

Section VII



Entrepreneurship Training To Stimulate Small-Business Growth, Retention and Expansion



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An effective local workforce training system encompasses the elements of literacy, skills training and job placement and Career Ladders. It requires a further element as well: training for entrepreneurs to stimulate new business growth, retention and expansion.

Los Angeles has a range of entrepreneurship training and technical assistance programs for entrepreneurs in various sectors and with businesses of various sizes. These programs are operated by the area's universities, business associations, private proprietary schools and community-based organizations.

The city government is active in entrepreneurship training through the Los Angeles Business Assistance Program of the city's Community Development Department (CDD). The Program includes three specialized training and professional services projects: the Retail/Service Business Component aimed at neighborhood-oriented shopping areas, the Growth Business Component, aimed at growing companies within targeted business sectors, and the largest component, the Micro-enterprise/Entrepreneur Component, aimed at newer, small businesses and at low-income persons thinking of starting a business. The Program has been funded through the Community Development Block Grant, with an annual budget in the range of \$2.3 million.

To participate in the Micro-enterprise/Entrepreneur Component, a micro-enterprise owner can be in operation for no more than five years or have annual sales above \$200,000. An entrepreneur must demonstrate commitment to business formation and meet low-income criteria. The CDD contracts with five agencies chosen through a competitive process to do the training and technical assistance as set out below:

Table 1-VII

The City's Micro-Enterprise/Entrepreneur Training: 2004	
Agency	Area of Operation
Valley Econ Dev Corp. (VEDC)	San Fernando Valley/Northeast
Vermont-Slauson Econ. Dev. Corp	South Los Angeles
CFRC Harbor Business Center	Harbor Gateway
Pacific Asian Consortium in Employment (PACE)	Northeast LA/North LA
Barrio Planners	East Los Angeles/Metro

The training includes skills for writing a business plan, identifying potential sources of capital, managing employees, record keeping and bookkeeping, and meeting the requirements of local and state governments. The training is tied to individual technical assistance. The VEDC classroom training, for example, is 25 hours in length over an eight-week period in the evening, and the classroom training is augmented by one-to-one assistance. In the 26-month period between October 2000 and December 2002, 460 micro-enterprise business owners and 1127 aspiring entrepreneurs participated in the Micro-enterprise/Entrepreneur training.



The evaluations done by CDD of the Micro-Enterprise/Entrepreneur training found that the training improved over time from its roots in the Entrepreneurial Training Program that the city sponsored in the late 1990s. Today, the training is more targeted, employs better screening and links training more fully to individualized technical assistance than did previous entrepreneurship training programs. The participant surveys found that participants regarded the training as valuable and believed it assisted them to avoid mistakes, target services or products and identify business loans.

This Micro-Enterprise/Entrepreneur component represents a relatively low-cost and sound approach to job creation, and it is in line with other effective entrepreneurship training programs in the United States.¹ There are several ways that the city might build on this training, linking to the growing Individual Development Account (IDA) program, and more importantly, expanding to mid-sized businesses, above the size of those served in the current entrepreneurship training program.

The IDA program is an asset-accumulation approach to improving the economic condition of low-income and “working poor” Americans. Launched in the early 1990s, the IDA program is a partnership between the federal government and private foundations to encourage greater investment in home ownership, post-secondary education and business formation. Through the IDA, a lower-income individual or family can invest a modest sum each month and have this amount matched by government/foundation funds. The money can be withdrawn and used for select purposes, of which business formation is a primary one.² The IDA program has been one of the fastest-growing parts of the community development field.

A number of IDA programs have been established in Los Angeles, primarily by community-based agencies with the United Way of Los Angeles as sponsor and facilitator. In some cases, the agencies already are part of the City’s Micro-Enterprise/Entrepreneur Component, so that their IDA participants starting businesses are tied into entrepreneurship training. This tie to the city’s Micro-Enterprise/Entrepreneur Component should be encouraged for all IDA entrepreneurs.

For businesses above the micro-enterprise level, the city does sponsor a Growth Business Component as part of its Los Angeles Business Assistance Program. This component focuses on one-to-one training, tailored to the individual business owner’s need, be it financing, marketing or personnel management. The training has been targeted at business sectors that the city seeks to be job generators, including metal fabrication, furniture, food processing and printing. In recent years, the Growth Business Component has been relatively modest in size with a budget of less than \$200,000 annually.

As noted earlier in this report, in 2002, mid-sized firms—firms with between 10 and 99 employees—constituted 24 percent of firms in Los Angeles, and 33 percent of jobs.³ These mid-sized firms are currently the targets of entrepreneurship seminars and training by entities outside of government, including the area’s universities and private business associations. But given the important role of job generation by these firms, it is worth exploring whether training might be expanded, ranging from expanded one-to-one to mini-MBA programs targeted at mid-sized firm owners and/or management.

Such exploration could be undertaken with private foundation funds. Among private foundations, the local government’s role in entrepreneurship training, and the most effective training designs, are timely issues. The CDD and its Growth Business Component trainers might be brought together with other training organizations and business associations into a working group. The group’s charge would be to evaluate the forms of entrepreneurship training targeted at mid-sized firms in Los Angeles and other cities, and recommend possible additional training designs in Los Angeles.