

Introduction

Stephen W. Gibson and Jeremi Brewer

The field of necessity entrepreneurship is gaining traction in academia, as well as among international policy makers. This book comes to fruition just a few weeks after the Inaugural Necessity Entrepreneurship Conference, which was sponsored by the Ballard Center for Economic Self-Reliance in the Marriott School of Management at Brigham Young University, as well as the University of Illinois and the Kauffman Foundation. The primary purpose of the Necessity Entrepreneurship Conference was to provide thought leaders and policy makers from around the world with a platform that fostered theory creation and debate. Many of the chapters produced in this book were delivered, discussed, and debated during this conference.

This book is the first volume of a two volume book series dedicated to clarify who necessity entrepreneurs are and how microenterprise education can more fully help necessity entrepreneurs productively impact the economic development of their respective families, communities, and nations. The theory presented in this volume suggests that microenterprise education can – if presented in a culturally-specific curriculum – do a greater amount of good for necessity entrepreneurs than loaning them money without business education.

Jeremi Brewer

For the past 25 years I have watched the waves of microcredit rise and fall with each passing decade. Perhaps this is one of the greatest blessings of age: one can watch and reflect upon decades of time. In fact, I remember when we first started hearing how microcredit was surely the ‘silver bullet’ to help end poverty through small loans to the poor in remote areas. I remember donating to microcredit organizations that claimed to help raise the poor out of poverty. After many years, when I sold my business, I decided I would become more involved in the space of social-entrepreneurship: even if that meant sitting on a board of an institution that was lending money to the poor.

I had my reservations about lending money to the poor. I found myself asking questions to those involved in the space such as: If money alone solved the problems of poverty, then would the billions of dollars sent as

foreign aid to impoverished nations from developed nations for a century, not have solved the problem a long time ago? Then there was the question about how the poor would deal with receiving a loan. After all, these are wonderfully hard-working people who historically had no access to money and who definitely had not received money-management training previously. It seemed to me that burdening them with debt to start or grow their businesses was simply not the most appropriate venue to help them succeed. The risk was just too high.

The more I became involved with NGOs seeking to help the poor through loans the more unsettled I became. I had made a half a dozen trips to the Philippines and would shake my head as I came home and think: giving money to individuals who have started a small income-generating activity out of necessity is not the best solution to the problem because they simply do not know to use the money to start or grow their microenterprise. Instead, what these necessity entrepreneurs really need is a basic, business education and a shift from a financial culture of poverty to a culture of financial success.

As of today, we all can see that microcredit has not universally eradicated poverty. Undoubtedly, there are many whose lives are better, but the masses of poor still remain. This is precisely why I offer microenterprise education as another tool and resource for the poor who are already involved in operating a small business. I am convinced that, if we can help microenterprise operators understand the most basic business principles and overcome the deeply seeded, multi-faceted challenges of culture (in other words, separating personal and business finances, fatalism, record keeping, formal/written agreements) we will see a significantly positive economic impact within developing nations.

Stephen W. Gibson

This volume has opened the door to, and laid the groundwork for, a more precise discussion on necessity entrepreneurship and economic development. In Chapter 1, Dr. Jeremi Brewer overviews the leading sources regarding necessity entrepreneurship in an effort to illustrate how necessity entrepreneurs can range from the young children of La Paz, Bolivia peddling their products in the streets to the college educated Filipino who simply has little access to formal employment. Dr. Brewer also proposes an innovative categorization of the various necessity entrepreneurs, suggesting that there are at least three categories of necessity entrepreneurs: (1) Low-performing (individuals with little to no formal education), (2) Mid-performing (individuals with some formal education) and finally (3) High-performing (individuals with college degrees).

In Chapter 2, Stephen Gibson shares his vision on how to better

understand the needs of necessity entrepreneurs and how to help them prosper in their microenterprises by providing them with a culturally-based business curriculum that focuses on both external and internal factors for behavior change.

In Chapter 3, Dr. Gruber and Dr. Dencker empirically explain how necessity entrepreneurs (founders) lack the necessary business know-how for starting, operating, and growing a small business. Furthermore, they articulate that, once individuals have acquired more skills in a specific industry *or trade* they are much more likely to succeed in creating a sustainable microenterprise.

Chapter 4 is written by Dr. John Hatch, founder of FINCA. In his chapter, Dr. Hatch draws upon his 40 years of experience in the field of economic development and argues that the 'truest' necessity entrepreneurs throughout the world are not the highly educated, nor the moderately educated, but rather, illiterate women and mothers. And, in the spirit of seeking a brighter future for these illiterate mothers, Dr. Hatch suggests that, while the mothers may not be able to read or write, they have access to family capital (in other words, their children who can read and write) which enables them to have a higher chance of success with their microenterprise.

In Chapter 5, Mark Coffey proposes a hybrid of integrated non-financial services and lending for necessity entrepreneurs. Coffey also articulates the need for micro-finance initiatives (MFIs) to place far less attention on pure financial terms (such as increased cash flow, assets purchased and increased profits – all of which lead to improved standards of living) and more attention on the life-changing impact of the additional non-lending services that *could* be provided by MFIs. Coffey then addresses the current movement within the microfinance sector toward MFIs offering a hybrid of integrated non-financial services and traditional loan products to necessity entrepreneurs who, without such assistance, would perhaps never break out of poverty.

In Chapter 6, Dr. Robert Hisrich and Dr. Claudine Kearney build upon the theory offered by Joseph Schumpeter, in that entrepreneurship is as a major influence in driving economic growth and development. They articulate that, though Schumpeter predicted an increase in the number of entrepreneurs will result in an increase in economic growth, his theory has not been supported in the developing world where necessity entrepreneurs abound. Furthermore, Hisrich and Kearney focus their attention on the various bureaucratic barriers that necessity entrepreneurs face when starting/operating a microenterprise and how governments and policy makers could streamline such barriers.

In Chapter 7, Dr. Wendy A. Lindsay highlights the stark reality that necessity entrepreneurs face in developing nations, namely: they struggle

to cause any type of significant impact on the economic development of their respective nations. She then explains how, from a policy perspective, it is important to understand the underlying entrepreneurial motivations for individuals if effective entrepreneurship encouragement and support programs are to be developed and implemented. Finally, she offers an empirical case of 287 South African necessity entrepreneurs who participated in a longitudinal (three year) training program. Ultimately, Lindsay concludes that a comprehensive entrepreneurial training program could enhance the entrepreneurial intentions and outcomes of nascent entrepreneurs motivated by necessity.

In Chapter 8, Dr. Gibb Dyer applies his family capital theory to the case of the necessity entrepreneur. In this chapter, Dyer explains how, while 'necessity entrepreneurs' often have greater difficulty gaining access to the resources they need, compared with those more experienced entrepreneurs who have established resource networks, most necessity entrepreneurs can access one form of capital that can help them succeed – family capital. 'Family capital' is the human, social, and financial resources that are available for individuals or groups as a result of family affiliation.

In Chapter 9, Dr. Allan O'Connor, Dr. Eva Balan-Vnuk, and Dr. Manjula Dissanyake analyze policies for entrepreneurship education in Sri Lanka, a country that exhibits a high level of necessity-based entrepreneurship. In their chapter, they address several important questions such as: How is entrepreneurship education policy used in practice to support the development of necessity-driven entrepreneurs in Sri Lanka? Will the empirical evidence from Sri Lanka shed light on whether government policy for entrepreneurship is socially skewed in necessity-based contexts? Can we expect that the alleviation of poverty and reduction of unemployment will dominate the entrepreneurship policy agenda or will a more enlightened approach recognize the importance of entrepreneurship in the knowledge and market sectors of the economy?

As is the case with most thought-provoking books, it is the desire of the co-editors that more questions and academic inquiries will result from this, the first of two volumes, addressing the great potential that microenterprise education has for the tens of millions of necessity entrepreneurs throughout the world. It is the vision of the co-editors of this book, as academics, policy makers, governments, and practitioners (NGO/NPO) join the growing discourse and movement regarding microenterprise education for necessity entrepreneurs, millions of individuals, families, employees, and communities will see a quantifiable and significant impact on the economic development of nations.

Jeremi Brewer
Stephen W. Gibson

