

Development of Inclusive Entrepreneurial Communities

Peru



Oswaldo Tello

Organization type:

for profit

Project Stage:

Idea

Budget:

\$10,000 - \$50,000



- [Business](#)
- [Economic development](#)
- [Financial services and markets](#)
- [Income generation](#)
- [Poverty alleviation](#)
- [Vulnerable populations](#)

Project Summary

Elevator Pitch

Concise Summary: Help us pitch this solution! Provide an explanation within 3-4 short sentences.

We promote and implement inclusive communities where every person had the opportunity to obtain economic self-sufficiency by running a business successfully, providing him/her access to:

- Acquire and develop technical, managerial and entrepreneurial skills
- Financing for start-up a new business or to expand an existing business
- Information regarding markets situation and business opportunities
- Networking with potential investors, partners, clients, suppliers and other public and private institutions related to microenterprise and/or small business incubation & development

Youth, women, indigenous people, disabled people, teens at risk, will be always included in these Entrepreneurial Communities

About Project

Problem: What problem is this project trying to address?

Many poor people, who cannot get a job in the formal economy, create their jobs by doing what their parents and neighbors do: they roll out a blanket or set up a stand to sell fruit, sandwiches, cold drinks, or homemade goods. In doing so, they become microentrepreneurs—literally small-business owners. They enter the world of microenterprise, not because they are knowledgeable about business or plan to earn money that way long-term, but because they simply have no other choice. Almost all of them are not enough prepared to create and develop a successful business endeavor that will enable them to escape poverty. Their microenterprises lack of viable business plans as well as complete and accurate financial information. These microenterprises do not have the time or resources to develop new markets beyond the immediate location that they serve. They are not aware of how to obtain information about other markets or how to market their product to customers within other markets. They have virtually no internal bookkeeping system that can provide them with vital information for effective management. Because of their limited resources, they cannot hire accountants and other consultants who are trained to identify risk and take actions to mitigate them. Furthermore, most of these microentrepreneurs do not necessarily have an entrepreneurial spirit and may actually be better suited as employees. As a result of this lack of entrepreneurial vision, many times people who do not know what kind of business to start, simply copy other businesses, often leading to a crowded marketplace. Since most of these small businesses operate in the informal sector, they typically operate with a low-level organization on a small-scale, have low and uncertain wages, and no social welfare and security. Due to their small size and illegitimate status, these informal enterprises face a number of constraints. They are not registered and cannot benefit from many support programs initiated by the government, including financial assistance, training, tax incentives, etc. These microenterprises are also restricted from setting up shops in certain areas of town and face fines for violation. In some cases, they face harassment and extortion from local officials. Small businesses in the informal sector suffer from all of the obstacles faced by medium size and big enterprises, as well as additional operating challenges which make them particularly vulnerable. The public sector of Third World Countries does not provide the poor with cash aid, food assistance or health insurance. This lack of a safety net, the lack of a social structure to care for and support the disadvantaged members of society, arguably requires the poor to take risks with new business ventures because they have nothing to lose and everything to gain. As “necessity entrepreneurs,” these hardworking people are in business because it is their only method for survival. Without a clear vision of how to run a business, these necessity entrepreneurs learn principles in the most costly way possible—by trial and error, what is reflected in the high mortality rate among the Peruvian microenterprises: From every 10 new start-up small businesses, only three survive during the first year of operations. Only two arrive to the third year of existence, and only one of them is passing de bar of five-years-of-operation. The lucky survivors generally find that even after working long hours, seven days a week, they are barely able to take home enough money to buy food for another day. Although microfinance has helped many clients improve income and living standards through self-employment, recently many microfinance

institutions have found a disconcerting trend in their clients' businesses: self-employment businesses of nine out of every ten clients stop growing after have had several consecutive loans. The client's business size tends to plateau when the owner reaches her maximum daily sales potential. This point is usually the total amount of sale he or she is able to make by herself in a work day without hiring an additional employee who might help her to further grow her business. As a result, the size, growth, and reach of the business levels off. This results in arrested business and job growth. Thus, while microfinance and business development services are doing much good, they are still not the complete set needed for a global successful Microenterprise development. Additional keys to improving poverty elimination efforts in developing Countries lies in new types of approaches to assist these "necessity entrepreneurs" to develop or improve a business and turn it into a successful venture that can provide significant income.

Solution: What is the proposed solution? Please be specific!

To design, test and implement a mix of innovative approaches and methodologies in order to accelerate the process so that an ordinary person become an extraordinary entrepreneur, in a sustainable way. Being a wealthy and successful entrepreneur on a permanent basis, this person will have the means, time, energy and motivation required to reach true human development, for himself/herself and his/her family, and then, help other persons to get the same level/quality of life.

Impact: How does it Work

Example: Walk us through a specific example(s) of how this solution makes a difference; include its primary activities.

Sustainable livelihoods business is distinct from charity or philanthropy. It is strictly business, new business and new markets, business that benefits the poor and benefits the investors. It is primarily about how to develop and engage in these new business opportunities and how to "do well by doing good", alleviating poverty and increasing prosperity and opportunity for all. Since the entrepreneurial process is emergent, non-linear, dynamic, and fluid, we will apply a mix of the following methodologies: Micro-Venture Capital, Micro-Private Equity, Micro-Franchising, Network Marketing, and Employee Stock Ownership Program (ESOP) in order to accelerate the process so that an ordinary person become an extraordinary entrepreneur in a sustainable way. We plan assist people who want to start a small business (Microenterprise Incubation Program) and people who want to expand their existing small business (Microenterprise Development Program). We will assist them to establish liaisons with "Angel Investors" who after of a deep analysis and due-diligence of the participants and their business plans, will decide if they are willing to associate with them – through a Micro Venture Capital or Micro Private Equity intervention (Investments between US\$ 2,000 and US\$ 10,000)- in order to: - Start a new original small business, or a microfranchise business developed by other existing successful enterprise - Strengthen an existing small business or expand it through the creation of a Microfranchise format to offer to potential franchisees

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