practitioners to conduct in-depth assessments of their training and technical assistance services. Priced at $15, the manual explains the purpose of each tool, as well as when, during the training and technical assistance process, it should be applied.

A section of FIELD's Web site (www.fieldus.org/li/index.html) also provides information about FIELD's research into such topics as: how practitioners can deliver ongoing technical assistance to clients at reasonable costs; how microenterprise organizations can expand their outreach and generate significantly higher numbers of clients; and how organizations can help microentrepreneurs sell their products in more lucrative markets. For general information about FIELD, please visit: www.fieldus.org

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