<u>Why and How to Become a MicroTest Member</u>

<u>What is MicroTest?</u>

MicroTest is a management tool that can empower all microenterprise practitioners to gauge and improve the performance of their program and the outcomes of their clients.

MicroTest's mission is to help microenterprise programs assess and improve performance.

MicroTest's vision is that widespread use of microenterprise performance standards will:

1) Improve performance and organizational stability within the industry
2) Increase the availability of efficient and effective services for clients
3) Help to make the case for increasing levels of support for effective microenterprise programs

Established in 1997 to strengthen the level of performance among microenterprise development programs, MicroTest provides practitioners with a suite of products and services, including:

- A **tested and proven** set of performance measures, used by dozens of agencies and endorsed by the Association for Enterprise Opportunity
- **Tools** to assess program performance and track client outcomes
- An **in-depth two-day training** on performance and outcomes tracking
- **Technical assistance** to improve performance and outcomes tracking
- **Expert consulting** to assist programs to analyze and use MicroTest data and reports
- **Comprehensive and customized reports** on a program's performance and its clients' outcomes
- An **annual meeting** where programs can connect to a community of practitioners committed to improving performance
- The latest **best practice publications** and findings from FIELD.

The MicroTest performance framework and tools, developed in collaboration with leading microenterprise practitioners in 1997 and 1998, have been used by more than 80 microenterprise organizations. MicroTest's primary product is a set of 84 performance and 24 client outcome measures (outlined below) that are organized in two Excel workbooks. These workbooks provide users with guidance and a place to organize key information about a program's microenterprise services, and to analyze it. The workbooks organize the data in ways that immediately highlight successes, uncover inefficiencies and provide a context for comparison with the field.

<u>What information is tracked through the MicroTest framework?</u>

MicroTest helps to shed light on a set of key questions about a program's performance.

MicroTest Performance Framework

Performance Category	Some Key Questions MicroTest Answers
Target Group Identification and Outreach	❖ Who is the program serving? ❖ Is the program fulfilling its outreach mission?
Program Scale Achievement	❖ How many clients received credit and/or training-related services? ❖ What is the magnitude of program services delivered in a fiscal year? ❖ What is the volume of lending activity?
Credit Program Effectiveness	❖ What is the quality of the portfolio? ❖ How does the level of risk in the portfolio influence portfolio quality?
Training Program Effectiveness	❖ To what extent does the program succeed in assisting clients to achieve key training objectives?
Program Efficiency and Sustainability Measures	❖ How efficiently does the program use internal resources? ❖ How self-sufficient is the program? ❖ How diversified is the funding?
Outcomes Monitoring	❖ Are clients starting businesses? ❖ Are businesses growing, creating jobs, and providing income? ❖ Do clients attribute their accomplishments, in some part, to their program's support?

<u>What's the process for collecting all this information?</u>

MicroTest includes two distinct and complementary data gathering and analysis exercises: 1) program performance assessment and 2) clients' outcomes tracking. MicroTest members can do either or both of these exercises, and receive support from MicroTest staff that includes: technical assistance, training, custom reports, feedback and forums for open dialogue and peer exchange.

The key differences between the program performance and client outcomes tracking are:

1. *Program Performance Assessment:*

Assessing program performance (answering the questions in the first five rows of the table above) involves **gathering data that should be available internally, and collected as a normal part of program operations.** It speaks to how a program used its resources to meet its mission and serve its clients. Reporting on these measures draws on data found in annual income/expense reports, and client intake and service tracking forms.

2. *Clients' Outcomes Tracking:*

To understand how clients fare after receiving program services involves **contacting a sample of clients, asking them questions about their businesses, incomes and work experiences.** MicroTest's client outcomes tracking component is a cost-effective yet powerful methodology for understanding how clients are faring over time. MicroTest helps programs identify clients that should be surveyed and offers guidance on interviewing techniques and strategies.

What are the benefits of participating in MicroTest?

1. Seeing the forest through the trees
Program managers can--often for the first time--get a clear picture of their program's overall performance against a set of nationally-recognized measures.

2. *Comparing performance to one's peers*
Each MicroTest member receives tailored feedback—a custom report--that shows managers how their results compare to other programs with similar characteristics, strategies, geographic settings and missions.

3. Comparing performance to industry leaders
MicroTest participants who are interested in particular areas of performance (e.g. reaching minority entrepreneurs, or making a high volume of microloans) are able to see how their results stack up against 'top performance' in MicroTest for those measures.

4. Learning from trend analysis
One of the reasons programs stick with MicroTest year after year is that it allows them to see how their performance changes over time, and helps them answer questions like:

"Am I deepening my outreach to disadvantaged populations the way I want to?"
"Is my lending program growing?"
"Am I helping more clients to achieve their training objectives?"
"Is my program becoming more or less self-sufficient each year?"

5. Identifying areas of efficiency and inefficiency
The MT tool generates cost and self-sufficiency ratios that help managers see how their resources are being allocated across different sets of activities, the average annual costs of key services, and how self-sufficient their lending and/or training operations are. Getting a handle on these cost and self-sufficiency numbers is critical to informing management decisions around the allocation of scarce resources. Below are select ratios in MicroTest that shed light on cost and self-sufficiency questions.

- Cost per Client
- Cost per Assisted Business
- Cost per Business Development Training/TA Client
- Cost per loan
- Operational Cost Rate
- Operational Self-Sufficiency
- Training Program Cost Recover

6. Demonstrating a commitment to high performance
Practitioners undertake the effort of working on their annual MicroTest performance reports in order to be able to demonstrate to their funders, clients, and peers that they maintain a commitment to improved performance.

Additionally, MicroTest programs use their custom report and other data from MicroTest to strengthen their fundraising appeals and marketing materials. In 2004, MicroTest staff will be developing and disseminating additional tools and consulting to each MT participant to incorporate their MT achievements into fundraising materials.

7. Being part of a community of practice

Through annual member meetings, listserv discussions, and committee work within MicroTest, practitioners connect to others within the microenterprise industry around issues of performance monitoring and client outcomes tracking, and receive best practice findings and resources from FIELD.

8. Coordinating data collection with proposed national standards

MicroTest data is being used by the Association of Enterprise Opportunity (AEO) to establish national standards for the microenterprise industry. Consequently, programs that participate in MicroTest will be prepared to compare themselves to these national standards once established.

<u>What do current MicroTest members say about it?</u>

Below are a few responses from MT programs to the question of what benefit they have experienced as a result of participating in MicroTest. *[Solicited by the Association for Enterprise Opportunity (AEO)]*

"Effectiveness and Efficiency

As a performance-based organization, we establish annual goals for both the organization and each individual position. For organizational goals, we use several MicroTest performance measures - number of clients; training completion rate; business start-up rate; cost per client; cost per participant; and cost per business assisted. These organizational goals help WEB staff work together as a team. As a MicroTest member, we receive a detailed report showing WEB's performance over the past five years (since we have been reporting data) so we can look at our trends for each performance measure. The report also shows how WEB is doing in comparison to other organizations with similar characteristics. This helps the entire staff focus on trying to be one of the best in our industry. We can see exactly what areas we need to focus on to be more effective or more cost-efficient." *Amanda Crook Zinn*, W*omen Entrepreneurs of Baltimore, Inc. (WEB),Baltimore, MD*

"Cost Containment

Participating in MicroTest has benefited West Company in several ways. We're able to track our costs from year to year and spot inefficiencies. When we're working with prospective funders, they're impressed that we know exactly who we've served historically, what it costs us to assist a client from business feasibility to start-up and stabilization, our cost per loan, and a host of other measures that translate directly into concrete outcomes. It also helps that the staff at FIELD are always knowledgeable and helpful, and are constantly working to enhance the microenterprise field's ability to learn and improve the way we do business." *Valerie Plummer*, *West Company, Ukiah, California*

<u>Ok, so how do I sign up to join MicroTest?</u>

There are two ways to join MicroTest: join as part of a cohort of programs or join as an individual program. The first step, of course, is to simply call MicroTest staff and express your interest.

To express your interest in joining MicroTest, please **call David Black at (202) 736-2533.**

MicroTest's primary growth model is to bring in groups of programs as new members in a cohort that is sponsored by a third-party donor. MicroTest staff are actively attempting to recruit donors (typically corporate or community foundations) who invest in microenterprise programs to sponsor a new cohort of MicroTest members for one year. These donor funds support the costs of the introductory MicroTest trainings, as well as the costs of technical assistance and data management for the first year. We use this approach for cost-related factors. The costs to service a new member are higher than to service an existing one, because of the staff resources required for the introductory training and additional technical assistance time. Most new members would be unable to pay the full costs of their participation, which would also include the cost of their travel to attend the introductory training. Second, our costs are reduced if we can bundle new trainees into fairly large classes (20 or more attendees). Often, MicroTest staff coordinate fundraising efforts with state microenterprise agencies (SMAs) or state microenterprise intermediaries (SMIs) to identify potential new funders of new MicroTest cohorts.

However if you are eager to join MicroTest right away and have the funds to cover your first year costs including the cost of traveling to our 2 day training, your program is welcome to join on an individual basis. Our next MicroTest training will be in the fall of 2004, and there will be some slots available for individual programs that are not already part of the new fall cohort. The fee to join in this way is $3,300. Again, please call David Black for more information.