

Providing for Underserved Entrepreneurs

An Interview with Connie Evans, President and Chief Executive Officer, Association for Enterprise Opportunity (AEO)

EDITORS' NOTE *Connie Evans is a visionary leader, astute strategist, activist, and social entrepreneur who has founded three organizations. In 1986, she was the founding president of the award-winning Women's Self-Employment Project, the first and largest urban micro-business development organization in the U.S., and the first adaptation of the Grameen Bank model to a U.S. urban setting. She also pioneered one of the first matched-savings programs – Individual*



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Development Accounts – in the country. In 2000, she founded WSEP Ventures, a social enterprise-hybrid organization developed to serve as a catalyst for social change, economic development and community empowerment. In 2007, she founded CSolutions Consulting, an advisory boutique specializing in solutions that address social change. An international development consultant with more than 25 years of experience, she has been recognized and utilized by such groups as the World Bank, the Clinton Administration, and a host of local government, private and independent-sector organizations. With international experience spanning 43 countries, she draws on her expertise in developing and implementing strategies to further economic development, health, and social change in communities. Evans started her career in community mental health as a master-level psychologist. As the Assistant Director of a Hull House Association affiliate in Chicago, she became the Project Director for the first resident-managed public housing site in the city. She helped low-income women organize, develop leadership skills and learn business acumen in order to take control over a multi-million-dollar enterprise. Evans has given lectures at universities throughout the U.S., and is a frequent panelist and keynote speaker at conferences around the globe. She has many distinguished awards, including being named the Inaugural Twink Frey Social Activist in 2006; the 1996 Chicagoan of the Year by Chicago Magazine; the first Teknion Humanitarian Award in 1999; Gloria Steinem Woman of Vision Award; 1998 Community Leader of the Year presented by the African American MBA Association at the University of Chicago; the PayPal Maggie Lena Walker Achievement Award; and the Chicago Community Service Fellowship Award

by the Chicago Community Trust. Evans served two elected terms on the Board of the Federal Reserve Bank of Chicago – the first African American woman to hold such a position – and was appointed by President Clinton to the CDFI Advisory Board, a fund in the Department of the Treasury. She was appointed by President Obama to be a member of the U.S. Delegation to the United Nations 54th Session of the Commission on the Status of Women. She was also appointed by President Clinton as a member of the

U. S. Delegation to Preparatory Meetings for the Summit of the Americas, the U. S. Delegation to Preparatory Meetings for the United Nations Fourth World Conference on Women in Beijing, and again for Beijing Plus Five. A strong advocate of good governance in nonprofits, she has nearly 20 years of service on philanthropic foundation boards, and serves on a number of national and international boards.

INSTITUTION BRIEF *Since 1991, AEO (aeoworks.org) and its member and partner organizations have helped millions of entrepreneurs contribute to economic growth while supporting themselves, their families and their communities. AEO's more than 2,600 members and partners include a broad range of organizations that provide capital and services to assist underserved entrepreneurs in starting, stabilizing and expanding their businesses. Together, AEO is working to change the way capital and services flow to underserved entrepreneurs so that they can create jobs and opportunities for all.*

Will you discuss the history of the Association for Enterprise Opportunity (AEO) and how you define its mission?

Association for Enterprise Opportunity (AEO) was founded by a national group of micro business development practitioners. There were 27 people, representing 22 organizations, who came together at a planning meeting to explore the shape of consensus within this very diverse group of actors in the field around key design issues surrounding the formation of an association to advance enterprise opportunity. Members of the group discussed the purpose they wanted the association to serve which included policy reform, practitioner exchange, recognition of increasing the income and human capital of low-income people as economic development, and improving practice, to name a few. Eventually, they settled on this mission statement, which is periodically reviewed but has not changed since its founding in 1991: to create economic opportunities for underserved entrepreneurs. AEO is unwavering in its commitment to serve the needs of underserved microbusinesses and entrepreneurs of color.

AEO is organized as a membership and trade association to provide services to strengthen the ability of membership organizations to provide for underserved businesses. Technically, we are not a direct service organization to entrepreneurs themselves; but like many companies, we met the calling to service that we uniquely could fill at the onset of the COVID-19 pandemic and directly served entrepreneurs. This pandemic period in our country has historical significance at AEO in several ways. First, as I mentioned, it called on us to

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pivot and focus our attention on corralling our corporate technology partners to create a digital platform to provide free cloud-based services directly to entrepreneurs. Secondly, in order to meet the greater demand from Black entrepreneurs in particular, AEO grew its staff, budget and balance sheet four-fold in less than two years. Third, many of those Black business owners have joined the AEO membership – a totally significant new class of membership that we greatly welcome, but were not prepared for. A historic change for AEO.

Will you provide an overview of AEO’s work and initiatives?

Since I arrived in 2009, AEO has focused on changing the way capital and services flow to underserved entrepreneurs. Our data shows that there is a real market failure on Main Street characterized by the reality that there are 8,000 declined requests for credit from traditional banks each business day for entrepreneurs seeking \$250,000 or less. Moreover, working together on a big data project to size the market gap with IBM and Dun and Bradstreet, AEO found that there is a \$52 billion credit gap for loans less than \$250,000 to Main Street. Further, a market sizing study found that of the 2.2 million small businesses in low-wealth communities that seek credit each year, most struggle. Although these numbers are all pre-pandemic, I doubt much has changed. This failure to Main Street continues to drive our work and initiatives.

Primarily, we have four major workstreams: 1) research which informs our initiatives with data in order for policy-makers, practitioners, corporations and other stakeholders to make informed decisions about the programs, products and policies to support entrepreneurs; 2) advocacy and government relations to educate and influence rational federal policy; 3) innovations that are high impact for the entrepreneur, scalable, and solve pain points for owners of microbusinesses; and 4) strategic communications which gets our publications, conferences and convenings, insights and thought leadership out into the world.

Our initiatives sometimes focus on a particular segment of entrepreneurs, such as entrepreneurs with prison records, Black women entrepreneurs, or rural entrepreneurs. They sometimes focus on an issue, such as capital

access or reimagining technical assistance (the non-financial services delivered to entrepreneurs which AEO calls “trusted guidance”). In most cases, we address the intersection of segments and issues or pain points. For example, we have an initiative that is testing potential new credit underwriting for entrepreneurs with prison records. We have demonstrated that the new tool works for underwriting entrepreneurs with criminal records and are now planning to scale the tool across the industry.

What was the vision for creating AEO’s Innovation Hub Model?

Let me provide a perspective of the landscape at the time we created the AEO Innovation Hub before sharing our vision. Despite growth in community finance (finance to low-wealth communities and markets) over the decades, the supposed promise of fintech, and some early, isolated innovations, microbusinesses remained a severely neglected segment of the financial markets as described above. Why should microbusinesses, which represent more than 90 percent of all businesses in the U.S., be in this situation? AEO believed and still believes that absent concerted leadership and a mechanism for driving innovation truly tailored to the needs, challenges and opportunities of underserved microbusinesses, progress in terms of financial inclusion is likely to be slow and underwhelming.

It was in this context that AEO’s vision was born: to seize the opportunity to provide leadership and take on some of the market’s most persistent challenges through a platform

that coalesces diverse parties to form new and unique partnerships (i.e., AEO and PayPal), provide research and expertise to inform solutions, and act as a catalyst to bring new ideas to action. We further envisioned that all of the solutions that came from the Innovation Hub would meet three criteria: 1) deliver high impact for entrepreneurs; 2) be scalable – able to reach millions of microbusiness owners across the country; and 3) be financially viable and sustainable for member organizations and/or entrepreneurs to continually afford and sustain the solution.

In the long term, that vision would lead to increased innovations that bring disruptive change, creating a more robust market for underserved entrepreneurs; increased access to resources and services, particularly for the New Majority; and increased synergy between market actors serving microbusinesses.

The Innovation Hub is another way AEO works at changing the way capital and services flow to underserved entrepreneurs.

AEO helped facilitate \$300 million in grants to small businesses during the pandemic. Will you discuss this work and how AEO leveraged its corporate partnerships to provide capital and technical assistance to help so many businesses survive?

Managing at the start of the pandemic was perhaps the greatest leadership challenge I have had to face at AEO. Watching the economy come to a standstill was heart-breaking and knowing that Black businesses and their families, more than others, would even be at greater peril was devastating. Every crisis needs a hero and for AEO that hero was Dan Schulman, President and Chief Executive Officer, PayPal. Under Dan’s leadership, PayPal created a \$10 million fund for empowerment grants to Black-owned businesses impacted by COVID-19 or civil unrest and selected AEO as their partner to manage that fund. My team set up the fund from application to disbursement within 32 hours. We were quickly oversubscribed, and Dan reached out to other corporate leaders to make similar commitments. PayPal added another \$5 million in grants. That’s how we started. Those grants provided direct support to business owners to cover expenses related to stabilizing and reopening their businesses.

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The list of corporate partners with similar commitments grew and so did our services. One partner decided to review applications in-house and retained AEO to provide their Reviewers cultural appropriateness training for the decisioning of applications from Black business owners, resulting in the distribution of a six-figured fund. Returning to PayPal, they brought a number of corporations to partner with AEO to build RESILI™ which is a best-in-class online platform that connects entrepreneurs to online courses, webinars, industry insights, and networking opportunities all in one, easily accessible, central place. The platform supports small business growth by providing custom-designed resources that meet the needs of entrepreneurs, regardless of their learning style of preference (i.e., self-paced, guided, and on-demand).

These grant programs were very successful in helping Black-owned businesses to survive. When we surveyed the PayPal grantees a year after their grants, we found 99 percent were still operating. We are conducting a similar follow-up to look at the impact of other grants as well. Through the hundreds of emails and messages sent to us in gratitude, we also found how much “hope” the grants brought to the owners. Some stated how they were about to give up until they received the grant from AEO and PayPal. What began out of crisis has blossomed into relief, survival, and sustainability for hundreds of Black-owned businesses.

How critical is innovation to AEO and will you highlight AEO’s building of the first-of-its-kind credit innovations like myWay to Credit?

Innovation is a hallmark of AEO and is a key driver of our business model. We think innovation at its core is solving problems and it takes several forms. Innovation at AEO can show up as solving the capital access problem for entrepreneurs with prison records through new underwriting tools, or solving the market access gap between community development finance institutions (CDFIs) and entrepreneurs searching for capital. That is why AEO created myWay to Credit.

Even though underserved entrepreneurs are most often declined for capital from traditional banks, that is still the most common place they go to apply for business capital. In 2015, the CDFI Fund in the Department of the Treasury announced AEO had won the CDFI Innovation

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Challenge with a proposal to develop a screening and assessment tool to match small businesses searching for loans from banks with a CDFI that may be able to meet their needs when other bank lenders cannot. You must remember that our documentation showed that every business day, 8,000 requests for credit from small businesses are denied by banks. But AEO believed that some of these same businesses may be eligible for assistance from a CDFI – they just didn’t know about each other.

AEO developed myWay to Credit as an online tool to screen and sort referrals from bank declines and match them to potential CDFIs who will then assess their fit for a loan from the CDFI. By taking on such innovation and initiatives, AEO consistently elevates and builds awareness of this capital access issue to the banking community.

How critical are metrics to measure the impact of AEO’s efforts?

A hallmark of every organization where I have been the Chief Executive Officer is that we engage in strategic planning, we establish goals and we measure our progress against those goals. Metrics are incredibly important. For example, AEO is now in its fifth and final year of its most recent strategic plan and we monitor and measure our progress against an annual implementation plan that has specific metrics within it for the five-year period. I am proud to say that going into our fifth year, we have met 97 percent of the plan’s goals. Working with our board of directors, we are using this year to strategically think about our future mapping

for the next 3-5 years and rolling our plans and strategic goals forward.

What excited you about the opportunity to lead AEO?

I have spent a good portion of my career in international microfinance where scale and institutional sustainability has been prioritized and strategically planned, supported, and achieved. This quality of support has dramatically expanded the number of individual businesses served. I wanted to bring that type of transformation to U.S. microfinance and microbusiness. The products and services from AEO member organizations can have such great impact, but there are market reach challenges, capital and sustainability challenges, staffing and costs challenges, as well as government regulatory challenges. Working to bring disruptive change to overcome these challenges excited me then and continues to inspire me today.

What do you feel are the keys to effective leadership and how do you describe your management style?

I believe effective leadership requires listening, bold decision-making and emotional discipline. As a leader in the business of trying to create a better market place that meets the needs of low wealth entrepreneurs, I better listen to understand their needs and challenges, and when dealing with their pain points like the trust gap, it’s important that I act with discipline and not allow my emotions in how I experience the trust gap in my own life affect my decision-making.

I describe my management style as consultative. I hire smart people and I want to hear from them, and I like data and input from my team members. I believe my consultative style also helps to build leadership skills and practice in my team members as I engage with them in ways that shows I trust and value them and how they engage in the workplace.

What are your priorities for AEO as you look to the future?

My priorities for AEO are focused on the following:

- Innovating solutions for various segments of entrepreneurs
- Building a center at AEO that becomes the premiere data source for Black business and family economic mobility
- Financial sustainability for AEO. ●

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