



Developing Resources for Economic Growth:

Educating Underserved Communities to Foster Entrepreneurship

Inter-American Educational Consortium

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The Inter-American Educational Consortium provides entrepreneurial development and training for disadvantaged groups and veterans with prioritization of business ideas capable of producing leveraged or impact investing results locally, nationally, and internationally.



Introduction

Being disadvantaged or lower-income does not mean people lack intelligence or drive. What it often means is they have not had the educational access that those of higher means have nor the guidance and mentorship that is so necessary to be able to develop innate potential, including the potential to start and grow businesses. Our view is that if these ingredients can be provided, entrepreneurs can be developed and that entrepreneurship need not be exclusive to those with extensive resources, connections, or technical backgrounds. These entrepreneurs will seed their communities with new businesses, new jobs, and new prosperity. More jobs are provided in the United States by small businesses than by large corporations. Our program will help to provide the needed training, connections, advice, and confidence for historically underserved individuals and groups in Austin, Texas, to successfully launch their business ideas.

The Inter-American Educational Consortium (IAEC) was established in Austin to nurture entrepreneurship throughout the Americas. We have provided entrepreneur training in Mexico, Chile, and Costa Rica, enabling over 1,000 start-up businesses to develop and thrive in these countries, and in doing so to help improve social and economic conditions in these communities. We now want to start assisting and training more entrepreneurs from underserved populations in our own backyard, and we are seeking grant dollars to help support this effort.

Statement of Need

The big-picture need we identify is the decrease in entrepreneurial enterprises that help to grow the economy and provide middle-class jobs. When we talk about “entrepreneurial” businesses, we mean businesses that result in many new jobs that are based on the new value and wealth created, and thus not small neighborhood businesses that tend to transfer existing employment, such as with a new local restaurant for example. There are many reasons for this decrease in entrepreneurial enterprises being formed but one is because of the strong tendency of founders to be white and male, while our developing societal demographics would imply we should see more ethnicities and female leadership in this field. Thus there are just not enough people from traditional sources available to form the needed enterprises.

Furthermore, the usual source of entrepreneurs has been the middle class, a socioeconomic group that has been very much reduced since the recession. In 2000, 48 percent of the population was categorized as middle class, while by 2015 that had fallen to 38 percent, a normalized decline of fully 20 percent. Finally, as we enter a nontraditional pattern of entrepreneur development, the provision of new, focused, nontraditional tertiary entrepreneur education is needed to meet this demand. Our solution to this problem facing our society is to increase the pool of entrepreneurs by inclusion of underrepresented groups and to provide specialized, experienced, and targeted education and training.

In the golden days of entrepreneurship (1920 to 1970, not the 1990s as some may suppose), the U.S. growth of output per hour was 2.82, while during the period 1970 to 2014 it fell to 1.62, just two-thirds of the previously experienced growth. In the golden years almost all entrepreneurs were white men, and this is still the case today; 72 percent of entrepreneurs today are white males, while they make up only 35 percent of the population. If we are able to spread

entrepreneurial education and support to other groups, we can quickly expand the number of entrepreneurs striving to build business and ultimately have a profound effect on the economy.

According to the National Bureau of Statics, 60 percent of small businesses have been established by founders originating in the middle class. As the middle class has been eroded by the recession, shrinking by 20 percent in the last 15 years accompanied by the well-documented hollowing out of society, there is a much smaller pool of people who might be positioned to take the step to entrepreneurship. In fact the Center for American Progress estimates that there are about one million entrepreneurs missing from the economy when they compare the rate of business foundation from 1990 to 2002 with the following 12 years to 2014. World Bank economist Camilo Mondragón-Vélez warns of “entrepreneurship [becoming] a viable option only for those with higher income and wealth levels” and that “limited wealth accumulation capacity has been gradually making entrepreneurship in America a luxury type of good, mainly available to individuals with high incomes and a high net worth.”¹ We need to find ways to counter this tendency for new entrepreneurial businesses being formed exclusively by members of an upper class because there are not enough people in that class willing to form new businesses to make a real difference in the course of the economy.

Further, the median age of new business founders increased by seven years during the course of the Center for American Progress study, possibly due to candidate entrepreneurs slipping out of the middle class and needing more time to gather resources. Other studies of non-white business starts have found that generally these entrepreneurs rely on family for support and are older when they first found an enterprise than has been the norm in the past. In both these cases, people are not leaving school to set up new businesses but are saving and positioning their lives to cope with the stress of building a business, and so we believe this calls for focused development of these entrepreneurs.

Women and minorities are more likely to be unemployed than the general population and to have incomes below the poverty level. These populations are also underrepresented as entrepreneurs. African-Americans own less than 12 percent of small businesses and Hispanics less than 10 percent. For entrepreneurs the numbers are more alarming: while 72 percent of entrepreneurs are white and male, only 12 percent are white females, and only about 20 percent are minorities of any gender. Many of these are forced into small business ownership rather than entrepreneurship as “necessity” entrepreneurs, doing so in order to survive and avoid poverty and unemployment.

Regarding military veterans, veterans represent an excellent opportunity to increase the numbers of entrepreneurs as they reenter civilian society looking for new direction and opportunities in their lives. We can expose these motivated and disciplined citizens to entrepreneurial thinking and potentially open this vast resource to new business formation.

We have shown there is a need for business training, entrepreneurship, and job creation all over the U.S. and the world due to a disappearing middle class and lack of job prospects in many locations, but we are currently focusing on the USA for our next round of programs. The USA is

¹ Camilo Mondragón-Vélez, “How Does Middle-Class Financial Health Affect Entrepreneurship in America?” (Washington, D.C.: Center for American Progress, 2015), available at <https://www.americanprogress.org/issues/economy/report/2015/03/18/109169>.

doing well on many economic indicators, but, suffers from a widening between the “haves” and the “have-nots.” While good jobs and high salaries are available for some, many others are increasingly left behind due to factors such as the rising cost of living and lack of relevant job training.

Entrepreneurial activity is important for lifting vulnerable populations out of poverty, and areas with more entrepreneurial activity show greater economic stability. This requires impactful entrepreneurial education. Studies show that “active participation” is the preferred learning style of entrepreneurs and that increased opportunities to participate in the classroom increase student awareness and enhance the ability to learn from experience, which is what we believe we can offer through our relationship with Tech Ranch. This calls for a hands-on, experience-led path that does not dwell on the academics of four years of school but rather on the nuts and bolts of defining a business, protecting the business and underpinning ideas, constructing business plans, building skills in negotiation, and preparing to finance the project.

Organizational History

The Inter-American Educational Consortium, a 501(c)(3) nonprofit, was established in Austin, Texas, in 2003 to foster the growth of entrepreneurship throughout the Americas and in so doing to improve social and economic conditions. The organization is an outgrowth of a previous nonprofit called Student/Employee Assistance Programs Against Chemical Dependency, an advocacy established in 1973 and transformed 30 years later into the IAEC. Through these entities and over many years we have provided training in Santiago, Chile; Mexico City, Mexico; Costa Rica, and other places, enabling a cadre of start-up businesses to develop and to positively affect local opinions of such issues as self-reliance and globalization. The programs in these countries targeted disadvantaged local groups and included training in software and entrepreneurial education aimed at allowing the participants to formulate a business opportunity, assess the opportunity, develop the business/technical idea, and pitch the idea for funding.

Partially due to our work in Chile 12 years ago, which was sponsored by Chilean Senator Fernando Flores and continues today as the Start-Up Chile program, Chile is now ranked in the top 20 most entrepreneurial countries in the world. This remarkable achievement is recorded in the 2010 book *Acelerando Ecosistemas de Innovación* (Accelerating Ecosystems of Innovation) by Leonardo Maldonado.

We are seeking funding to broaden the scope of our work to encompass budding entrepreneurs found among women, minorities, veterans, and other underserved groups in the U.S. This will build on the significant success and experience of our affiliate Tech Ranch in Austin, which is a for-profit entrepreneurial training and start-up incubator company with over 5,000 alumni.