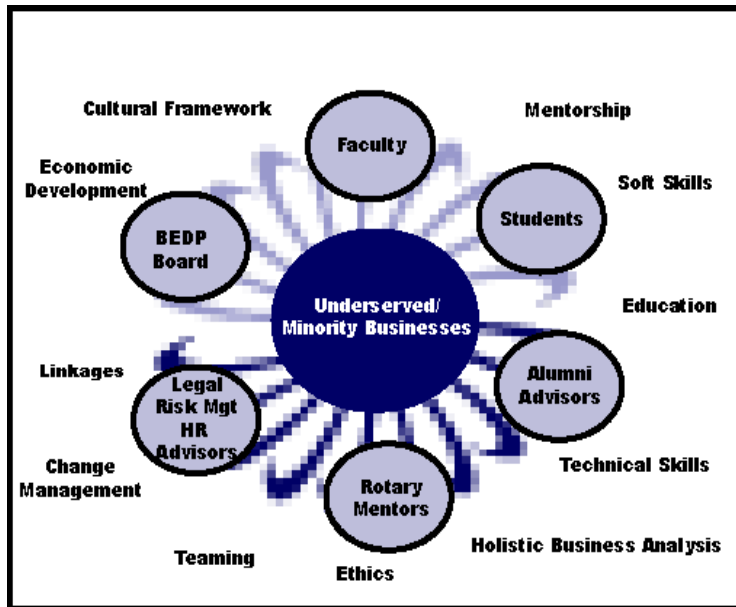


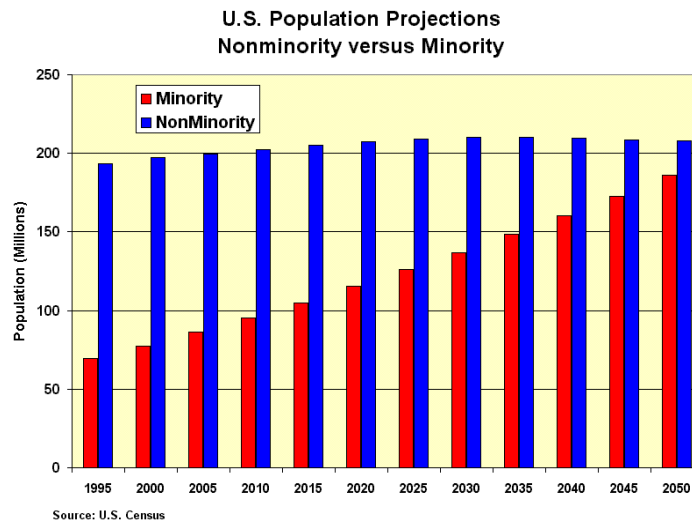
BEDC Model

The premise of the BEDP program is that radically innovative curriculum can be linked with economic development of underserved communities. Is it too good to be true? Not at all.



Making the Underserved/Minority Business Case

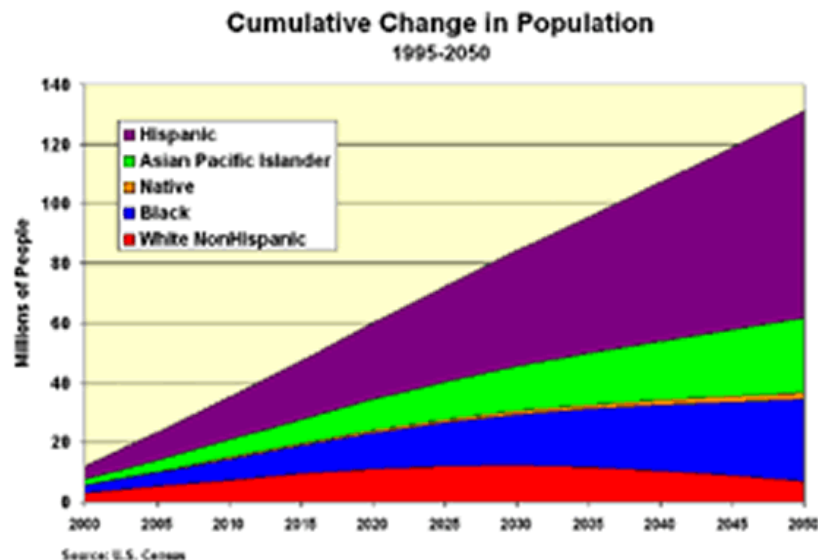
Entrepreneurship is a major economic driver in America. Men and women with the business concepts and the fortitude to take the risk give start to the best U.S. companies. Not only does entrepreneurship foster large enterprises; the very activity of starting and running small businesses contributes to the tune of 56% of the GDP. Small businesses contribute half of the jobs in America and create jobs at a much lower cost of capital than large enterprises.



The "minority" population will catch up to nonminorities in the next 50 years.

What is store for the future? Where are the growth markets? According to U.S. Census population projections, 90% of population growth between 2000 and 2050 will be in the minority population. Minority populations will account for 44% to 70% (if parity is reached) of the increase in purchasing power. This is a growth market that is not nearly satisfied by the mainstream enterprises with its needs for products and services. Who best understands the needs of this market? Minority enterprises. Who best can serve this market? Minority enterprises. Let's restate our opening declaration: Minority entrepreneurship promises to be a major economic driver in the future.

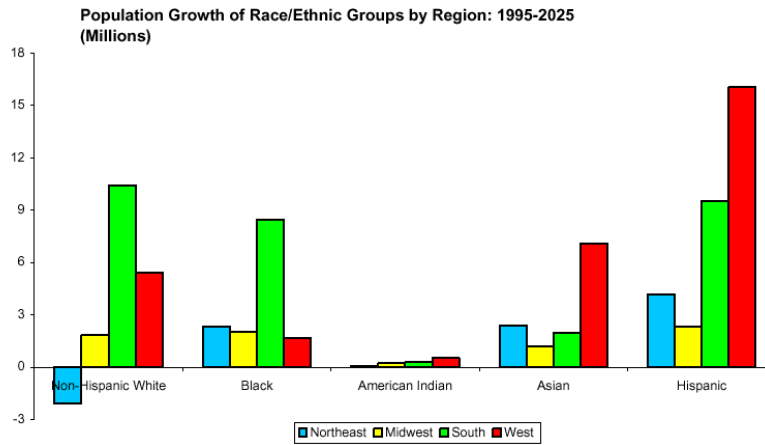
So how do minority businesses fit in? They're the faster growing segment of small businesses. Between 1992 and 1997, minority businesses started at ten times the rate of nonminority businesses. That's the good news. The bad news is that minority businesses fail at a higher rate and don't reach the same critical mass that nonminority businesses do.



Minorities make up 90% of population growth in the next 50 years. Nonhispanic white population is expected to decline after 2030.

The government speculates that there are three reasons for this. First minority businesses don't have the same access to capital that nonminority businesses do. Second, education seems to be a big determinant of business success and minority business owners don't have the same level of education as nonminority business owners. Third, minority businesses don't make as much use of technology as nonminority businesses do. In short, the same inequities that plague minority populations handicap minority enterprises as well.

Some might argue that providing any kind of assistance disrupts market forces. After all business is about the survival of the fittest. The BEDP argues that market forces have already been disrupted in underserved communities. Access to capital is denied or given at rates well above the risk premium warranted. Underserved communities don't have access to the same quality and level of education as wealthier communities. Use of technology goes hand-in-hand with education.



Minority population growth is higher in the west and south.

The Radical Breakthrough

Enter programs like the BEDP. The goal of the program is to increase the duration of minority businesses by providing them with the technical assistance to reach critical mass. There's nothing revolutionary about providing technical assistance. What does constitute a radical breakthrough with the BEDP is that it melds best-practice pedagogy to provide technical assistance to these businesses.

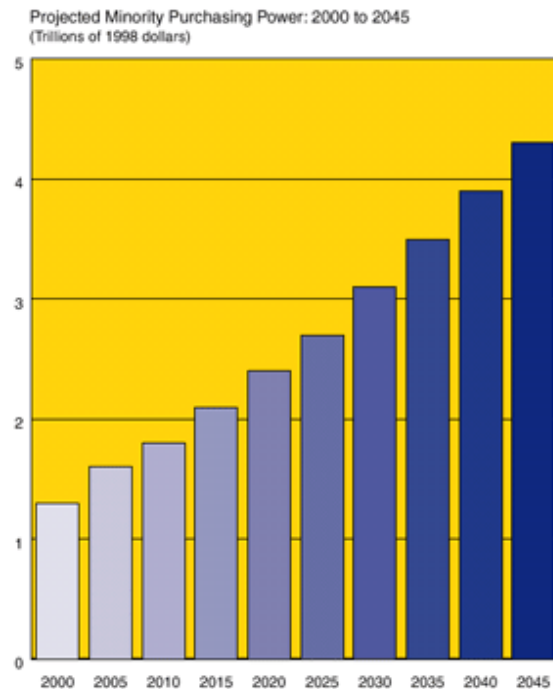


In market segments like youth, minorities will dominate in 2050.

Melding Practice with Theory and Knowledge

First let's look at traditional undergraduate business education. It's still organized like the assembly lines of yore. You take accounting. Then you take marketing. Then you take operations. Then you take finance. Your education is delivered in a lecture hall with tens (if not hundreds) of other students. As an undergraduate with no work experience, your only contact with a business is a case study. To confuse you more, textbooks use examples from many companies—most of which are large enterprises. So, you don't ever get to understand any one company completely. Students do analysis and they engage in critical thinking but most business practitioners know that many a beautifully written report sits ignored in corporate archives. Much of what happens in successful businesses is adaptation to change. In order to implement change, the practitioner needs

to understand organizational culture, resources, complex interactions, and, most importantly of all, how to work with people.

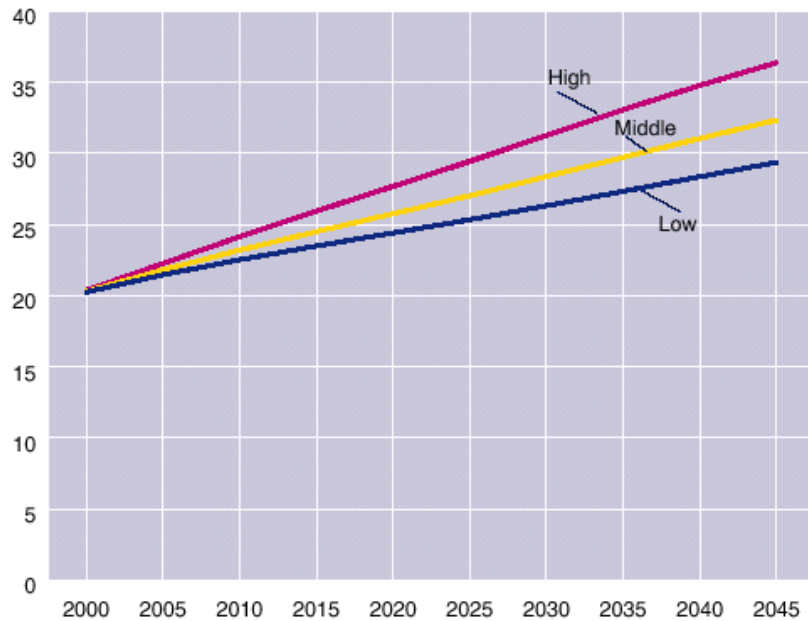


Minority purchasing power is projected to grow by a factor of four between now and 2045.

The use of field study or internships has been prevalent in business pedagogy for many years. Typically these are structured as student teams with a faculty advisor in a large enterprise. Students may work on relatively small projects that have little impact on the strategic direction of the enterprise. These projects rarely result in increased revenues or job creation. The best expected outcome is a job offer for the student.

Working with small businesses presents opportunity for students to approach a business holistically. They get to know all facets of the business. Contrary to conventional wisdom, small businesses require a much higher order of problem solving. They can't afford specialists and must accomplish everything at less cost than larger enterprises. From a pedagogical point of view, complete and deep understanding of a business allows faculty to use more complex and recent business theory and practices more typically taught at the MBA level.

Projected Minority Share of Purchasing Power: 2000 to 2045
(Percent of total disposable personal income)

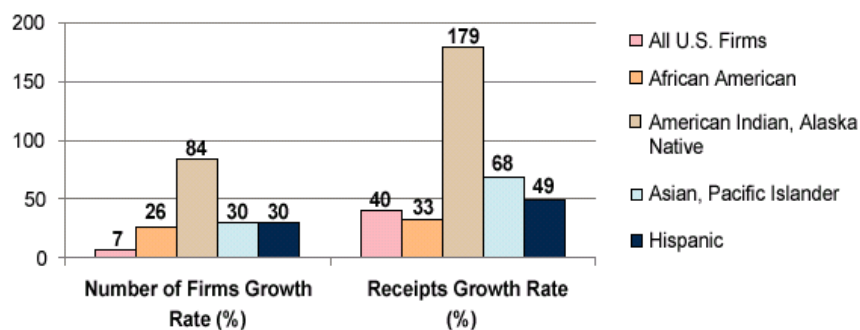


Minorities will account for 30% to 37% of purchasing power in 2045.

The Cultural Perspective

Expectations at the offset with BEDP participants is that their job is to effect change. The analytical framework includes all the typical business practitioner tools but it wraps around this toolbox the cultural perspective. In team formation, students are asked to get to know each other, their business owners, and advisors, taking into account cultural perspectives. Students know full well that in order to be successful, they have to get their business owners to trust them. They must form a common language and protocol to communicate. Lack of communication or communication failure will doom the project. This cultural framework is important for students to understand the shift in markets as minority population growth continues. The multiplicity of cultures (rather than one dominant culture) requires a more complex system of analysis. The simple frequency analysis of demographics that drives most business strategy will no longer suffice in the new marketplace.

Chart 1: 1992-1997 Group Growth Rates

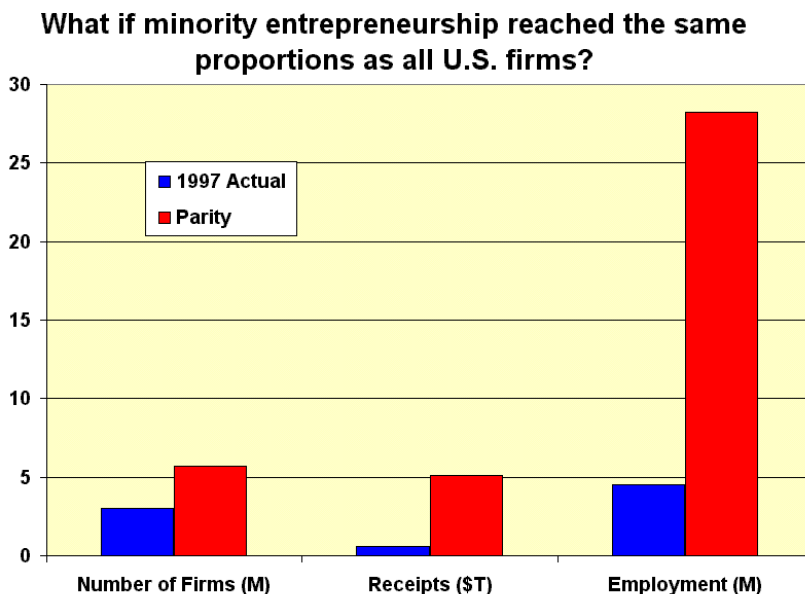


Between 1992 and 1997, minority businesses grew at ten times the rate of all businesses.

Creating Linkages

The BEDP has spawned a network of advisors who play a crucial role in the process. Legal, risk management, and human resource advisors meet with the businesses and perform what basically is a check-up. Businesses are given a list of action items to follow-up on. In addition to getting good advice, businesses are schooled in what to expect from advisors. Small businesses are often unsure as to how they should seek such advice and how much it should cost. As a result they can fall victim to unscrupulous practitioners.

Faculty collects data from all these meetings and compiles research on business needs. This creates a database that can be used to determine what kinds of support are most effective with these businesses. At the same time, they access valuable information that will help the student projects.



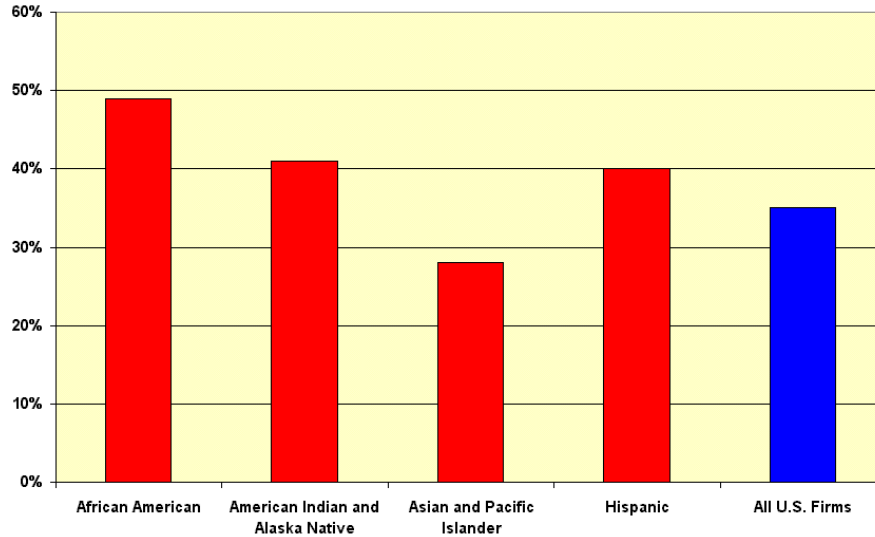
If minority businesses were comparable to nonminority businesses, there would be twice as many businesses, five times as many sales, and five times as many employees.

In best practices studies put out by the United Nations Industrial Development Agency, it was found that bringing together businesses in the same industry can be very effective in creating industrial clusters that can compete on a global level. They cite examples such as the Brazilian shoe cluster and the Taiwan high-tech cluster. The BEDP schedules a number of such meetings when its business owners look for opportunities to collaborate.

Mentorship

Alumni advisors (alumni of the School of Business who volunteer their time to help students and businesses) and Rotary mentors (volunteers from the Rotary Club) team with students and oversee the project. They provide a crucial role to the businesses in that they will follow-up to ensure that the business implements the recommendations. They are matched to businesses based on specific industry expertise. For the business, these advisors provide a high level of technical expertise. Often they can provide linkages to larger enterprises in the area. For example, a mentor may be able to introduce an insurance agency to provide bids for a company such as Starbucks or Nordstrom. These linkages provide the small business entry into the global value chain.

Microbusinesses as a Percent of Total



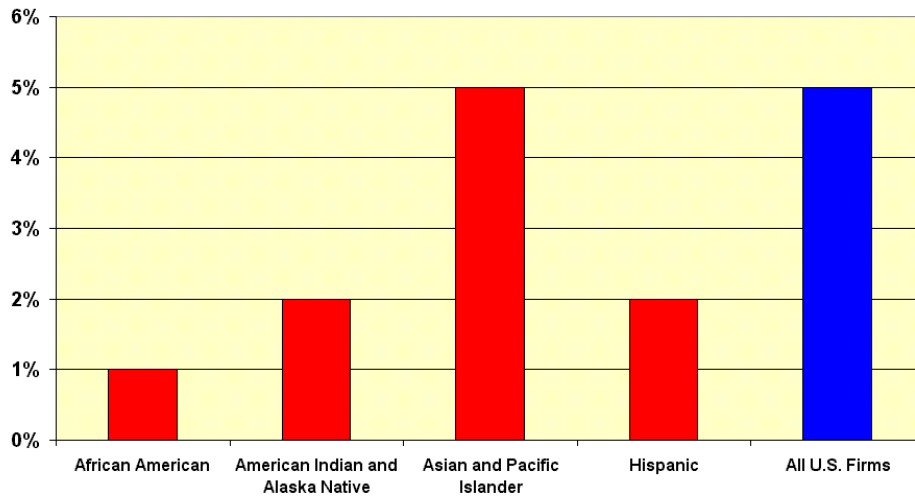
Minority businesses tend to be smaller than most U.S. Businesses. (Micro businesses are those with less than \$10,000 in sales.)

For the students, they raise the stakes on performance. Student work is now scrutinized by someone who could be a potential employer or reference. Of course, alumni advisors and Rotary mentors provide the usual benefits of mentorship. They model professional behavior. They provide counsel on career choices. This systematic inclusion of mentors ensures that one of the main determinants of future success is part and parcel of the process.

Fostering Leadership

At its heart, the BEDP model is about the students. Students participate in a learning experience that is complex and real. Research often involves surveys and interviews with people in the industry. Analysis must take in consideration not just the financial aspects but resources and people. Completion of the project is not just about writing a paper, it's about effecting real change in a business and creating economic value for the state.

Businesses with over \$1M in Sales as Percent of Total



Most minority businesses still need help to grow to \$1 million in sales. They lag the general population of businesses.

There is much research to say that key components of the BEDP model are part of best practice pedagogy. Students work in teams. They create work of value to the community. They donate this work to the community. Their work is given high visibility.

Students evaluate the experience as positive. Some remark on the team experience as being one of their best. Others say that they learned how to manage a project. Many learn skills and knowledge that they had not covered before. Some come to the realization that certain aspects of business are not for them. All have significant experiences that they can add to their resumes.

Some of the students who do participate in the BEDP learning experience are selected to become BEDP student leaders. They recruit and support new students coming in. They often continue to support the program by volunteering to be alumni advisors after they graduate.