

# Improving Microenterprise Training and Technical Assistance: Findings for Program Managers

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FIELD

Microenterprise Fund for  
Innovation, Effectiveness,  
Learning and Dissemination

**The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) is a research and development organization dedicated to the expansion and sustainability of microenterprise development efforts, particularly those aimed at poor Americans. Its mission is to identify, develop and disseminate best practices, and to broadly educate policy makers, funders and others about microenterprise as an antipoverty intervention.**

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# **Improving Microenterprise Training and Technical Assistance: Findings for Program Managers**

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## ACKNOWLEDGMENTS

This document has been over two years in the making. When FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, commenced, our Advisory Board selected the issue of training and technical assistance as one of the first two priorities for research attention. The importance of these services in the industry was obvious. What was less so were the best practices that microenterprise programs should apply to ensure effectiveness.

We took up the challenge of identifying and clarifying these best practices by inviting five leading organizations to work with us, each undertaking an applied research project and participating with the others in three working meetings to exchange findings and insights. While two years is a very short time to produce definitive results on this complex topic, I have been impressed with what we have been able to learn about the relationship between clients' characteristics and experiences, the services in which they participate, and the outcomes they achieve. Some of these findings are new; others confirm practices that would be familiar to experienced trainers and business consultants across the country. The learning we have generated would not have been possible without the high level of commitment, inquisitiveness and openness that these organizations exhibited over the course of the project.

Special thanks must be directed to the co-authors of this monograph who were the principal researchers for their institutions: Mary Niebling and Carol Flint of Central Vermont Community Action Council, Inc., Vanessa Rush and Ken Williams of Detroit Entrepreneurship Institute, Jan Losby and Jill Robinson of the Institute for Social and Economic Development, Donna Rubens of Women's Housing and Economic Development Corporation, and Marian Doub and Willow Rosenthal of Women's Initiative for Self Employment. It has been a pleasure to work closely with each of them.

Further thanks are extended to other members of the FIELD team who have helped bring this project to fruition including Carol Rugg, Colleen Cunningham and Jackie Orwick, who have helped craft the dissemination strategy for all the useful material emanating from this project, and Britton Walker who has supported the working group process flawlessly.

I hope that readers will find the lessons included here practical and relevant. While we have not been able to answer every question to the same degree, I hope that the insights we have generated stimulate others to pursue these research questions further. This can only lead to greater benefit for emerging entrepreneurs across the United States.

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Director  
FIELD

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## OVERVIEW AND SUMMARY

When FIELD was launched in 1998, one of the first challenges it set for itself – and for the implementing organizations that responded to its Request for Applications – was to answer the question: What makes for effective training and technical assistance? While these services, far and away, have been the dominant ones offered to clients in the U.S., there have been few efforts to specifically study and understand the relationship between them and client success at starting, stabilizing or expanding a business. Programs expend notable portions of their budgets delivering these services, largely on a subsidized basis, to clients who invest considerable time participating in them. Policymakers and funders support them but seek greater assurance that these services are effective, and that best practices are implemented. But training and technical assistance are services that defy easy measurement and assessment. Unlike credit services, there are no universally accepted measures of effectiveness, nor instant feedback via the bottom line that helps programs chart their course. In this context, FIELD selected five grantees to help increase the industry’s understanding of what makes for effective training and technical assistance, and to answer three important supporting questions:

- What are appropriate indicators for measuring the effectiveness of training and technical assistance interventions directed to low-income clients and their businesses?
- Which intermediate measures are better indicators of final impact on clients and their businesses? And,
- What practical approaches can programs use to document and track outcomes of training and technical assistance services on low-income clients, and how can that information be used to improve program strategy?

Over the course of two years, the five FIELD grantees – Central Vermont Community Action Council, Inc. (CVCAC), Detroit Entrepreneurship Institute (DEI), the Institute for Social and Economic Development (ISED), Women’s Housing and Economic Development Corporation (WHEDCO) and Women’s Initiative for Self-Employment, implemented special research projects aimed at answering these questions. Among them, they looked at the process from intake through post-training technical assistance; they looked at the skills clients report using and how these skills link to business success; they looked at measures of participation and compliance, as well as the effect of training style on business outcomes. The research conducted included one large quantitative study tracking 478 clients, and using statistical tests to gauge significance, and one in-depth, anthropological qualitative study of a sample of 20. The others used mixed methods on varied sample sizes ranging from 25 to 91. Three of the studies were able to track clients for at least 18 months; one surveyed large numbers of clients at eight months after training completion, while another tracked a small group up to six months out. [See the table for a summary of research designs]

Each study had its own strengths and limitations, and no one can be considered definitive. Nevertheless, their work has produced a number of findings that gain credibility by their repetition across different study sites and designs, and by the informed reflection of experienced staff on their results. (Each institution’s own training and consulting staff participated in the analysis of findings at the program level; and grantee representatives responsible for their organization’s research participated in a joint reflection on the meaning and importance of findings emerging across all five sites.) What follows is a summary of those key findings and the implications they suggest for best practice.<sup>1</sup>

<sup>1</sup> This document summarizes the key findings related to training and technical assistance effectiveness. It also highlights the most important findings with respect to appropriate measures of intermediate and final impact. More on indicators and on practical approaches for documenting and assessing outcomes is available in FIELD’s companion document, *Practitioner Manual: Assessment Tools for Microenterprise Training and Technical Assistance*. Also see FIELD’s Web site ([www.fieldus.org/li/training](http://www.fieldus.org/li/training)) for additional, related material.

	KEY RESEARCH QUESTIONS	METHODS
<p>Central Vermont Community Action Council, Barre, Vt.</p>	<ul style="list-style-type: none"> <li>• Are client perceptions and life circumstances critical to business outcomes?</li> <li>• Can assessment processes help clients identify their perceptions and circumstances, and choose services appropriate to their status?</li> <li>• Can training interventions be designed to help clients alter their perceptions and circumstances?</li> </ul>	<p>Participatory, qualitative research using consultants and staff to develop and implement changes to CVCAC's intake and assessment process and training design. Assessment and survey tools were administered to small groups of clients at intake and six months following core training. 91 clients responded to one or more of these tools.</p>
<p>Detroit Entrepreneurship Institute, Detroit, Mich.</p>	<ul style="list-style-type: none"> <li>• Will a more intensive level of technical assistance result in an increase in profit and other wealth indicators of DEI's entrepreneurs?</li> <li>• What are appropriate technical assistance services directed to low-income clients and their businesses?</li> </ul>	<p>Qualitative research tracking a group of 25 clients who were offered weekly business consulting for up to two years. Business consultants documented the assistance process with clients through action plans, regular consulting reports and financial statements. Yearly focus groups and a phone survey were also administered.</p>
<p>Institute for Social and Economic Development, Coralville, Iowa</p>	<ul style="list-style-type: none"> <li>• How are participant characteristics associated with intermediate indicators and final outcomes?</li> <li>• How are differences in interventions associated with intermediate indicators and final outcomes?</li> <li>• Are certain training interventions more effective for specific participants?</li> <li>• To what extent are intermediate indicators reliable proxies for final outcomes?</li> </ul>	<p>Quantitative survey research design tracking 478 clients using multiple instruments including new intake forms, pre- and post- skills tests, participation records, training observation, trainer interviews and follow-up surveys. Statistical methods were applied to analyze the relationships.</p>
<p>Women's Housing and Economic Development Corporation, Bronx, N.Y.</p>	<ul style="list-style-type: none"> <li>• What are the indicators associated with success in operating a quality, financially viable family day care business?</li> <li>• Which measures are most critical in four key areas: business development, professional development, personal effectiveness as an income provider, and personal effectiveness as an entrepreneur?</li> </ul>	<p>Qualitative research using an opportunistic sample of 30 new clients, tracking them at intake and in quarterly home visits using standard instruments for evaluating family day-care homes/businesses. Also participation records and less formal continuous documentation during technical assistance activities using participant observation guided by a checklist of intermediate indicators.</p>
<p>Women's Initiative for Self Employment, San Francisco, Calif.</p>	<ul style="list-style-type: none"> <li>• To what degree do clients attain specific business management skills while enrolled in the core program?</li> <li>• To what extent do they continue to use and apply skills after they leave the program?</li> <li>• What are the key business and personal outcomes that occur?</li> <li>• How does achievement of these outcomes correlate with the clients' movement toward long-term economic self-sufficiency?</li> </ul>	<p>Qualitative and quantitative evaluation model that included detailed baseline data collection at intake, participation records and measurement of business skills acquisition at training completion and at six, 12 and 18 months afterwards. Changes in business status, profitability and assets, as well as personal and household income also tracked at these intervals.</p>

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## Is Training And Technical Assistance Effective?

The research projects were not designed to “prove” the effectiveness of training and technical assistance, but rather sought to understand what makes programs more effective. In doing so, they tracked client outcomes to learn which clients were successful in terms of business (and other) results. And they used this information to understand what might be different about these clients, about their participation, or about what clients learned that led to their success. The byproduct of this tracking is a set of data that supports the common sense notion that *microenterprise training services are associated with positive business outcomes for those who complete training.*

The research indicated that meaningful numbers of clients started, stabilized and expanded their businesses in the months and years immediately following training completion. And while some businesses are unstable, often due to personal and family concerns, and some close, there are many businesses that move to greater levels of stability and strength. Business survival rates among the clients of the two organizations that did longitudinal tracking were high, as were indicators of business growth. WHEDCO’s clients had an 85 percent survival rate over two years. All of these businesses moved at least one stage along a defined five-point continuum from pre-start-up to advanced status. Six achieved a fairly stable customer base and two others were poised for expansion. Women’s Initiative’s clients achieved a 76 percent survival rate of at least one year. Among the 61 businesses in the sample, there were 43 expansion events, meaning that sales increased by 30 percent or more during the six months prior to the survey interview.

*We and a motivated client can make something happen.*  
-- FIELD grantee

- Business ownership increased among Women’s Initiative’s sample from 33percent at enrollment to 73 percent within 1.5 years of training completion.
- At ISED, 33.6 percent expanded or stabilized an existing business and 17.7 percent opened a new business within eight months after training completion.
- Within two years, the 12 pre-start-ups in WHEDCO’s study had started businesses.
- CVCAC’s clients increased business ownership from 25 percent at enrollment to 65 percent six months after training.

These growing businesses generated revenues and their owners reported increases in their incomes after participating in these training and technical assistance activities. While many clients demonstrated gains during the short time periods of the study, there were others (called “success circle” clients by Women’s Initiative) who made dramatic gains. For example, WHEDCO clients – all family day-care providers – earned \$9,862 on average in a 12-month period, somewhat lower than national figures for regulated caregivers. But four of the 20 generated close to or above \$20,000 from their businesses, and an additional two providers earned between \$15,000 and \$19,000. The earnings of the three highest income producers approach the earning potential for providers in New York City (\$20,000 to \$28,000 per year under favorable conditions). Two of the providers transitioned off welfare due to self-employment earnings.

Women’s Initiative documented a 97 percent increase in total income from baseline to 1.5 years after training for the 83 clients who completed training during the study period. The number of clients receiving income from self-employment increased from 30 percent at baseline to 50 percent at 1.5 years; for employment, the increase was from 41 percent to 50 percent.<sup>2</sup> The percentage of clients with very low (the HUD 50 percent of median area income) and extremely low (the HUD 30 percent of median area income) income dropped substantially from 47 percent to 23 percent and 51 percent to 37 percent respectively. The number of Women’s Initiative clients living in

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<sup>2</sup> Many implementers believe that microenterprise training services – through their emphasis on the development of such skills as goal setting, communications, planning and marketing – assist clients in job seeking as well as business development.

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poverty also dropped during the study period. At the beginning of the study 63 percent of the participants had incomes at or below 150 percent of poverty (set according to the Department of Health and Human Services Poverty Guidelines). Eighteen months later 18 percent were still in this range. And a considerable number of these clients attained self-sufficiency<sup>3</sup> during this study. Since baseline, 39 clients achieved self-sufficiency or stayed so without recourse to government benefits, an increase of 38 percent of the total group. Fifty-four percent of those who accomplished this did so through self-employment in whole (14 percent of the group) or in part. Forty-six percent were able to do so through employment alone.

These outcomes illustrate the most quantitative benefits. The studies also documented more qualitative benefits for both clients' businesses and their personal lives. DEI's study participants, for example, who received intensive technical assistance services over the research period under a program titled Advance Level Services (ALS) reported a set of important gains. Among those interviewed by telephone in May 2001, 93 percent felt their business consultants offered advice or recommendations for improving their businesses and 87 percent said they followed through on them. A strong majority (87 percent) felt the contacts with the ALS business consultants helped to improve the operation of their businesses, and 100 percent indicated they are now more capable of handling the day-to-day operation of their business.

Eighty-six percent of CVCAC clients (of a sample of 22) reported improvements in their personal lives as a result of participating in training. And Women's Initiative's case study research documents that clients define success in many terms, including increased power and options resulting from higher income, increased confidence with respect to money and business management, a better quality of life due to greater control over work and schedule, and greater clarity on goals.

So, if this research supports the belief that microenterprise training and technical assistance can be effective for clients, then the next question is, just what makes for its effectiveness? What is it about the clients who achieve this success, and what is it about how they engage in the program, and what they learn from it, that makes the difference? And what are the implications for other programs seeking to improve their practice.

## **What Have We Learned About Client Characteristics And Business Success?**

Clients don't arrive at microenterprise programs as blank slates, waiting to be written upon. Rather they come to programs with experiences, ambitions, and a set of strengths and limitations that condition their ability to take advantage of program services and become successful. Under the FIELD-sponsored research, the grantees examined a range of personal characteristics using a set of assessment tools applied either before program entry or during the first few weeks of program services. These characteristics were then compared to the business outcomes clients achieved. One organization, CVCAC also applied its assessment tool both before and after training to track the immediate effects of training on client perceptions (of themselves) and on their living circumstances. The findings suggest that there are, indeed, a set of characteristics that facilitate clients' progress in starting or growing businesses. And while not all of them can be influenced by program practice, a number of them can be.

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<sup>3</sup> Women's Initiative used the Self-sufficiency standard developed as a measure of success by Dr. Diana Pearce of the University of Washington School of Social Work and the Wider Opportunities for Women (WOW) based in Washington, D.C. This standard calculates the amount of money working adults need to meet their basic needs without subsidies of any kind. Unlike the federal poverty standard (HHS) or the median income guidelines (HUD), this standard takes into account the cost of living as it varies by family type (number of adults and number and ages of children) and county. The calculation includes local housing, childcare, food, transportation, medical care, clothing and miscellaneous costs, as well as taxes and tax credit. For purposes of comparison, the self-sufficiency standard income levels falls at approximately 90 percent of the HUD median area income level ("moderate income") for a family of two adults in San Francisco county.

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*Business ownership, and/or exposure to business ownership is clearly associated with completing training and having a final business outcome after training.*

Not surprisingly, ISED found a strong, statistically significant relationship<sup>4</sup> between entering training with a business and completing training. These are individuals who are already committed to business and seek specific information and support to help it grow. But ISED also found that clients who:

- Previously owned a business,
- Grew up in a family that ran its own business,
- Worked in a family business while growing up, and/or
- Had a business idea similar to the family business were also much more likely to complete ISED's 13-week training course.

Current business owners were 19 percent more likely to complete the training than non-business owners at the start of training. Previous business owners were 15 percent more likely to complete than those who had never owned a business. And participants who had early exposure to business ownership as children were 30 percent more likely to complete training, with those who worked in the business 21 percent more likely to complete than those who did not.

Women's Initiative also found that those with a business were 6 percent more likely to graduate. Of those who were operating a business when they entered the program 91 percent graduated, while among those who were pre-start-up at entry, 85 percent graduated. This implied that the clients with businesses were able to use the skills, and, therefore, were slightly more likely to complete the assignments and graduate. Women's Initiative also found that its "success circle" clients – those who had achieved self-sufficiency in the first 18 months after completing training – were somewhat more likely to have business experience in their family background. Fifty-two percent of this group had someone who owned their own business in their family, compared to 40 percent of the other clients.

**Program Implication 1: Create opportunities for clients to gain relevant business and work experience.**

Because business and work experience matter, programs should not just make clients aware of this, but also help them get it if they need it, the sooner the better.

DEI, for example, helps clients locate apprenticeship and intern opportunities, as well as job shadowing, for clients who need to test their interest and aptitude for the business they're interested in.

Business ownership is also associated with making progress on securing financing. ISED clients who currently own a business or have owned a business in the past, or have seriously checked into business ownership before starting the training, are more likely to have made progress in securing financing at the eight-month mark after completion.<sup>5</sup>

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<sup>4</sup>ISED applied a variety of statistical methods to analyze the relationships among participant characteristics, training interventions, intermediate indicators and final participant outcomes. Methods included descriptive, bivariate and multivariate statistical procedures. ISED has reported findings of statistical significance at the 90 percent confidence level and higher. P levels are reported at .10, .05, .01 and .001. Unless otherwise noted in the text, all findings reported from the ISED study meet these levels of statistical significance. Readers interested in more information should consult the ISED study on FIELD's Web site.

<sup>5</sup>ISED's research methodology involved tracking classes of clients entering at different stages during the two-year research process. The greatest length of time all groups were from training completion was eight months, and ISED used that time point to define the end of data collection.

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*Relevant work experience is also associated with completing training.*

Women's Initiative's "success circle" clients had an average of 10 years of relevant work experience compared to the average seven years that other clients had. While not statistically significant, ISED found that those clients who had a business outcome had had more experience in managing and supervising other employees, being responsible for a geographical area, and for daily opening/closing of a store. They had jobs in which they worked alone and interacted with customers, and had job or volunteer experiences related to their current business idea.

*Personal support and encouragement are critical.*

Those ISED clients most likely to complete training have extensive support systems. They have people in their lives who will watch their children, run their errands, provide transportation, provide the use of their phone, lend money and give encouragement. They have family members who are supportive of their plans. Interestingly, in addition to having these resources, participants who complete the training are 46 percent more likely to state that they also act as resources to other people who may need similar help.<sup>6</sup> Women's Initiative's case study clients also noted the importance of family support in making their engagement in self-employment possible. This support was not only emotional, but also financial.

WHEDCO's case study data demonstrated how husbands/partners can either limit or facilitate the functioning of their clients' day-care businesses. DEI found that 40 percent of its study clients agreed or strongly agreed that the lack of support from their spouse or significant other made it difficult for them to operate their business. In one case study, a woman business owner had to move her business back to a home-based operation because of lack of support from her spouse. Income was reduced by more than 50 percent within the first month of closing the store location in a neighborhood-based mall.

*Access to a basic set of infrastructure also supports a client through training.*

ISED found that if a client had access to the following basic resources – reliable transport, a driver's license, telephone, computer and bank account – the client was 12 percent more likely to complete training.

And, WHEDCO found that a home's location greatly influenced the chance of a family day-care provider being able to conduct a successful business. As with all other businesses and real estate, the issue is location, location, location, and a client's access to a safe and secure environment for a business is critical.

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<sup>6</sup> The difference between completers and non-completers with respect to these characteristics is statistically significant at the very high level of .001.

**Program Implication 2: Help clients assess the strength of the human and material resources around them. Sometimes awareness alone helps a client make necessary changes or seek support. But programs should also help identify strategies and support that can ameliorate potential barriers. A good referral system to other resources is also essential.**

CVCAC has all incoming clients complete a self-assessment form that asks them to rate their position on a set of 13 “circumstances,” using a seven-point rating scale. Among the items on which clients rate themselves are the following:

- I have decent, affordable, safe housing.
- I have a phone and the transportation I need.
- I have a strong and supportive network of family and friends.
- I am involved in my community.
- I have the resources (time, money, information) to support good health habits.

Clients review their self-assessment with a specialized intake staff person who then helps them decide which training and technical assistance services might make sense for them, and refers them to other social services provided by CVCAC and outside agencies, as may be indicated. Staff has found that the facilitated dialogue around the assessment scores is key in helping both the clients and them identify issues and make plans to address them. Plans can include selecting the right business development services from a menu of options, as well as needed support services. At CVCAC, training completion rates increased by 12 percent from 79 percent to 91 percent after services were changed to include an intake interview using this assessment tool, and a referral to a variety of options (business feasibility training, business plan training, technical assistance, support services and employment).

*The clarity of a client's goals, the level of commitment, and basic organizational capacities all contribute to training completion and a successful business outcome.*

FIELD's grantee research came to these conclusions through somewhat different lenses, each one reinforcing the others. ISED, for example, found that clients who opened, stabilized or expanded a business after training were 17 percent more likely to have a definite business idea when they began the training. Women's Initiative, on the other hand, looked at the business skills that its “success circle” clients said they used most highly at six, 12 and 18 months after training, and found that focus on business vision was one of the five most highly rated behaviors at each check-in point.

WHEDCO, in its in-depth case study analysis, found that all the day-care providers who stated that they aspired to business growth made progress toward that goal over the study period. Other providers, whose motivations differed and focused more on other factors such as having children around, escaping a city-mandated workfare assignment, staying home to raise their own children, or making a little extra money on the side, did not evidence the same level of business growth as did the first group.

Women's Initiative's case studies uncovered that business growth could be associated with several motivations. While many expressed a natural interest in increasing their income, they also reported that “contributing to the community” was part of their goals in developing a successful business.

Finally, CVCAC found that clients who were referred directly to one-on-one technical assistance (bypassing core training) tended to score on the high end of the intake instrument that measured both goal-setting abilities and basic organizational competencies (“perceptions”), and their level of resources and stability in their life (“circumstances”). Importantly, their research also demonstrated that clients could improve their goal-setting and

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organizational competencies over the course of a six-week training, as measured by their “perceptions” rating. In a small sample of clients tested both before and after training, CVCAC found that the overall scores increased for eight of 10 respondents. The median increase was 1.07 points on a seven-point scale.

**Program Implication 3: Help clients assess their goals and motivations, goal setting and organizational skills at intake or in the early stages of training. Incorporate explicit skills development in these areas during the training process.**

CVCAC’s “Perceptions” scale asks clients to rate themselves against such statements as:

- I listen well to other people.
- I am able to express my opinions and feelings clearly.
- I set goals for myself.
- I achieve the goals that I set for myself.
- I am open to feedback.
- I can decide whether to use the feedback I receive to make changes.
- I follow through on the appointments and events I schedule.

In addition to one-on-one discussions focused on assessing the individual’s strengths and weaknesses in terms of these personal competencies – and devising strategies to improve them – the program also helps clients improve these skills during the core training. Trainers model goal setting and follow through in the way sessions are designed and conducted. Clients practice these skills through course activities. In tracking a small sample of clients, CVCAC found that, prior to training, seven of 10 rated themselves at five or less (on a seven-point scale) on the statement, “I set goals.” After training, nine of 10 rated themselves at five or above on the same scale.

Women’s Initiative has seven personal effectiveness training sessions that are interspersed between their 14 business training sessions. Each of these helps clients learn about and practice their business skills by developing life competencies that support effective business development. For example, staff offers a personal effectiveness session on communication skills; the business application is sales and marketing, as well as networking. Working with the whole person in this way contributes to client success not only in business, but in employment and personal endeavors as well.

## **What Have We Learned About Core Training And Client Success?**

Data presented earlier supported the notion that clients of microenterprise training programs achieve positive business and personal outcomes. The research also demonstrates that there are some skills that clients report using more frequently than others. There is a preliminary indication that more successful clients give priority to some skills that the less successful do not.

*Clients do acquire business skills through training, and report using the skills they ve learned.*

Programs tested skill acquisition in different ways. Women’s Initiative, for example, requires that clients complete a set of seven assignments throughout the training period in order to graduate. Graduation then means that clients have at least a basic understanding of 14 core business skills, as well as the development of 11 core competencies. Eighty-eight percent of Women’s Initiative’s research sample graduated during the period under study. And follow-up surveys documented that all the skills taught are being used by at least some clients.

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WHEDCO assesses skill use through quarterly home visits that are part of the program's monitoring of family day-care providers in its network. Specific skills are assessed by observation and rated on an assessment instrument. WHEDCO's case study analysis found that clients learned and effectively applied the core knowledge related to child-care operations, such as regulatory compliance, child development and the basics of business management. And all providers advanced at least one stage along a continuum of business development that measures their movement from pre-start-up through having an established, at-capacity business offering high-quality care.

ISED asked clients to rate their level of confidence in explaining key business concepts both at the beginning and end of core training, using a five-point scale. They also implemented follow-up surveys to ask clients which concepts they valued eight months after training. The maximum score clients could give themselves in terms of their confidence in explaining 15 different business concepts was 75 points. Before training, the average score was 47.54 points. After training, that score had increased by 16.77 points to 64.31. Not surprisingly, clients who never owned a business reported a greater gain in skills (17.94) than clients who were current or previous business owners (15.45)<sup>7</sup>, but they started with lower confidence scores than either of the other two groups. Overall, clients reported the greatest gains in three areas: knowing what information to take to the bank for financing; (2) understanding the four major parts of a business plan; and (3) understanding what goes on a cash-flow sheet. However, these three skill areas are not rated the highest in terms of confidence at the end of training. This means that while clients felt they learned the most in these areas, they don't feel they completely mastered these skills.

CVCAC measures "transfer of learning" six months after training by asking clients if they are still working on their goal, making progress on their action steps and using resources identified to complete these. Ninety-two percent of the 14 responded affirmatively to the first and last questions – still working on their goal and using the resources identified. Ninety-six percent of the 25 clients who were asked about making progress on action steps also responded affirmatively.

*The skills most highly used by clients relate to business vision and planning, basic financial skills and simple marketing.*

Because each of the programs has its own unique curricula, and because each emphasizes skills differently during the training, the findings are not directly comparable. The time frames for collecting client reports of skill use also varied. ISED, for example, surveyed clients eight months after training, asking them how helpful they found a set of business concepts taught during training. Women's Initiative asked clients to indicate how strongly they agreed or disagreed with a set of behavioral statements reflecting skills that they've been taught. Clients were surveyed at six, 12, and 18 months after training. WHEDCO observed clients quarterly and engaged in in-depth interviews with their sample twice during the research period. Despite these differences, there are interesting overlaps in the findings.

It appears from the research that clients understand the importance of a business vision and value the learning regarding business planning needed to make that vision a reality. They apply basic financial skills like record-keeping and break-even analysis, and they have learned the importance of knowing their immediate target market well.

Women's Initiative found that as time passes, other skills also receive high ratings in terms of use. At 12 months, clients include their ability to "accurately describe my competition" among their top used skills, suggesting a greater focus on the competitive aspects of running a business. And at 18 months, they include pricing ("I have a pricing system that is working for my business") among their top four skills. Trainers think that these shifts reflect real changes in what's needed to manage a business as it stabilizes and grows. The client is focused on achieving her goals, adjusting her activities along the way, first with a focus on the immediate market, then reaching for a larger market presence with analyses of the competition, and finally, adjusting pricing to maintain market position and viability.

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<sup>7</sup> Significant at .10

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Six months after training, WI clients rate these skills as highest in terms of use:

- “I have a clear business vision.”
- “I know whether I am making enough sales to cover the costs of my business.”
- “I can accurately describe my average customer.”
- “I have records for my business. I can account for past business transactions if I need to. I know if my business is making a profit or not.”

Eight months after training, ISED clients who are operating a business indicate these are the concepts they found most valuable:

- the reason for having a business plan,
- the importance of preparing monthly cash flow projections,
- the importance of time management,
- some no-cost, low-cost ways to promote a business.

Women’s Initiative further found that cash flow and financial statements were least used among their clients, while ISED found their clients valued learning how to do a cash flow even in the earliest months. While this difference may reflect some underlying differences in the clients and businesses of each institution, it may also reflect a difference in training content and emphasis. In fact, Women’s Initiative trainers recognized that they introduced financial statements late in the training cycle, and are now adjusting the curriculum to introduce them earlier and in smaller, manageable components.

*More successful clients appear to be those who gained more knowledge and skills in training. They emphasize a somewhat different set of business skills than those who are less successful. Pricing seems to be a make it or break it skill in this respect.*

The programs found some real differences in skill acquisition between more and less successful clients. ISED, for example, compared the pre- and post-training scores of those who had a business eight months after completing training with those who did not start a business. Interestingly, the business owners group (who included both existing businesses and start-ups) had reported a higher gain in skills overall from the training than those who later did not start a business (a 15.82 gain versus a 14.47 gain). There was also a significant difference in their change in confidence for seven specific skills, including those related to getting a loan, how to do cash flow statements, goal setting, credit repair and marketing. What does this finding suggest? We already know that clients with positive business outcomes are more likely to have entered training with a clear business idea or existing business. They also are more likely to have some business or relevant work experience and strong support systems. Being ready to go makes them attend to, and appreciate more, the specific skills that they are taught, and further reinforces the need for programs to help clients develop that state of readiness. Does it also suggest that clients reporting lower confidence levels in specific skills are “at risk” and may require more technical support to succeed in business?

Women’s Initiative compared the skills acquisition of their “success circle” clients to other clients, and found that the more successful consistently reported using a set of important financial skills. At each survey, their responses indicated that they were strongly focused on keeping financial records, using break-even analysis and applying their pricing skills. While other clients also reported keeping records, they did not mention it as consistently over the 18-month reporting period, nor was it ranked as highly as the “success circle” ranked it. (“Success circle” clients ranked it first or second at each of the three interviews; it did not make it among the top five skills reported by other clients at six months, but ranked fifth at one year and second at 18 months).

#### **Program Implication 4: Financial skills demand special attention.**

Because financial skills are so critical, programs need to make every effort to ensure that clients master them. This means:

- Emphasizing the link between these skills and business success and establishing clear objectives for clients to achieve through the training.
- Breaking the content and skills down into manageable units and teaching them over time.
- Providing opportunities for practice through homework and in-class assignments.
- Offering multiple opportunities to learn both in the classroom and through one-on-one assistance.

Programs also should approach pricing not just as a technical skill, but as something that involves one's sense of self-worth and confidence, and requires good communications skills. Helping clients to set pricing policies and to practice explaining them can be critical to their later success.

"Success circle" clients also included pricing among their top five skills at each check-in. Pricing did not make the list for the other clients. The importance of pricing strategies was echoed by WHEDCO in its case study analysis. WHEDCO found that its higher earners were those who were able to stand up to pressures to under charge, something to which many day-care providers succumb (because of their sympathy for struggling families, or because they care for children of friends and relatives). The more successful providers were found to be those who could enforce a standard rate for most clients, including family and friends, and who could vigorously recruit parents with subsidy money, making them more able to pay a standard rate.

*Completing a business plan is a challenge for clients. But completing one is associated with making progress on securing financing and having a positive business outcome.*

While developing a business plan is emphasized in ISED training, it is not a graduation requirement. The organization found that only 5 percent of training completers had a formal written business plan. An additional 17 percent had a nearly completed plan, and 50 percent left with one in a rough form. The remaining 28 percent did not have one at all. Not surprisingly,

#### **Program Implication 5: Business plan completion is a good proxy for later business outcomes.**

While not foolproof, ISED's findings reinforce the notion that programs seeking intermediate indicators of training effectiveness can track business plan completion with some measure of confidence. Because clients with both complete and nearly complete plans showed good outcomes, programs need to develop some simple structure for defining and assessing when plans reach that stage.

clients who have a business plan were 24 percent more likely to have a business after finishing training, and 45 percent more likely to have made progress on securing financing for their business.<sup>8</sup> More than three-quarters of those clients who reported any progress on securing financing for their business had a completed or nearly completed business plan.

As common sense would dictate, those who are pursuing a loan are much more likely to do the hard work of creating a formal business plan. Those who are either in business when they enter training, or have a strong business idea, may also see the value of the plan more clearly than others. Nevertheless, even when its importance is recognized, many entrepreneurs find it difficult to prepare and use a plan. DEI's clients, for example, admitted that, while they recognized the

<sup>8</sup> Significant at the highest confidence level of .0001.

importance of preparing and adhering to a good business plan, it was very easy to become immersed in the day-to-day management of the business and lose sight of it. They reported that one value of the continuing technical assistance relationship they experienced under the research project was that their business consultants kept them focused on using the plan as a guide for making business decisions.

*Training completion, and other markers of participation and achievement, are associated with having a business outcome after training, as well as with more qualitative changes in an individual's goals, attitudes and self-perception.*

Women's Initiative graduates from the core training were 40 percent more likely to experience business growth than those who did not complete the workshop. The organization found that 75 percent of their graduates experienced business growth events (defined as new start-ups, stabilizations or expansions); only 36 percent of non-graduates experienced these growth events. And 100 percent of clients who attained self-sufficiency due to self-employment alone graduated from training.

**Program Implication 6: Make clear to clients the link between the completion of specific activities and their success. Monitor completion, providing feedback and encouragement as needed. And model accountability through the training design and trainer behavior.**

Women's Initiative expects clients to complete seven assignments over the course of the training, prior to graduation. CVCAC has adopted "accountability planning," an evaluation and training strategy developed by Jane Vella and described in her book, *How Do they Know They Know: Evaluating Adult Learning* (Jossey-Bass Publishers, 1998), that defines measurable learning objectives for each course offered, and makes clear to clients and staff the specific evidence that will indicate when clients have achieved them during or at the end of training. Clients also are told how this learning could transfer to their lives, and what evidence will indicate that this is happening.

Importantly, ISED found that having a business outcome (a start, stabilization or expansion) after training completion correlated with a set of actions including: completing a business plan, making progress on securing needed financing, completing class assignments, and a high attendance rate. Each of these activities depend on client behavior and reflect his/her level of commitment to the endeavor. They are critical milestones that demonstrate to both the program and the client that positive movement is being made towards achieving a business goal. And they suggest that the more a program is able to offer a structured training process with clear expectations, participation requirements and work assignments, the more likely that clients will obtain positive results.

**Program Implication 7: Training completion rates, business plan completion, class assignment completion and attendance rates are all intermediate indicators worth tracking as measures of training effectiveness.**

Sustained participation in training that fosters accountability appears to be particularly important to client success. WHEDCO, for example, found that there was only a very imperfect link between its case study clients participating in a variety of short courses and seminars and their ultimate success. CVCAC also

found that clients who engaged in one-on-one technical assistance without prior training were less likely to report that they had been doing effective business planning since leaving the program.

*A dynamic training style positively influences clients ability to succeed.*

ISED's large training program provided a good opportunity to test the relationship between the process aspects of training and the effects on client learning and behavior. While the organization uses a standard curriculum, trainers – all former or current business owners – have some latitude in the way they deliver the content. ISED researchers observed

the trainers and rated their performance on a set of characteristics that fell along a continuum from dynamic to didactic. While no trainer fell completely to one end of the continuum or the other, dynamic trainers tended to rely on personal experiences in addition to the curriculum, set the pace of the class on participants' behavior, viewed the trainer's role as a guide or resource person and encouraged discussion among participants. Didactic trainers on the other hand, relied more on the curriculum and less on their personal experience, used it to set the pace of the class, viewed their role as a teacher and tended to discourage discussion among participants.

In comparing these trainer characteristics to client behaviors and outcomes, researchers found that clients with dynamic trainers were 21 percent more likely to complete homework assignments, and 20 percent more likely to complete the training. They were also 32 percent more likely to prepare a complete business plan, and finally, were 5 percent more likely to have an open business within eight months of training completion. All these results were statistically significant, although the difference demonstrated for the last was the least strong.<sup>9</sup> Given that ISED was not able during this research period to track clients for a longer term, it is not yet known whether the effect would lessen or increase as the time lengthened.

**Program Implication 8: Because dynamic, participatory training has been found to be associated with business outcomes, programs should ensure that curricula are designed to provide that experience, and that trainers are able to facilitate it. Staff capacity to offer a dynamic experience should be as much a hiring criterion as business experience, and should be fostered through professional development opportunities and performance evaluation.**

## What Have We Learned About Technical Assistance And Client Success?

DEI engaged in the most extensive study of technical assistance, implementing a comparison group study between two groups of clients, one participating in a two-year program providing weekly business consulting services, and the other able to access consulting services on an as-needed basis, according to the clients' own determination of needs. The action research aimed to test the hypothesis that a proactive, sustained delivery model would result in greater impact than a demand-driven model. ISED looked at the effect of one-on-one consulting delivered as a supplementary service during core training. WHEDCO examined clients' use of a variety of technical assistance services offered through its network model including monthly network meetings, short seminars and one-on-one advice. CVCAC looked at the differences between clients referred directly to training versus those referred directly to business consulting. And, Women's Initiative's tracking of clients over 18 months offered the opportunity to examine business evolution and client use of a variety of technical assistance services (one-on-one consultations, group seminars and networking events).

*It is important for programs to stay in contact with clients during the first 12 to 24 months after core training. Businesses are growing, demanding the use of increasingly more challenging skills.*

As Women's Initiative's longitudinal tracking shows, businesses don't just start immediately after core training. They continue to start and grow during the months and years that follow. While Women's Initiative clients experienced the most start-ups during the first 12 months after completing core training, there were still start-ups in the next six months. In addition, between 12 and 18 months, clients experienced a series of expansions and stabilizations<sup>10</sup>, as their businesses continued to grow. At six months after training, 12 percent reported expansion; at 12 months, 37 percent reported

<sup>9</sup> The difference in training completion rates was significant at the .001 level. The difference in rates of class assignment completion and business plan completion were significant at the .01 level. And the difference in business outcomes was significant at the .10 level.

<sup>10</sup> Stabilizations are characterized by reaching break-even and establishing record-keeping and operating procedures. Expansion is defined by increasing sales by 30 percent or more. It also may include additional investment.

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expansion, and at 18 months, 29 percent reported expansion. Also, 40 percent of the existing businesses at start-up became established during the 18-month study period – meaning they were making a steady profit and had stable sales and procedures.

WHEDCO also noted changes with eight client businesses progressing one stage (40 percent), five progressing two stages (25 percent), and two progressing three stages (10 percent) during the course of the study.

*Clients require repeated opportunities to hear and learn new information and skills.*

At the same time that clients are experiencing these changes, the data on skills demonstrate that additional reinforcement is needed. Women’s Initiative clients were more likely to report using what trainers consider the basic skills and were less likely to use the more advanced skills, such as cash-flow projections, preparing financial statements, managing sales and production cycles well, or seeking business capital. WHEDCO found that its family day-care providers demonstrated much greater capacity in applying their skills and knowledge related to child-care operations, but demonstrated less skill in using those related to business development. While WHEDCO staff thinks that this is partly a result of what they emphasize in training, and what clients are held accountable for, they also believe it has much to do with people’s absorptive capacity. Their report states that there is a “hierarchy of needs, starting with regulatory issues and moving sequentially to business development. Providers cannot attend to everything at once, let alone put all the new knowledge to use immediately.”

Focus group discussions with DEI clients participating in a weekly consultative process showed a difference in attitude between 2000 and 2001. Clients participating in the 2000 discussion cited difficulty with devoting time to meeting weekly with their consultants and with completing monthly financial statements, although they had committed to doing both. In 2001, focus group clients expressed some concerns about this but readily acknowledged that they had made the meetings and the completion of financial reports more of a priority, because they understood the importance of documenting their business activity. At study’s end and in response to a survey, 93 percent of the clients said that they prepared monthly financial statements and found them helpful. In addition, 80 percent acknowledged the value of completing a business management review with their consultants, and 66 percent also reported preparing two-year action plans, an activity encouraged by DEI to set goals and identify resources to meet them. Each of these represented a marked increase in use of these tools from the study’s start.

*Clients may need to be encouraged by programs to access needed technical assistance.*

While clients may need additional technical assistance at some interval following training or other initial service, they may not know that they do or ask for it on a timely basis. It was this reality that led DEI to test a “supply-driven” model of business consulting that, once the client agreed to participate in the program, provided an automatic, weekly check-in by an assigned consultant. While this amount of technical assistance ended up being too much for most clients, who found the pace of work taxing, participating clients did receive much more assistance over the course of the study period than did the comparison group who were free to call upon a DEI business consultant as needed. Clients participating in the study accessed an average of 15.5 hours during the course of a year while the regular clients accessed less than an hour each. In addition, many of the participating clients accessed other services provided by DEI. Forty-seven percent of them attended quarterly networking sessions where they were able to develop new business relationships, as well as learn more about topics related to increasing market access (such as procurement) and others. Fifty-three percent of them attended advanced training in the areas of marketing, management and financial analysis. It

**Program Implication 9: A “better” structure for providing post-training technical services is one that combines client initiative and choice with a regular connection to and reminder of available services.**

While DEI clients found that weekly meetings did not provide sufficient time to accomplish assigned tasks between appointments, they did value the regular and planned nature of the check in process. They suggested these might be biweekly or monthly, alternating between in person and telephone meetings.

WHEDCO’s study has prompted them to shift from a totally client-driven, on-demand model to “guided choice.” In this model, day-care providers are strongly urged to participate in quarterly planning sessions in order to set goals, schedule relevant training and technical assistance activities, and review progress from the last quarter.

is likely that clients would not have participated in either of these without regular interaction with the program.

Similarly, WHEDCO discovered that it could not assume that day-care providers know how to set goals for improving their business or how to use the resources of their providers’ network to meet them. Even though there were a range of seminar offerings and other services, providers didn’t always take best advantage of them to address critical business issues.

Women’s Initiative found that the follow-up survey process itself may have encouraged its microentrepreneurs to acquire the technical assistance they needed to succeed. When asked an open-ended question about the program or the survey process, clients repeatedly commented on how

important the ongoing relationship with Women’s Initiative was to them, and how helpful the survey process was as a reminder to get the technical assistance they needed.

*Marketing and accounting are the subjects on which clients seek most support. Clients also seek advice to support business growth.*

Under DEI’s special weekly technical assistance program, a third of all contacts focused on marketing and sales. The next most frequently discussed topic was accounting and record-keeping, which was the focus of 17 percent of the sessions. One of the services WHEDCO clients used most frequently was the brochure design service, the most commonly used marketing material.

Women’s Initiative clients also identified their need for help with challenges specifically associated with expansion, such as when and how to add employees, and loan packaging, the same need that brought ISED clients to their business trainers.

*The quantity of technical assistance cannot be used as an intermediate indicator for business outcomes.*

Women’s Initiative found that those with growing businesses received more technical assistance than those whose businesses did not grow. However, its “success circle” clients accessed less technical assistance than other clients in its study. The “success circle” clients received approximately 15 hours during and after core training, while the other clients averaged a little over 20 hours. This technical assistance included one-on-one business consulting and other services. Women’s Initiative hypothesizes that these “high achievers” may have been too busy with their businesses and with work to access more support services.

ISED found that those clients who sought additional technical assistance outside the classroom were of two types. Either they were actively working on getting a loan, or they exhibited low participation in classroom activities and business readiness. Specifically, they did not complete homework assignments, did not attend classes regularly, had low to moderate commitment to the training (as rated by the trainer), or had never owned a business.

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On the other hand, DEI found that several of their growth-oriented clients accessed many more hours of service than other, more marginal clients in their experimental group. Five of the 15 who remained in the study for the full two years followed the advice of their consultants, using it to plan for and master the complicated steps to managing a thriving small business. Three of these businesses received DEI's 2001 "Entrepreneurial Spirit" Award, recognizing their achievements.

Because technical assistance is used to provide both compensatory and advanced services, there can be no easy link between the number of hours accessed and business outcomes. It may be more important to focus on ensuring that a minimum number of hours is available to clients, especially during the first two years following training completion, and on developing methods to trigger clients to use them.

*A business consultant's approach to the consultation process also appears to influence clients' outcomes.*

Just as ISED found that a trainer's style influences the level of client participation and accomplishment, DEI found some evidence that a business consultant's style may also affect how rapidly a client achieves success. The two Advanced Level Services business consultants who had weekly contact with clients had different styles. One was perceived as "cookie cutter" by the clients (emphasizing completion of tasks, such as the preparation of financial statements). The other used a strategic planning approach that started with the development of individualized mission and vision statements to be sure the clients knew what they were doing and why. The consultant then used these as guides for the assistance provided to clients. At the end of the study, the majority of clients who produced the most financial information were clients of the first consultant. But the more intentionally strategic business consultant produced two entrepreneurs who won DEI's business achievement awards.

## **Conclusions Regarding Best Practice In Training And Technical Assistance**

In summary, the research and experience of the FIELD grantees underscores four key findings:

- *Effective microenterprise training programs acknowledge the importance of client readiness for business and offer a range of services to help clients acquire the resources and experiences necessary.* Readiness implies that clients have some clarity around their goals and business vision, have business exposure and/or relevant work experience, and have personal support and a minimum set of material conditions to assist them in their business venture. Effective programs recognize these requirements and help clients recognize them as well. They offer well designed assessment processes, pro-active referrals to needed services, links to relevant work experiences, and training designed to improve goal-setting skills, and to clarify/test business ideas. This statement should not be interpreted to mean that less "ready" clients should not be expected to make progress in business activity and that business training should not be offered to them. Rather, the finding suggests that business training and program design should offer more activities geared toward improving client readiness when necessary.
- *Effective microenterprise training is designed and delivered using the best adult learning theory.* Effective adult learning methodology includes respect for learners and the creation of a safe environment in which to learn. It emphasizes content that has immediate and practical relevance, and accountability that includes clear expectations of the responsibilities of both the program and the students. The training involves participatory and dynamic training methods that build on client experience, and engage them actively in class activities. It emphasizes the specific skills that clients will apply in the initial stages of business development and provides ample opportunity for them to practice them through a series of small, short-term attainable steps. Effective training helps clients understand the link between their attendance and completion of key assignments and their ultimate business success, and creates opportunities for clients and staff together to monitor and measure progress. Best practice programs recruit and hire trainers not just for business skills but also for their capacity to implement participatory learning, and provide them with opportunities to increase their skills through in-service training and other opportunities.

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- *Effective microenterprise training ensures that clients learn key financial and marketing skills, as well as the soft skills or basic competencies that increase a microentrepreneur's ability to apply them effectively.* The research shows that while most clients increase their understanding and use of business skills, there are some differences between more and less successful clients. More than others, successful clients emphasize the application of basic financial skills, including record-keeping, cash-flow management and break-even analysis. They understand the importance of knowing their customers well, positioning themselves in relationship to competitors, and how to price their products and services appropriately. Effective microenterprise training emphasizes the mastery of these skills, and provides clients ample opportunity to understand them, practice them and apply them during training. In addition, best practice programs recognize that being in business requires more than just a technical expertise, and teach clients to be successful in the marketplace through critical thinking, strong decision making, broad networking and effective communication.
  - *Effective technical assistance places the initiative on clients to access it, but is offered within a structure that keeps clients connected to the program and reminded of available services.* The research suggests both the need for technical assistance services – including one-on-one consultation, seminars, networking, marketing materials development, accounting, etc. – and the need for programs to stimulate client use of these services. Clients need repeated opportunities to hear and learn new information and skills. For at least the first two years after program entry, client businesses are in a state of continual growth and development requiring business owners to be agile in their decisionmaking and use of new skills. While they may have mastered the basics, their mastery of higher level skills – such as financial statement development, managing sales and production cycles, advanced marketing and loan packaging – is less evident. But clients do not always independently seek the help that could move their businesses from marginality to profitability. Effective technical assistance services use a range of techniques to remind clients of available assistance and help them access those most appropriate to their business needs. When they do so, service use can average between 15 and 20 hours in the first two years after program entry. These strategies keep decisionmaking in clients' hands where it needs to be, but offers them the greatest opportunity to achieve their goals for a strong and viable business.

## Report Structure

This report is designed to briefly share the key findings that emerged from research conducted between 1999 and 2001. Organizations that provide or are planning to offer technical assistance to clients should find much to guide them in this document. Presented here are the executive summaries written by FIELD's five grantees, and based on the findings contained in the full, final report required under the terms of their grant. The five full reports are posted on FIELD's Web site ([www.fieldus.org/li/training](http://www.fieldus.org/li/training)).

The executive summaries contained in this volume are organized to lead the reader from the most comprehensive to the most focused studies, from those that address multiple issues using larger samples to those that considered a more defined component of the training and technical assistance process. They include:

### *Institute for Social and Economic Development*

A quantitative look at the interconnections among: training intervention, client characteristics, intermediate indicators of success and final business outcomes. This study tracked close to 500 training clients and presents a set of statistically significant findings.

### *Women's Initiative for Self Employment*

A qualitative exploration of how business skills acquisition affects business growth and economic self-sufficiency. The study provides the most detailed look at business events over an 18-month period and how these relate to clients' movement out of poverty.

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*Women s Housing and Economic Development Corporation*

An in-depth study of 20 family day-care providers that illuminates similar interconnections to those considered in the ISED study, but examined using anthropological methods.

*Central Vermont Community Action Council, Inc.*

A participatory research approach to identifying clients' perceptions and circumstances – with an eye toward improving training services.

*Detroit Entrepreneurship Institute*

A test of whether more intensive technical assistance improves clients' business skills, and ultimately increases clients' profits and other wealth indicators.



# CLIENT CHARACTERISTICS, INTERMEDIATE INDICATORS AND BUSINESS OUTCOMES

## INSTITUTE FOR SOCIAL AND ECONOMIC DEVELOPMENT

### Organization's Background

Since 1988, the Institute for Social and Economic Development (ISED) has operated a statewide training-led microenterprise development program in Iowa. ISED offers a comprehensive business training program that helps economically and socially disadvantaged individuals and members of economically distressed communities plan, start, expand and operate a business. Through the years, ISED has worked with nearly 7,000 clients to gain the skills and confidence to achieve economic self-sufficiency and build a solid future for themselves and their families. More than 1,350 people have started or expanded businesses within Iowa and have accessed \$7.8 million in financing. Over 42 percent of business owners were receiving public assistance when they enrolled in the program. And participants have a business survival rate of 58 percent.

ISED's curriculum presents a step-by-step process to start a microenterprise, covering the fundamentals of business planning, marketing and management. The training itself consists of a formal series of weekly three-hour workshops over a 13-week period (39 hours of classroom instruction). The classroom training is supplemented by one-on-one technical assistance, access to business financing to help business owners stay in business, and follow-up assistance. ISED does not charge a fee for any of these microenterprise services.

As a training-led program, ISED focused its inquiry on two important program components: the participants and the training. Participants possess many strengths, skills and resources that affect their ability to complete the training and ultimately achieve positive business outcomes. Participants also face challenges or difficult life circumstances that may negatively affect their chances. ISED recognizes that even though a standard microenterprise curriculum is provided to all participants, there is variability in the actual training participants experience. The trainings vary by the skills of the business trainer (the ISED staff person who leads the training) and the participants' level of commitment to the training. From years of operating a microenterprise training program, ISED has developed hunches – or working hypotheses – related to these ideas, but these assumptions have never been tested. This research project afforded the opportunity to systematically examine these issues.

This project also addresses whether a relationship exists between intermediate indicators, which are often assumed to be proxies for business success, and successful final outcomes, which constitute the true “bottom line” for microenterprise programs. Some participants graduate from the training but do not complete their written business plan. Do participants who complete business plans have a greater likelihood of opening a business? Some participants exhibit a considerable increase in their knowledge from the start of training to the end of training; do these participants fare better?

For these reasons ISED deliberately selected a research design that allowed for consideration of the relationships among personal and contextual factors, variations in the program services and supports, intermediate indicators and final outcomes. A logic model was developed to portray these relationships and to use as a framework around which to test a set of six questions:

1. How are participant characteristics associated with intermediate indicators?
2. How are participant characteristics associated with final outcomes?
3. How are differences in interventions associated with intermediate indicators?
4. How are differences in interventions associated with final outcomes?
5. Are certain training interventions more effective for specific participants?
6. To what extent are intermediate indicators reliable proxies for final outcomes?

## LOGIC MODEL FOR THIS RESEARCH STUDY

### *Participant Characteristics:*

- Entrepreneurial readiness
- Personal skills & capacities
- Historical & present circumstances
- Resources
- Support System

### *Training Intervention:*

- Business trainer's style
- Amount of supplemental training
- Participant's level of commitment
- Skills & knowledge gained

### *Intermediate Indicators:*

- Completion of training
- Development of business plan
- Progress in seeking business financing

### *Final Outcomes:*

- Business starts
- Business expansions
- Business stabilizations

## Study Design and Methodology

ISED chose a multi-pronged quantitative survey research design. The strategy of this project was twofold. First, new protocols and instruments were developed specifically for this study to collect data on the training intervention, participant characteristics and intermediate indicators. Based on discussions with business trainers and program managers, five brief data collection tools were developed. These tools were completed by the participants, the business trainers and the researchers. Second, the current microenterprise program application, intake and tracking forms (maintained in ISED's management information system or MIS) were used to collect data on participant characteristics and final outcomes. This purely quantitative approach was selected because ISED knew there would be a large enough sample to use sophisticated statistical techniques to address the research questions.

## DATA COLLECTION TOOLS DEVELOPED FOR THE PROJECT

- The *Business Concepts Questionnaire* was completed by each participant twice (at the start of training and the end of training) to measure confidence in understanding key business concepts.
- The *Please Tell Us a Little About Yourself Survey* was completed by each participant at training enrollment to measure client characteristics such as skills, support systems, resources, barriers and experience.
- The *Client Progress and Skill Set Assessment* was completed by business trainers for each participant who completed training and measures client's level of commitment to training (attendance, utilization of supplemental training opportunities, completion of assignments), progress made during training, and the trainer's assessment of participant's skills in business-related areas.
- The *Follow-Up Survey* was completed by participants who completed the training approximately eight months after training and measures the status of the client's business, utilization of business concepts taught in training, and income.
- The *Class Observation Form* was completed by researchers for each business trainer to measure trainer's style, use of class time, and trainer's view of her/his role in the class.

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Data were collected during the training classes and at training completion. One of these tools was administered twice as a pre- and a post-test to measure changes that occurred during the course of training. Most often the business trainers administered the forms during their classes; follow-up surveys also were mailed to participants who completed the training approximately eight months after training completion. Participants were not compensated for completing these forms.

The project was fortunate to have rich data from the microenterprise training program's Management Information System (MIS) and from the tools designed for the project. The multiple perspectives of participants, trainers and researchers' observations enhanced the breadth and depth of the data. The project was limited by the fact that the program's MIS was not designed expressly for this research study, so researchers were confined to the existing measurement of variables. Another limitation was the relatively short time frame of the project, which made it impossible to investigate the final outcomes for all participants in the study group. A final limitation was that the research design was a single point with an eight-month follow-up. The snapshot of experiences gathered has a narrower focus than if there had been the opportunity to survey the same group of people multiple times over a longer period. Given the impetus to provide timely results to the microenterprise community, such a longitudinal study was not feasible.

## The Study Sample

The sample includes all participants statewide who completed the ISED Entrepreneurial Training (ET) program between November 1999 and December 2000. Group training classes were offered at ISED branch offices in five of Iowa's larger communities (Des Moines, Davenport, Cedar Rapids, Waterloo and Sioux City). In remote rural communities where ISED does not have a branch office, training classes or one-on-one training sessions were offered by ISED business training consultants. During this 14-month period, 478 participants completed the training.

The typical participant is a 38-year-old, married, fairly well-educated Caucasian woman with two years of college, nearly eight years of employment at a single job, and one child under age 18 in her household. Nearly one-quarter of the participants owned or operated a business at the time they started training; an additional 12 percent had done so in the past.

### DESCRIPTION OF STUDY SAMPLE MEMBERS

- Participants range in age from 19 to 69, with an average age of 38.
- 65 percent are women.
- 72 percent are Caucasian, 22 percent are African American; the remaining 6 percent are Hispanics, Native Americans, Asians or Pacific Islanders, or other ethnicities.
- Nearly half have earned a high school diploma or GED, 12 percent have technical training, 24 percent have a 2- or 4-year college degree, and 4 percent have a master's degree or higher.
- 62 percent were employed when they applied for training; on average, participants had been employed at one job for over seven years.
- 56 percent were below the poverty line when they applied for the training program.
- 39 percent received some form of public assistance when they applied for the program — most often food stamps or welfare cash assistance.
- 25 percent were operating a business when they started training; an additional 12 percent had owned a business in the past.

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## Key Findings

*Training completion is an important intermediate indicator.* At the most fundamental level, ISED believes that graduating from training is an important intermediate indicator. Graduating from the training class is one of the critical first steps on the path toward achieving business outcomes. To complete or graduate training means that the person has stayed involved in the class for the 13 weeks with steady attendance and has demonstrated progress to the business trainer.

The results provide strong statistical evidence that business ownership, growing up in a family that owned a business, and social support are associated with completing training. Participants who grew up in a family that ran their own business are more than 4 times more likely to complete the training than participants who did not grow up in an entrepreneurial family (38 percent vs. 8 percent). If participants worked in the family business, they are 4 times more likely to complete the training than those who did not work in the family business (28 percent vs. 7 percent).

Previous business owners and current business owners also are more likely to complete training than participants who have never operated a business. It is interesting to note, however, that the longer a person operated a previous business, the less likely she or he is to complete training — previous business owners who did not complete training had operated a business for an average of 9.9 years, compared with an average of 4.75 years for those who did complete the training.

Participants most likely to complete the training have extensive support systems. They have people in their lives who will watch their children, run errands, provide transportation, provide the use of their phone, lend money, give encouragement, and are supportive of their plans. Participants who have significant people in their lives who support their decision to run a business are 12 percent more likely to complete training (significant at the .05 level).

In addition, participants who complete the training stated that they also act as resources to other people who may need similar help. This evidence supports the hypothesis that participants who have more personal resources are more likely to successfully complete the training.

*Participants who develop a business plan are more likely to secure business financing and achieve business outcomes.* ISED's training curriculum is organized around four major sections of the business plan (i.e., the business description, organization plan, marketing plan and financial plan). ISED wanted to determine if completing a business plan is a critical step on the path toward achieving business outcomes. ISED assumed that having a business plan positively affects the likelihood that a participant will be successful in securing needed financing. This formal, written document can be submitted to lending institutions and may influence their decision to provide financing. Having a business plan is not a criterion for graduating ISED training. Some participants do open a business without a completed written business plan.

Findings show that 22 percent of training completers have a formal written business plan or nearly completed business plan, and another 50 percent of training completers have their business plans in rough draft form.

ISED found a strong positive association between completing a business plan and making progress toward securing needed financing. Participants are more than 2 times more likely to make progress in securing financing when they have a completed business plan. More than three-quarters of the participants (78 percent) who have made progress in securing financing also had a completed (or nearly completed) business plan. Less than one-third (31 percent) made progress in securing financing when they did not have a completed business plan. This difference is statistically significant.

Completing a business plan also is positively associated with having a business outcome after graduating from training. Participants who had a completed (or nearly completed) business plan were 24 percent more likely to have

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a business outcome (either a business start, business stabilization or business expansion) at some point after finishing the training. This difference is statistically significant.

*Business trainer style affects intermediate and final outcomes.* ISED assessed each business trainer's style by considering the use of class time, reliance on training curriculum and having an experiential or participatory focus. Research showed that business trainers fell on a continuum between dynamic and didactic, with no one being completely dynamic or completely didactic. ISED found that the more dynamic the business trainer (i.e., relied on experiences, modified the pace of the class based on participant skills, and used the curriculum as a structure for discussion, but not the guiding force of classroom interaction), the greater the positive intermediate and final participant outcomes.

Participants who had a dynamic business trainer were more likely to complete their class assignments (77 percent vs. 56 percent). Thirty-seven percent of those who had a dynamic business trainer completed a full business plan, while five percent of the participants who had a didactic business trainer completed a full business plan. Eight months after training completion, participants who had a dynamic business trainer were more likely to start, stabilize or expand a business (33 percent vs. 28 percent). These differences are statistically significant.

ISED found participants who do not have a definite business idea at the start of training or who had limited previous business ownership are slightly more likely to complete the training if they have a trainer who is more didactic in style (though this difference was not statistically significant). For these participants, having a structured, curriculum-driven training may be a better match with participants' abilities. Rather than providing hands-on applications, mastery of the basic skills is the goal.

#### **PARTICIPANT CHARACTERISTICS AND FINAL OUTCOMES**

Participants who achieved a business outcome – opening, stabilizing or expanding a business – within eight months of completing training are significantly more likely to:

- Have researched the idea of running a business prior to starting training,
- Have a definite business idea at the start of training,
- Have work experience related to their business idea,
- Have personal resources such as a phone, car, telephone and computer,
- Have encouragement from significant people in their lives to start a business,
- Provide personal support to people in their lives.

*Participant characteristics affect confidence in understanding critical business skills, which in turn affects final outcomes.* Another aspect of the training is the amount of learning that takes place from the outset to the end of training, and later which skills are valued by the participants as they open, expand or stabilize their businesses. Through the use of a pre- and post-test, ISED was able to assess the skill areas in which participants were the most confident. These are the skills that the business trainers believe are the focus of the training itself (for example, learning about cash flow projections, preparing a business plan, understanding a target market, preparing a feasibility study, knowing the steps to take to rebuild personal credit).

ISED assessed whether a participant's business ownership experience at the beginning of training (i.e., being a current business owner, being a previous business owner or never having been a business owner) had any affect on a participant's confidence in understanding these basic business skills. Participants who had never owned a

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business had the lowest confidence overall and current business owners had the highest confidence. At the end of training the same questionnaire was re-administered to assess the confidence of participants. ISED found the reverse of what was reported at the start of training. Participants who had never owned a business had the highest overall confidence.

ISED then explored whether confidence in these skills made a difference with respect to starting, stabilizing or expanding a business eight months after training completion. Participants who achieved a final outcome within eight months of training completion began training with high confidence in their skills in understanding the importance of having a business plan, knowing the community in which their business operates, and time management. ISED found that participants who are operating a business had the greater change in confidence level overall, from the start to the end of training.

*Participants value skills learned.* Eight months after training completion, participants were asked to assess whether learning a particular skill helped them to operate or take steps to open their business. Overall, participants rated learning the skills as helpful. Participants who reported the greatest value of learning all of the skills in training are participants who had a definite business idea at the start of training, compared with those who did not have a definite business idea. ISED believes that participants who have a definite business idea are the people who are taking active steps to open, expand or stabilize a business. Their activity demands the application of business skills presented during training.

#### **PARTICIPANTS' RATINGS OF THE VALUE OF SKILLS LEARNED IN TRAINING**

Participants who achieved a business outcome – opening, stabilizing or expanding a business – within eight months of completing training rated learning these skills as most valuable:

- Having a business plan,
- Monthly cash flow projections,
- Time management,
- Knowing the community in which their business operates,
- No-cost/low-cost promotion of their business,
- Knowing what information to take to a bank to get business financing.

*Participant characteristics and the training intervention interact to affect final outcomes.* ISED recognizes certain training interventions may be better suited to particular participants. Previous business experience and having a definite business idea at the start of training were found to be associated with varying levels of success. It appears that a dynamic training style is slightly better suited to participants who have previous business exposure. For these participants, the material presented in class is not entirely foreign to them. When this finding was discussed with the business trainers, they suggested that having a more experiential teaching style may seem more “real” to the participants who own a business currently or have owned a business in the past. They often have specific questions they wish to ask the business trainer and this fits in nicely with the dynamic style of teaching.

ISED found participants who do not have a definite business idea at the start of training are slightly more likely to complete the training if they have a trainer who is more didactic in style (though this difference was not statistically significant). For these participants, having a structured, curriculum-driven training may be a better match with participants' abilities. Rather than providing hands-on applications, mastery of the basic skills is the goal.

## CASE STUDY

Theresa came to the business training classes with a fairly definite idea for her business. She spent some time researching her idea at the library and on the Internet. She has never owned a business, but she grew up in a family that owned a business for a short time.

Theresa has significant people in her life who are supportive of her decision to open a business. She has people she can rely on to watch her children or lend her money if her finances are tight. Theresa also acts as a resource to other people by giving them rides or running errands for them.

Theresa successfully completed the 13-week training course. She had a high level of commitment to the class – attending each week and completing her class assignments. By the end of training, she had a nearly completed formal, written business plan. Eight months after the training ended, Theresa was in the process of planning to start her own business – she settled on a definite business idea, submitted a loan application for financing and located a building to lease.

*Certain intermediate indicators may predict final outcomes.* Lastly, ISED considered the extent to which intermediate indicators are reliable proxies for final outcomes. Is knowing a participant's accomplishments in training enough to assume later success? There is evidence of a strong association between certain intermediate indicators and final outcomes. ISED found that having a business outcome (i.e., a business start, stabilization or expansion) sometime after training completion is correlated with completing training, completing a business plan, making progress on securing needed financing, completing class assignments and attendance rate.

It appears that all of the training activities that are more contingent upon participant involvement/commitment (i.e., attending classes, completing assignments) lend themselves to critical milestones such as completing the business plan, making progress to secure financing, training completion and ultimately business outcomes. This means that business plan completion, financing progress, completing class assignments, attendance rate and graduation rates are important factors that the business trainers would benefit from tracking.

## Implications for the Field

The findings from this research study have implications for the field of microenterprise training, which are highlighted below:

*Participant characteristics and screening.* There is discussion in the field about the possible development of a tool to screen out applicants in an effort to provide services to those individuals who are most likely to benefit. With possible funding constrictions, this may become a pressing issue in the future. The field must be very careful when considering which personal characteristics to use, if the purpose is to screen out an applicant. If participants were denied services based on the number of barriers or difficult life circumstances, programs may be doing people a disservice. There are individual examples of people who succeed even when faced with seemingly insurmountable challenges.

While many organizations do not screen participants for characteristics (and thus deny service to participants not rated high in factors that this project demonstrates are positively correlated with success), programmatic modifications can be made to improve participant outcomes. With the intention of achieving final outcomes, programs can modify their assessment services to influence participant characteristics that are amenable to change. For example, personal support networks and resources turned out to be highly correlated with final outcomes in this study. Programs can make special efforts to link participants who score low in this category at intake to existing community networks and assist participants to secure the needed resources.

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*Achieving intermediate indicators.* Some intermediate indicators (i.e., completing class assignments, attendance rates, completing a business plan and making progress on securing needed financing) are associated with achieving final outcomes; this is an important finding. Reconfiguring training content will have staffing and resource implications for programs. For example, monitoring homework assignments requires staff time. Closely tracking these intermediate indicators will need to be incorporated into the standard MIS data collection procedures. This requires a revision of current forms and additional data entry.

A more complete understanding of the role of intermediate indicators in predicting final outcomes is still needed. This will help the field refine and adapt training programs to more effectively meet the needs of participants. By considering the important milestones or steps that participants are achieving, program impact will be considered in the broadest possible terms – looking beyond final outcomes of business starts, expansions and stabilizations.

*Training style.* In general, the dynamic training style proved to be more effective in achieving intermediate indicators and final outcomes. ISED also found that a subgroup of participants fared better when they had a more didactic business trainer. This demonstrates that there is not one model to suit all participants. Training-led organizations may be interested in assessing their own training styles and determining if they also are observing differential outcomes for participants. Programs will need to consider carefully the composition of their participant population to determine the best mix of training strategies.

*Skills acquisition.* The assessment of skills learned in training is an area in which additional research is needed. The findings do not definitively identify which specific skills must be mastered in order to achieve intermediate and final outcomes. It is also unclear “how much” learning must take place in order to achieve intermediate and final outcomes. The application of these skills in later business operations is another avenue for exploration. The assessment by participants of the value of skills learned in the training is the first step in this direction.

## **Conclusion**

This research project reflects ISED’s commitment to improving the quality and effectiveness of its training and technical assistance services for low-income entrepreneurs and aspiring business owners. The presented findings build ISED’s capacity to achieve positive outcomes for microenterprise participants by identifying how participant characteristics and training interventions are related to both intermediate indicators and final outcomes. With continued learning ISED will refine its training services to best meet the needs of participants.



# BUSINESS SKILLS ACQUISITION, BUSINESS GROWTH AND ECONOMIC SELF-SUFFICIENCY

## WOMEN'S INITIATIVE FOR SELF EMPLOYMENT

### Organization's Background

Women's Initiative for Self Employment (WI) operates a nationally recognized, entrepreneurial training and technical assistance program for low-income women in the San Francisco Bay Area. Since its inception in 1988, the agency has served more than 8,800 women, providing more than 5,300 women with comprehensive training and technical assistance services. Through its Revolving Loan Fund, the agency has disbursed a total of 185 loans, totaling \$678,073 to support the capital needs of client businesses.

This document presents the findings of a two-year Outcome Evaluation Project conducted by WI that tracked 83 Women's Initiative English-language program clients for up to 18 months (between October 1998 and October 1999) after core business and personal development training. This summary explores the business and economic outcomes achieved by these program participants and offers an initial analysis of the factors that contributed to those outcomes. Additional implications of these findings also are identified and discussed in the full, final report prepared for FIELD, particularly as they relate to strengthening the training programs that support microenterprise as a viable economic development strategy.

### Study Design

The goal of this project was to build on previous evaluation work undertaken by the agency by designing and implementing a comprehensive, longitudinal evaluation of program effectiveness. Client progress was monitored through follow-up phone surveys conducted at six-month intervals, over a period of 18 months. Seven in-depth interviews, resulting in case studies, provided more detailed qualitative data about the participants' progress and their insights about business development. By the end of the project period, the Women's Initiative Outcome Evaluation Project had become an integral component of the English language business development training and technical assistance program. It had progressed from being a stand-alone project to being a crucial tool for the agency to monitor and assess its services.

Women's Initiative engaged in this project to be able to answer the following question: To what extent was the agency assisting low- and very low-income women in the San Francisco Bay Area to attain economic self-sufficiency through self-employment? Accordingly, the agency established the outcome indicators it would measure to look at business success:

- *Use of business development skills:* Participant developed standard business skills, as taught in the 14-week core training course, and applied them to her business development;
- *Business growth:* Participant was in business and the business grew, as reflected in a change of business status or stage of development; and
- *Personal economic self-sufficiency:* Income from the business increased the participant's household income and moved her toward economic self-sufficiency<sup>1</sup>.

<sup>1</sup>Self-sufficiency is measured by comparing total household income to the Year 2000 California Self Sufficiency Standard for the San Francisco Bay Area. This standard calculates the amount of money working adults need to meet their basic needs without subsidies of any kind. Unlike the federal poverty standard (HHS) or the median income guidelines (HUD), this standard takes into account the costs of living as it varies by family type (number of adults and number and ages of children) and county. The calculation includes local housing, childcare, food, transportation, medical care, clothing and miscellaneous costs, as well as taxes and tax credits. For purposes of comparison, the self-sufficiency standard income levels fall at approximately 90 percent of the HUD median area income level ("moderate income") for a family of two adults in San Francisco County.

Subsequent evaluation efforts will include Spanish-language program participants (who comprise a quarter of Women’s Initiative clientele) and take a deeper look at personal and social development outcomes. Additional work can be done to document the program’s impact on the outcomes achieved, using a control group, a sufficiently long tracking period, and a more significant sample size.

## Key Findings

*Women s Initiative program participants are using skills gained during core training.* Of the 14 core business skills taught during core training, target marketing and record-keeping were the most highly used skills by the most successful clients. Strong business vision and pricing were other skills that are important tools for successful entrepreneurs.

### Top Five Skills Used by the Success Circle<sup>2</sup> (Scale of 1-5; Range of highest average score of 4.7 to lowest average score of 2.7)

6 Mos.	1 Year	1.5 Year	Total Average
Record-keeping (4.53)	Record-keeping (4.78)	Business Vision (4.7)	<b>Target Market (4.44)</b>
Business Vision (4.53)	Target Market (4.42)	Record-keeping (4.5)	<b>Record-keeping (4.43)</b>
Target Market (4.4)	Pricing (4.17)	Break-even Analysis (4.48)	<b>Business Vision (4.38)</b>
Pricing (4.17)	Competition (4.08)	Target Market (4.3)	<b>Pricing (4.23)</b>
Break-even Analysis (4.0)	Break-even Analysis (4.0)	Pricing (4.2)	<b>Break-even Analysis (4.19)</b>

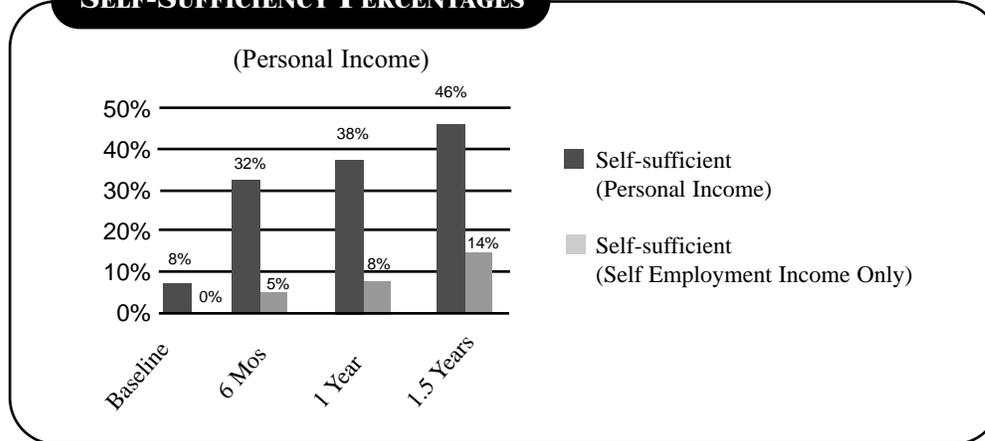
*Completion of core training is related to the ability to grow a business.* Graduates from the core training were 40 percent more likely to experience business growth than those who did not complete the workshop.

*Women s Initiative program participants are achieving business development outcomes.* Overall, 75 percent of 83 participants experienced some degree of business growth at some point within the 18-month study period. Within one-and-a-half years of core training, 46 percent of participants started new businesses, 33 percent of participants strengthened or expanded existing or start up businesses, and 10 percent of these existing businesses became more mature established businesses. Seventy-six percent of the businesses survived for at least a year.

*Not only are Women s Initiative program participants achieving economic self-sufficiency through self-employment, but increasing numbers of clients achieve self-sufficiency over time.* Within six months of completing core training, 32 percent of respondents achieved economic self-sufficiency through personal income (combined income from self-employment and a salaried or wage job); after 12 months, self-sufficiency had been achieved by 38 percent of respondents; and after 18 months, 46 percent had achieved self-sufficiency. Self-employment income alone brought self-sufficiency to five percent of respondents after six months, to eight percent after 12 months, and to 14 percent after 18 months.

<sup>2</sup> The “Success Circle” is the group of clients who attained economic self-sufficiency through personal income that included income from her business, achieved healthy business growth, and used the standard business skills to do this. This “Success Circle” is used for analysis purposes only. Twenty-two clients, or 27 percent of the sample group (n=83), were in the “Success Circle.”

## SELF-SUFFICIENCY PERCENTAGES



Women's Initiative program participants with self-employment income achieved personal income increases more quickly and in greater number than those with wage or salary income alone. Within one-and-a-half years after core training, 54 percent of those who achieved self-sufficiency did so with income derived in whole or in part from self-employment, while 46 percent achieved self-sufficiency through salaried or wage jobs alone.

Self-employment can be an effective strategy for moving out of poverty. At the beginning of the study, 80 percent of participants had incomes at or below 185 percent of the federal poverty guideline. Eighteen months after the training, this number had dropped to 35 percent of those interviewed.

The project also revealed additional findings that merit further study and analysis:

- During the project period, WI staff and program participants recommended additional services that they believe would contribute to increased rates of business success. These include: fostering support networks; offering flexible, on-call technical assistance after training completion; and revising the training curriculum to use real-life case studies and to teach additional personal and business record-keeping and financials from beginning to end. (Currently the financials section of the curriculum begins in earnest during week seven of the 14-week workshop.)
- A significant number of program participants “patch” their income (combine income from different sources) even after business start-up. For some clients this is due to their business size and scale of operations; for others, a patching strategy was appropriate to their households’ needs and composition. Whether patching continues to be necessary for long-term economic self-sufficiency, or is an income strategy suited only to the early stages of business development, is beyond the scope of this project.
- Program participants often see their success in terms of personal development and how they felt about the process of becoming self-employed. Not all participants achieved business growth within the 18 months of this study, but most participants reported an improved quality of life, better jobs and/or higher personal income –all of which contributed to their defining their experiences as successful. Contributing factors could include: participating in the group training process, successfully completing the business management training process, and the personal competencies gained in the Personal Effectiveness and Power component of core training.
- Within the microenterprise industry, there is a mandate to demonstrate the ability of micro and small business development to play a significant economic development role. The number of Women’s Initiative program participants achieving business development outcomes (start-up, stabilization and expansion) indicate that microenterprises are contributing to the local economy: they serve local needs, increase the local tax base, and stimulate local consumer spending.

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## Conclusion

By engaging in this outcome evaluation project, Women's Initiative now has strong tools with which to demonstrate that its training and technical assistance services are indeed a successful strategy for low- and very low-income women who want to increase their income through business ownership. The project also helps demonstrate that microenterprise development is certainly a compelling option for policy makers and donors who want to support effective poverty alleviation measures and sustainable community economic development. And finally, the project has demonstrated the importance and benefits of institutionalizing longitudinal client-tracking systems. For clients it provided an opportunity to stay in touch with their business development vision and WI services. The project has significantly expanded the capacity of Women's Initiative for program delivery and development, resource development, and policy advocacy.

### CASE STUDY

#### Eighteen Months after Core Training

A profound optimism – one based on personal responsibility and choice, rather than on wishful thinking – permeates the room as Jane Doe describes her new business, “Jane Doe, Organizing Services.” This optimistic attitude is one that comes from having tried and failed in previous endeavors, and having finally found her niche. According to Jane, her new business provides much needed supplemental income, endlessly interesting work, a feeling of satisfaction derived from helping others, and the flexible schedule that her physical disability, post-polio syndrome, requires. Perhaps most important is the sense of well-being that comes from finally succeeding in something that she loves.

Jane gets a real sense of fulfillment from helping others. As she puts it she is “specializing in home offices and relief of domestic disorder.” “I give people tools and techniques to get organized, and I support them in making changes in their lives so that they can feel calm and function better in their office, not lose things, and function better in their homes, not living in chaos.” Her motto for her current business, “When things get straightened out, people’s lives change,” is an apt description of her own experience as an entrepreneur.

Jane’s new business is her second try at self-employment since graduating from the Women’s Initiative for Self Employment core training. A few years before, at the age of 58, she began a small consignment shop where she sold used household items. Training from Women’s Initiative guided her in the early days of opening and running her shop. However, she found that the physical weakness caused by her disability was a major barrier to running the business. After much deliberation she closed her shop, suffering a financial loss of most of her start-up funds.

It wasn’t easy springing back from the disappointment of losing the store. In retrospect Jane realized that the impediment to her success was emotional as well as physical. “I feel very strong this year. Last year I felt very weak. I think there is a psychological component in that,” she said. With professional organizing she has finally found just the right mix of fulfilling work and rest. She only has to work as much as she feels physically comfortable, and this is partly what distinguishes her current business from her store. With the store, despite loving many aspects of the work, she had no choice. In order to stay open she had to work long, fatiguing and potentially physically damaging hours.

*(continued on next page)*

## CASE STUDY (CON'T)

Currently Jane is learning new skills and techniques for organizing. In the future she would like to also offer coaching services. “I’m always learning. It’s the most satisfying work I’ve ever done, and it’s really, really enjoyable. It’s really helpful for people and I get more money per hour than I would have running the store. And I have to do much less work.”

Jane is clear about her goals for the future:

“Being able to maintain my energy is always number one. I would consider myself a very great success if I could pay my debt. I’m paying it as quickly as I possibly can. And then success would be continuing to deal with clients and have them appreciate my services – that’s continuing to be useful. That, to me, would be success. It’s not making a lot of money, it’s making enough money to not be living on the edge like I have been for so long.”

Jane’s goals seem securely within reach. Her success has been the result of learning from the past, learning to value herself as highly as she values others, and learning to go with what feels right to her, rather than pursue what others think she should do. “All my life I’ve tried to fit myself into things that seemed appropriate, or seemed like they’d be fun, or seemed like it was something I could do, and I couldn’t. And this is so natural to me that it just feels wonderful. It’s so much better than all the other things combined!”

Jane Doe sees the Women’s Initiative training as instrumental in her current success. As a single woman, the support she received was essential, especially in helping her to gain the self-confidence to try again. “It was very inspiring! It was wonderful to sit around a table with other women who were also coming from no place, basically, and putting together a business.”





# TRAINING AND TECHNICAL ASSISTANCE FOR FAMILY DAY CARE BUSINESSES

## WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION

### Organization's Background

Women's Housing and Economic Development Corporation (WHEDCO) is a community-based organization providing housing, workforce development services and health and family services to women and families in need in the South Bronx, New York.

WHEDCO operates a Family Day Care Training and Network Support program that is well suited to a study of training effectiveness where it counts: in the course of business operations and development. Unlike the training/"post-training" model with a discrete training cycle and follow-up activities, family day-care training is a seamless, long-term, ongoing process of professional development that starts with the state registration process and continues for the life of the business. The platform for training is the family day-care Network, a type of community-based membership association that recruits, trains, monitors, and assesses regulated family day-care providers and provides information to parents about child-care options. Most regulated providers belong to one or more of these Networks.

Unlike many Networks that offer core training, WHEDCO's Network offers the full spectrum of training and technical assistance (TA) services that address the four key dimensions of family day-care enterprises: Regulatory Compliance, Child Development, Business Management and Income & Enrollment.

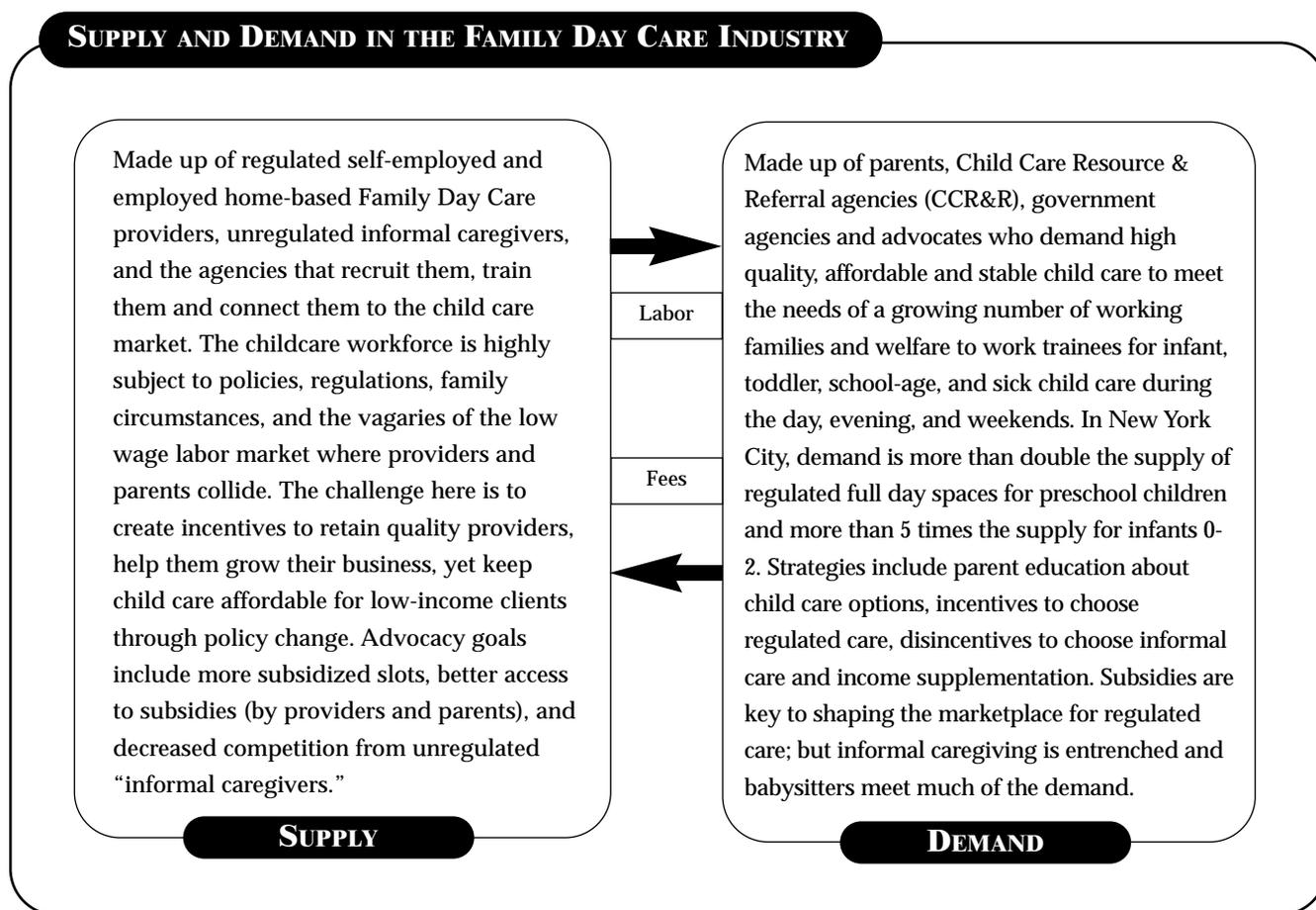
This study contributes to the field's knowledge about the building blocks of a successful child-care enterprise. In addition, WHEDCO put the knowledge to use in its own program: adding three new business development workshops; strengthening the service planning process; developing, testing and refining three new assessment and service planning tools; and shifting the program model to guide clients toward better business outcomes. In addition, the findings are the basis for a policy agenda related to the child-care workforce and welfare reform. The study raised many unanswered questions central to the research and beyond its original boundaries that are topics for future research.

WHEDCO was the only FIELD grantee to focus its research on a single sector of microenterprise. It is important to note that there are a number of clear industry forces and dynamics that impact family day-care providers. As a result, those who provide technical assistance to family day-care operators find they must address complex regulations, child development, market conditions and reimbursement variations – in addition to training around more typical issues, such as business management skills and marketing. To understand the climate surrounding the family day-care industry, a closer look at several critical aspects is provided here.

*I'm proud of myself. It's a different feeling when you have your own business. You control your destiny. You are accountable for everything. It's made me a different person. The key is organization.*

## Industry and Market Dynamics

Training low-income microentrepreneurs for success in the family day-care field is a challenging enterprise. These businesses operate in a complex regulatory and policy environment and must confront ever fluctuating market and industry dynamics that limit business growth and income generation. To help these businesses navigate through this tricky terrain, the industry includes an array of nonprofit agencies to help bring providers and parents together in the marketplace and improve providers' earning potential. On the supply side these agencies include Family Day Care Networks that recruit, train, monitor, assess, and advise regulated family day-care providers. On the demand side, acting on parents' behalf, Child Care Resource & Referral agencies provide information to parents about child-care options and make referrals, as do welfare agencies and other governmental units that serve low-income clients.



*Child care need far exceeds supply.*

In the city of New York there are 11,814 registered family day-care providers and 1,116 licensed Group Family Day Care providers according to the New York City Department of Health registry. Family Day Care providers are legally permitted to care for five or six preschool children at the same time, plus one additional school-age child after school. Larger Group Family Day Care homes can care for 12 to 14 children at the same time, plus two children after school. Collectively these providers have capacity for approximately 28,000 children.

On the demand side are the 219,711 children ages birth to six who require out of home full-day care. According to the latest figures compiled by the city's leading Child Care Resource & Referral agency, Child Care, Inc., only 98,314 spaces exist in regulated full-day programs, a shortage of 121,397 slots. Families with infants have the hardest time finding regulated home-based care. There are only enough spaces for 20 percent of the 100,969 infants (ages 0-2) needing full-day out of home care.

*Parents choose informal caregivers over regulated providers.*

Consumers may view this shortage as less critical than policymakers and child-care advocates do. Most families use unregulated, informal caregivers for many reasons: familiarity with the caregiver who may be a relative or friend, convenience, lack of understanding about the advantages of regulated care, lower costs of unregulated care, and a desire to channel scarce child-care dollars to neighbors, family and friends.

As a result, regulated providers compete for clients with informal caregivers. This is particularly true in the market for welfare families needing child care. The city's welfare agency, the Human Resources Administration (HRA), purchases child-care services for welfare recipients almost exclusively from informal caregivers. This is not true for the Agency for Child Development, which purchases services almost exclusively from regulated providers on behalf of working families. Among children receiving child care administered by the HRA, 89 percent (33,819 children) were in informal care and these children represent 36 percent of all children in subsidized care.

Home-based providers also compete with center-based care. In New York City private child-care centers have spaces for 35,448 children and city-subsidized child-care centers have spaces for 24,866 children. Because home-based and center-based child-care providers are not spaced evenly throughout the marketplace, many providers face high competition within their building, on their street or in their immediate neighborhood.

*Given scarce subsidies and inconsistent demand, good clients are hard to come by.*

Another aspect of the dynamics of care are the difficulties accessing "good" clients, meaning those who can pay the standard Market Rate (out of pocket or through subsidies), and who need steady long-term care for their children. In a poor neighborhood, the best client is a subsidized working family needing long-term continuous care who holds a coveted child-care voucher issued by the Agency for Child Development (ACD). The ACD voucher reimburses providers at the official Weekly Market Rate for services. The current rate for full-time care is

*Sitting in a factory sewing, you just sit there and operate a machine Even though it s delicate taking care of children, I prefer it 1,000 times over factory work. When you take care of children, you offer care and time and love rather than passing material through a machine. (Ana)*

### **CHILD CARE MARKET SEGMENTS**

(ranked from most likely to least likely to be steady clients that pay the standard rate)

1. Subsidized working families with child care vouchers.
2. Private pay working families needing continuous, long-term care who can afford the full standard rate out-of-pocket.
3. Subsidized working families for whom the provider is reimbursed through a city-contracted Network.
4. Families on welfare receiving welfare to work or transitional child care benefits.
5. Private pay clients unable to afford standard rates.
6. Private pay clients with siblings subject to a lower, negotiated "sibling" rate.

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\$103 weekly for preschool children ages 3-5 and \$127 per week for infants and toddlers ages 0-2. Other rates apply to school-age children and children cared for part time or on an hourly basis.

Among the least desirable clients are parents on public assistance holding time-limited subsidies and subject to loss of subsidies at any time due to sanctions, case closing, failure to apply for transitional child-care benefits or loss of eligibility. Other less desirable market segments are the private-pay families unable to afford the standard rates, and private-pay parents eligible for discounts, such as sibling rates (some providers offer two for the price of one). Any parent needing only short-term or inconsistent care is less desirable as well, because the provider must build a large client base to maintain enrollment at target levels. These dynamics require providers to be savvy marketers to reach and maintain their preset goals.

*Earning potential in the industry is relatively high for microenterprise but few providers reach potential.*

Parents and providers collide in a low-wage marketplace. Low-income parents cannot afford the cost of quality care and the provider's income is capped by regulations and the local fee structure. In a poor community such as the South Bronx, the city's reimbursement rate sets the ceiling for fees. Many parents cannot pay even this amount for full day care, which, at best, provides an hourly rate of \$2.58 per child for children ages 3-5 and \$3.18 for infants and toddlers ages 0-2.

Toni Porter, Director of the Center for Family Support, Bank Street College of Education, and a specialist in family day care in poor neighborhoods, calculates that a "likely" earning potential in the industry amounts to \$20,000 to \$28,000. In the Aspen sample, high earners generated between \$15,000 and \$22,000, based on best available earning estimates.

*I like [running a family day-care business]. It helps me with my son, if he needs to be home [from school] I can have him. I can take care of my own kids and still have a job. (Maria)*

Most providers earn less than \$10,000, a figure that is comparable to the "average" low-income microentrepreneur studied over the years.<sup>1</sup> On average, the businesses in the Aspen sample generated \$9,862 over a 12-month period, based on partial and incomplete data for the years 1999 to 2001 year to date, with the average amount fluctuating in both directions quarter to quarter and year to year.

## Study Design

WHEDCO asked three interrelated questions toward the goal of improving training effectiveness for providers most likely to succeed in business:

- Do we teach them what they need to know?
- How well do providers apply what we teach them?
- How can we tell which providers will make a success out of their family day-care businesses?

To answer these questions WHEDCO selected an opportunistic sample of 20 providers new to the Family Day Care Network and studied them and their businesses over a two-year period. (Four providers entered the study further along to replace four who dropped out, but two years of data was collected on all participants). Coincidentally, this sample is representative of the Network as a whole, based on data for 182 current and recent

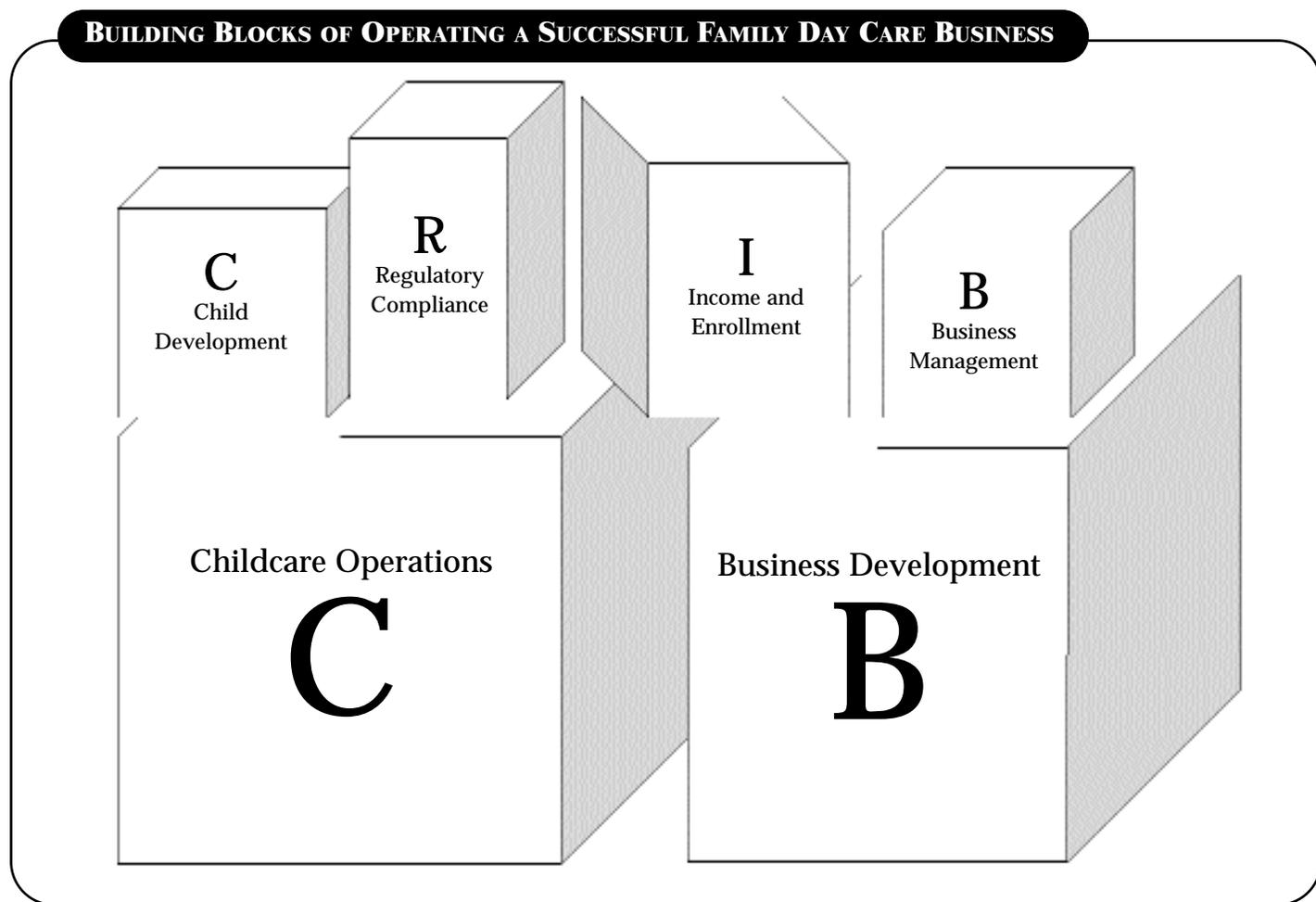
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<sup>1</sup>See: Microenterprise as a Welfare to Work Strategy: Client Characteristics. Research Brief No. 1. (Washington D.C.: The Aspen Institute, May 2001).

Network members. Interestingly, the sample matches the demographics of the “typical” microentrepreneur nationally: older, more educated, more likely to be (or have been) married, and more likely to have worked in the past and to have current work experience apart from self-employment. Almost half the sample (45 percent) received TANF benefits at entry, and most (65 percent) received food stamps. More than a third of the sample (35 percent) cited Spanish as their primary language; 25 percent cited English; and 40 percent are bilingual in English and Spanish. Most (12 participants) entered the study at the pre-start-up phase and five others entered in the earliest stage of building the basics of a child-care operation. Two providers entered the study at a more advanced stage with their businesses well underway. In one case the provider had been registered since 1994; in the second case the provider was recently registered but parlayed her advanced education (a master’s in elementary special education) and professional contacts (her mother is a Head Start consultant) into a rapidly growing and sophisticated business.

*Question 1.* To learn if WHEDCO teaches providers what they need to know, the dynamics of the industry and marketplace were studied in the context of the broader professional, regulatory and policy environment. Findings were then compared to what and how WHEDCO teaches, and the training model for service delivery.

To ensure comprehensiveness, WHEDCO teased out four separate but interrelated programmatic domains of family day care, referred to as the “building blocks” of family day-care enterprises. They are Regulatory Compliance, Child Development, Business Management, and Income & Enrollment. Analytically and programmatically, these four domains can be grouped into two major areas of focus: Child Care Operations, which includes regulatory compliance, child development; and the basics of business management, and Business Development, which includes more advanced business management skills and skills related to income generation and enrollment stability. Business Development is more properly the purview of microenterprise development.



*Question 2.* To understand how well providers apply what they are taught, WHEDCO studied their enrollment patterns in training and technical assistance activities, evaluated their enterprises during Home Visits at four points in time, and observed their behavior and performance in the classroom setting. Assessments were based on a series of standardized checklists and self-evaluation instruments widely used in the field.

*Question 3.* To predict who would likely operate a successful family day-care microenterprise, WHEDCO followed the participants' business trajectories over the two-year study period, gathered information about their earned income and enrollment patterns, grouped them into four categories according to business outcomes, and studied what each group had in common. At the end of the study WHEDCO classified six businesses as moderately to highly successful *according to industry standards* three businesses as "growing;" six as "inconsistent or struggling;" and four as "marginal." An additional business was classified as a success *from the provider's standpoint* (she operates a small-scale stable business with two children in care). Three struggling or marginal businesses closed, two for serious health reasons.

*I m not a woman who wants to earn so much money. Just give me what s in your heart.*  
*(Mary, commenting on her business goals.)*

<b>DEFINITIONS OF SUCCESS FOR FAMILY DAY CARE</b>		
From the Standpoint of the Individual Family Day Care Business Owner	From the Industry Perspective	From a Social Policy Perspective
<ul style="list-style-type: none"> <li>The provider maintains enrollment at her targeted level for a minimum of three out of four quarters of the year.</li> </ul>	<ul style="list-style-type: none"> <li>The provider is at full legal capacity for a minimum of 240 days a year (five days a week for 48 weeks).</li> </ul>	<ul style="list-style-type: none"> <li>The provider maximizes the number of slots available for full-day care using such strategies as shift care and extended hours on evenings and weekends.</li> </ul>
<ul style="list-style-type: none"> <li>The provider reaches 90% of her self-defined gross and net revenue goals.</li> </ul>	<ul style="list-style-type: none"> <li>The provider generates \$20,000 to \$28,000 or more annually, based on earning potential for this industry (this can double for Group Family Day Care).</li> </ul>	<ul style="list-style-type: none"> <li>The provider reaches 90% of her self-defined gross and net revenue goals.</li> </ul>

The goal was to produce a list of indicators related to business outcomes, in order to align training and TA activities with the ingredients of business success. To provide a head start in this endeavor, WHEDCO generated a preliminary list of indicators from two focus groups that met at the start of the project in June and July 1999. The focus groups mixed providers, trainers and family day-care specialists.

The result of this exercise was a list of 57 indicators related to business success *from the industry perspective*. The indicators relate to gross and net revenue generation and enrollment stability. These indicators represent behaviors, attitudes and personal characteristics. Most describe specific business decisions and activities associated with a serious intent to grow a financially viable family day-care business. The 11 personal descriptors seem to be preconditions for success.

## INDICATORS OF BUSINESS SUCCESS

### **Business Management**

- Bank account
- Expense records
- Enrollment and daily attendance records
- Parent/Provider Contract (initial and revised, as needed)
- Payment receipt system or W-10
- Collection letter template
- Tax filing
- Schedule C filing
- D.B.A. filing/tax ID

### **Business Development: Net Revenue**

- Enrolls in CACFP and claims monthly for all allowable meals
- Files EITC
- Knows allowable business expenses and records expenses on Schedule C
- Secures EIP training scholarship
- Secures Trickle Up grant
- Files for wage support subsidy if eligible
- Uses WHEDCO's Resource Library for free books and toys
- Secures free fire extinguisher, Health & Safety Kit through Network

### **Business Development: Target Enrollment and Enrollment Stability**

- Strategic marketing plan (initial and revised, as needed)
- Effective flyer and other promotional materials
- Number and quality of professional affiliations for referrals
- Size of personal referral networks
- Aggressive outreach
- Niche marketing (e.g., After School, Extended Day, Weekend, Overnight, and 24-hour care; Sick children care; Special needs care)
- Marketing to stable clientele
- Accessibility of location
- Level of competition
- Attractiveness of setting for child development
- Level of advocacy in campaigns to improve access to child care subsidies
- Disciplinary skills
- Interpersonal skills
- Conflict resolution skills
- Consistency of hours of operation
- Availability to parents

### **Business Development: Gross Revenue**

- Business structure (Family/Group Family; ACD contractor, Head Start satellite)
- Enrollment Cap
- Number of children for which they are legally registered
- Provider's target enrollment
- Number and age of own children in care
- Number of days in operation annually
- Business hours and scheduling structure to increase cumulative number of children in weekly care
- Charges standard rate
- Judicious use of sliding scale fee
- Designs and enforces system for fee collection
- Recruitment to a mix of private pay and subsidized clients
- Advocacy activity (self or assisted) related to child care reimbursement
- Level of advocacy related to building child care workforce

### **Personal Characteristics**

- Self-defines as a business owner
- Sets business goals
- Stays focused
- Follows through with steps toward goals
- Good Health
- Absence of foster care responsibilities
- Level of spousal/family support
- Degree of autonomy to make business decisions
- Religiously informed value system
- Educational ambition
- Motive

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## Key Findings

*Business development gets less attention in the training process compared to the focus on child-care operations. The issue is not the amount or type of business training (although WHEDCO did identify some gaps and weaknesses in its curricula), but the system of goal setting, monitoring, assessment and accountability. Such a system is clearly in place for regulatory compliance and meeting professional standards for child development. The effectiveness of this system shows in the excellent results. The finding is no surprise. Family Day Care Networks concentrate resources on child-care operations due to institutional pressure to ensure, first and foremost, that regulated providers operate safe, healthy and stimulating day-care homes.*

*It follows that participants did best in areas where they are most accountable, such as regulatory compliance, but demonstrated less skill in using knowledge to generate income and build a stable client base. This finding also can be explained by the fact that regulatory compliance is straightforward and simpler compared to the complex skill set required to operate a successful business or become an effective child-development professional. As further explanation of why family day-care operations are not usually high grossing businesses regardless of the amount and effectiveness of training, is the fact that they operate in an unfriendly and unforgiving policy environment and cannot attract a high-paying clientele.*

*[Before becoming regulated/training] I took care of children like I took care of my own. I didn't know the regulations or the consequences. For example, I didn't realize that you had to be so careful about things around the house. (Hernandez)*

*Higher earners and those with growing businesses identify themselves as business owners and recognize that their service is a business. These identities are at the foreground and stand apart from their identity as caregivers.*

*Most high earners in the sample had stable contractual relationships with referring agencies that put an income floor under their businesses (ACD Networks and Head Start). Under these agreements three providers could count on incomes ranging from \$16,800 to \$19,200. Other strategies that mark high earners are extended hours (open nights and weekends) or shift care. The lowest earners were inconsistent in their hours or opened and closed their businesses erratically. (In this business, temporary closings are not unusual to address crises or unexpected competing demands.)*

*Higher earners uphold the standard rate for most clients, secure access to subsidized parents and enforce rates for friends and family. Those who generate low earnings negotiate sliding scale rates well below standard rates, offer generous discount packages (e.g., "two for one" sibling rates), and make significant allowances for relatives or friends who make up the bulk of their clientele. As one marginal provider said, "I have a bad habit of feeling sorry for people."*

*Even the most successful businesses fluctuate considerably over time due to a combination of factors; only some are under the provider's control. Among factors not under their control are the vagaries of the city's fragmented child-care system. The city withholds child-care benefits from public assistance clients at the slightest whim, fails to reimburse providers in a timely fashion leaving providers in the lurch, and leaves working families scrambling for scarce subsidies.*

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*Most providers packaged income from multiple sources. These include intimate partners and spouses, other family members, public benefits accruing to them or members of their household, and supplementary wage employment.*

*Self-employment can be a route off welfare, if the provider is willing to risk losing public benefits in the face of uncertain and fluctuating self-employment income. Two of nine TANF recipients in the sample earned their way off welfare, but two others kept earnings low to avoid a rapid loss of benefits that would have left them and their family worse off than ever. In one case the provider lived with her mother and was protecting her mother's housing subsidy. One left the rolls through marriage to a second wage earner.*

*Given that family day-care operations are deeply embedded in the provider's domestic circumstances, the provider's personal and family characteristics shape their goals and outcomes. For those providers intent on growing a viable business (half the sample), preliminary findings suggest that preconditions for business success include: autonomy to make business decisions; family involvement in the business (as staff, informal advisors and sources of emotional or material support); a safe and attractive setting; good health; ability to stay focused; determination; professional demeanor; talent for self-promotion; ongoing engagement in aggressive recruitment of children; ability to engage children and communicate effectively with their parents about child development issues, child-care policies and fees; and freedom from competing obligations including foster care.*

*Classroom performance is a poor indicator of future business outcomes. The provider's level of curiosity, cognitive ability, energy, commitment and follow-through is better measured in terms of actual, not hypothetical or simulated, business decisions and activities.*

## **Outcomes**

WHEDCO generated two products from the research:

### Training Matrix

The Training Matrix aligns WHEDCO's training and TA activities with key indicators of business success. The Matrix shows which activities can be combined to help providers: 1) build a client base and stabilize enrollment; 2) increase gross revenue; 3) increase net revenue; 4) improve business management. For example, the Matrix shows that six training and TA activities build skills and knowledge about target marketing. These activities include Marketing Outreach, Preparing Promotional Materials, Trickle Up Application, Business Planning, Operations and Management Overview, Developing Family Day Care Contracts & Policies, Strategic Marketing (new), and Taking Care of Your Child Care Business.

In practice, staff will incorporate the Matrix into the Service Planning process, and use it as a planning document to guide curriculum development and to identify gaps in training. Providers will meet with staff during the quarterly review and assessment process to identify goals and schedule appropriate training. The Matrix helps staff and providers to see, at a glance, which activities relate to which discrete outcomes. In the process of preparing the Matrix, staff discovered the overlaps and interconnections among myriad training and TA activities and identified gaps in business training that will be filled with three new advanced workshops: Investment Strategies, Strategic Marketing and Portfolio Development (planning, preparing and compiling contracts, resumes, references and other materials useful for marketing purposes).

## CASE STUDY

### *A Mature Business:*

Carmen: An aggressive marketer with ambitious plans for expansion

Carmen came to WHEDCO with her business far advanced, having been in operation since 1994. She had considerable training through other networks, but WHEDCO was the most effective at advocacy when she had trouble collecting child care payments from the city. She could not believe her eyes when a worker from the welfare department's BEGIN program showed up in person with a reimbursement check in hand.

Carmen is a savvy marketer who uses several strategies to maximize enrollment and increase revenue: she belongs to three referral networks including ACD, and remains open for shift care (7:30 am to 6 pm; 3 pm to 8:15 pm). She charges high end standard rates and a sliding scale weighted toward the high end. She taps her daughter's business knowledge and computer skills. Her sister also is involved in the business; her son-in-law is planning to buy a house to open a child care center, and her nephew, who works for the fire department, is also planning to open a center. Her husband, who works as a technician for a hospital central supply department, loves the children. "They call him 'Daddy'" she says, proudly. She obviously loves her middle daughter who is her unpaid assistant and says "She has sugar in her kisses." She has a savings account, carefully issues W-10 forms as receipts to parents to insure she has verification of what each parent has paid for tax purposes. She brings a lifetime of child care experience, having grown up in a family with fourteen siblings and fifty nieces and nephews.

However, her business is not as lucrative as she would like it to be. Open since 1994, she says that 1998 and half of 1999 were low periods with only two to four children in care despite aggressive leafleting and target marketing to families eligible for public subsidies. There was another six-month dip in her business starting in summer 2000 and some peaks and valleys since that time, a pattern that she cannot explain. She cared for twenty-two children between June 1999 and June 2001 through shift care, with an average length of stay of twenty-five weeks (but a range of a few weeks to several years). She applied for a Group Family Day Care license to double her legal cap, but was rejected by the Department of Health due to lack of space.

Carmen is no stranger to hard times. She has worked since the age of seventeen, including factory work and housekeeping. Her marriage fell apart for a while in the 1970s and she went on welfare for three years. She is an assertive, confident fighter who believes in her potential. Her family's medium term plan is to expand to a second location in Puerto Rico, where she, her husband, and sister want to relocate and ultimately retire, and turn the Bronx-based business over to her daughter.

### Assessment and Service Planning Tools

The study documented the necessity to shift from an on-demand, client-driven training model to "guided choice." Starting in fall 2000, staff assumed more of a proactive role with Network members to identify knowledge gaps and skill deficits and make recommendations for further training. Three planning and assessment instruments aid the process:

- *Individual Logic Model.* The Individual Logic Model is a graphic depiction of the logical links between the provider's goals and specific strategies for reaching those goals, based on the provider's particular characteristics and circumstances. Providers meet to review and revise the Logic Model quarterly. Completing the Logic Model is the first step in the Service Planning and goal setting process.

- *Quarterly Work Plan.* This worksheet is completed each quarter based on the Individual Logic Model and outcomes from the previous quarter. The worksheet is used to record the dates of training, completion dates and the assessment of how well the provider met her goals. Providers are rated on a three-point scale: Excellent, Satisfactory, Needs or Wants Improvement. These ratings become the basis for revising the Individual Logic Model and Quarterly Work Plan.
- *Quarterly Assessment of Client Characteristics & Circumstances.* This checklist is used to rate characteristics associated with business success on a three-point scale: High, Medium and Low. Some attributes are relatively static, such as housing condition, setting and literacy; others are changing variables such as health. The checklist also is used to rate classroom performance as one (albeit imperfect) indicator of curiosity, academic ability, energy, commitment and follow-through.

## Conclusion

- Family day-care training programs require tremendous resources to qualify as effective microenterprise development organizations, given the pressures to concentrate staff time and expertise on regulatory compliance, child development, and the basics of business management. This has implications for hiring, staff training, tracking, service planning, curriculum development and assessment.
- The Network is an effective training delivery model. As a specific form of trade and professional association, the Network works on both the supply and demand side of the industry and develops long-standing connections to business owners. The model is replicable for other sectoral training programs.
- The quarterly Home Visit, an institutional response to the public demand for monitoring and oversight to ensure compliance with health and safety regulations, is an effective means for assessing how clients use newly gained knowledge and skills about child-care operations and a somewhat effective venue for assessing business success. It holds potential for this purpose. Expanding the scope of assessment activities during the Home Visit has implications for staff training and the development of additional assessment tools. Because the Home Visit is so labor intensive and intrusive, the model may not be widely replicable outside the family day-care field.
- Effective training takes more than a good curriculum, good pedagogy and good service delivery. If clients are to learn what is taught and apply it effectively to their businesses, there must be an accountability system in place. This requires disclosure about earned income and sales, and inducements to follow through. Training-only programs are at a disadvantage compared to micro lenders, who can obligate business owners to hustle to generate adequate income to pay back the loan.
- The instability of family day-care businesses and low levels of compensation argue for continued advocacy to supplement self-employment earnings. The Child Care Professional Retention Program, a subsidy administered by the New York State Office of Children and Family Services, is a modest first step but benefits the employed child-care workforce more than self-employed family day-care providers. A safety net for providers receiving public assistance is critical to encourage providers to take the risk to grow their businesses.

*Children are aware of their environment through their five senses. They hear trains, they feel the wind, they taste food, they smell flowers. All of their external experiences are taken in through their senses and internalized through interactions. The more experiences they have the better they can understand the world.  
(Lenore, Parent/Provider Contract Statement of Philosophy)*





# RECOGNIZING THE IMPORTANCE OF CLIENT PERCEPTIONS AND CIRCUMSTANCES IN BUSINESS DEVELOPMENT

## CENTRAL VERMONT COMMUNITY ACTION COUNCIL, INC.

### Organization's Background

Central Vermont Community Action Council, Inc. (CVCAC) is a 36-year-old community action agency and community development corporation providing training, outreach, and advocacy services for low-income people in 56 towns in rural north central Vermont. Since 1989, CVCAC has offered microenterprise training and technical assistance to low-income Vermonters providing assistance to between 150 and 200 individuals annually. (See Chart 1.) Over the years, the Micro Business Development Program (MBDP) has grown in sophistication and service design. Originally designed to supplement the statewide Vermont Job Start Loan Program with training and one-on-one technical assistance, the program currently offers an assessment process, business readiness training, business plan training, pre- and post-loan technical assistance, microcredit services, marketing, access to financing, peer support opportunities, and sector-specific assistance in the child-care and specialty- food industries. The MBDP is a part of CVCAC's Community Economic Development Program, which also offers an Individual Development Account Program, administers a regional revolving loan fund and Child Care Food Program, and identifies and investigates emerging initiatives in community economic development.

**CHART 1: Demographic Data for MBDP Participants Upon enrollment 7/99-6/01 (FIELD eligible, n=154)**

% women/men	65%/35%
% disabled	24%
% receiving TANF	17%
% receiving Food Stamps	45%
% below poverty level	78%
Average age	40
Average education level	Some college
% no high school diploma or GED	16%
% minority	10%
% FIELD eligible participants (below 150% of federal poverty level) of total MBDP population	77%

In 1999, CVCAC began using FIELD funding to further explore some earlier work and involve the staff and participants in an evaluation effort to improve the services offered. The earlier work related to understanding the relationship between the business development process and personal changes that participants underwent in the program; many of the skills needed for successful business development seemed related to skills needed by individuals to move out of poverty into self-sufficiency. As a microenterprise development program embedded in a community action agency with a mission to help low-income families move out of poverty, CVCAC wanted to explore further this relationship because its relevance was quite promising and could be used to further the organization's work, while at the same time informing the field about the role of personal development and change in microenterprise development.

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## Study Design and Methodology

The research question posed by this evaluation project was whether there is a connection between the *success* microenterprise development program participants experience in their business endeavors, the microenterprise *training* and *technical assistance* provided through the Micro Business Development Program, and program participants' *frames of reference* or perceptions and the *circumstances* in which they find themselves.

CVCAC's goal was to achieve better business outcomes through more effectively targeted participant services. The objectives were to identify and define more sophisticated indicators of promising strategies for microbusiness development for a very low-income population, and to design an assessment and evaluation process that predicts and documents participant progress and outcomes.

Two important opportunities for improving practice were articulated at the outset of the FIELD evaluation project. First, if the staff at CVCAC could help participants identify, as early in the process as possible, their *frames of reference* and *personal or family circumstances*, staff could then offer the services that might be most useful to participants at that stage. This would be respectful to participants and would also help CVCAC most judiciously invest staff resources.

Second, the staff at CVCAC wondered if they could deepen their understanding of the ways in which they might be able to help participants alter their *perceptions* or *frames of reference* and *circumstances*. If training and technical assistance could provide the format, knowledge, skills and attitudes for participants to make these types of changes, its effectiveness could be enhanced.

CVCAC hired a consulting firm, Five Dimensions Consulting, with experience in participatory methodology, adult learning theory, and program evaluation design, to facilitate the evaluation process and collaborate with the program and its staff to conduct the evaluation. A participatory evaluation approach was selected based on theory and research in the field of adult learning and action research to ensure that program staff could inform any changes that were made to ensure long-lasting, agreed upon changes in programming and practice. Additionally, we also involved program participants to inform programming and practice changes.

The evaluation design consisted of four parts: design, discovery, implementation, and praxis; and followed a participatory evaluation design formulated by Jane Vella, et al. in their book, *How Do They Know They Know*<sup>1</sup>. During the design phase, the evaluators engaged the staff in clarifying and making explicit the research question, defining success for themselves and participants, describing characteristics of the perceptions and circumstances encountered at three levels of "success," and developing descriptive phrases that could be used to gauge perceptions and circumstances in a survey tool. The tools thus designed were "tested" during the discovery phase with staff, then tested in interviews with 30 past program participants to see both how useful the tools and concepts were and how they were received, and to gather important feedback about the program. Based upon these experiences, the material was presented in a discovery report that was reviewed by both staff and, subsequently, by a focus group of participants. Next, the staff gathered for a three day implementation workshop to consider how to make services more responsive to participants' needs, refine the evaluation tools and incorporate the findings of the discovery phase into practice.

### CVCAC'S ASSUMPTION:

There is a connection between:

- The success participants have in their microenterprise endeavors,
- The training and technical assistance provided at CVCAC, and
- Microenterprise program participants' frames of reference.

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<sup>1</sup>Jane Vella, Paula Berardinelli, Jim Burrow, *How Do They Know They Know* (San Francisco: Jossey-Bass Publishers, 1998).

To learn how to incorporate these findings into practice, the evaluation firm held a workshop on Vella's "accountability planning" for all staff, which enabled an incorporation of evaluation into existing programming and practice. The goal was to improve program services by increasing the learning, transfer and impact of the knowledge, skills and attitudes taught in the business training and technical assistance offered. During this implementation phase, new tools were designed and tested, and their results monitored and reviewed during periodic meetings between the evaluators and staff. This ongoing review of the results of incorporating changes resulted in the praxis phase where staff and evaluators reflected on the changes that had been made, and made additional changes in practice and tools to incorporate best learning.

The chief tools CVCAC developed during the project include:

- A revised intake form that collects the necessary demographic information as well as promotes dialogue about what brought the participant to the MBDP and paints goals and expectations in broad strokes.
- A new intake and assessment process that encourages a facilitated dialogue between MBDP staff and new participants to discover resources and through which a guided assessment of participant readiness for services is offered. The process operates as a centralized introduction to the MBDP and its services.
- Administration of a *Perceptions and Circumstances Survey* to assist with the assessment process in an attempt to provide information to participants and to quantify participant changes in perceptions and circumstances as a result of their work with the program.
- A Resource Guide outlining agency and community resources that participants can use to guide their further work in areas identified in the *Perceptions and Circumstances Survey*.
- A new staff position to conduct the intake process – the Intake Specialist.
- Accountability planners for each training and technical assistance product offered by the MBDP that outline achievement-based objectives, the content and learning goals of each aspect of services.
- A revised follow-up survey to be administered at six and 12 months following program entry.

Staff used these new tools and incorporated them into practice as they were developed. Findings resulted from three groups of participants. First, participants who enrolled in the training and technical assistance

Frames of Reference Perceptions were scaled from one to seven (based upon 15 statements), one being the lowest, and seven being the highest:

- Unfocused: Characterized as "survival in the present moment", crisis-oriented, not purposeful.
- Contextual: Transitional stage characterized by centering, recognition that the individual can affect change and growth.
- Focused: Characterized by a realistic sense between risk and reward, personal responsibility, future orientation, and ability to carry out and modify plans.

Family Circumstances. Circumstances were scaled from one to seven (based upon 13 statements), one being the lowest, and seven the highest:

- At Risk: Growth potential of all family members is limited because their safety needs (housing, physical and mental health, education, substance and domestic abuse, transportation, etc.) are in jeopardy.
- Safe: The family is secure in the short-term and has the potential to move forward.
- Thriving: All members are continually growing and contributing to the well-being of the family unit and their community.

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programming offered by the MBDP between July 1999 and June 2000 were called by program staff to determine a “baseline” of the effectiveness of the training and technical assistance services using the Follow Up Survey. Twelve participants agreed to participate in the survey.

Second, starting in Fall 2001, a new business training series began that incorporated the accountability planner into the training design. Ten participants took the one-week intensive Business Readiness training and five completed the 22-hour Dream to Reality (business plan development) Training. All participants completed the perceptions and circumstances tool pre- and post-training. Additionally, three individuals completed 10 or more hours of technical assistance. Six months after program entry, the evaluators administered the follow-up survey and the *Perceptions and Circumstances Survey* with these mid-change participants to discover the effects of the training and technical assistance.

Finally, in January 2001, the new Intake Specialist was hired and began working with new enrollees – 36 participants entered the program between then and May 2001. The Intake Specialist administered the *Perceptions and Circumstances Survey*, used the new intake process, Intake Form and resource guide, and referred participants to both MBDP services and other agency and external services as warranted. These participants were called six weeks after training and technical assistance services were received to see if they had completed business plans.

## Key Findings

In response to what was learned early in the evaluation, staff made selected changes in how services were provided. Training completion rates increased by 12 percent after services were changed to include an intake interview with the intake staff person, including using a tool developed in the evaluation, the *Perceptions and Circumstances Survey*.

Staff supported participants to engage in a developmental sequence of trainings before beginning one-on-one technical assistance for business planning. Participants who had completed Business Readiness Training and/or Dream to Reality Training before engaging in one-on-one technical assistance were more likely to report that they had been doing effective business planning since leaving the MBDP and using what they had learned in other aspects of their lives than participants who had engaged in one-on-one technical assistance without prior Business Readiness Training and/or Dream to Reality Training.

Most (over 90 percent) people who come to the MBDP for services identify themselves in the mid-to-high range of the *Perceptions and Circumstances Survey* (contextual to focused, and safe to thriving). This finding corroborates staff impressions that participants who are ready to take advantage of MBDP services are generally in the contextual to focused range – more ready for business development. Furthermore, average Perception and Circumstance scores for those who started businesses were almost one point higher than average Perception and Circumstance scores for those who did not start businesses (out of a seven-point scale).

Most (80 percent) participants who completed training reflected an increase of almost one point on a seven-point scale in their *perceptions* scores. This supports the possibility that CVCAC staff might be able to facilitate movement for participants in perceptions or circumstances.

More participants from the group that experienced the changed training and intake forms started businesses and considered themselves to have had success as a result of their experience with the MBDP than those from the sample who did not experience any changes in services. These findings suggest CVCAC should continue to implement the changes made during the study period.

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## Conclusion

CVCAC has already made significant changes in the way it delivers training and technical assistance based on findings of this evaluation. Staff feelings and attitudes toward evaluation have changed from negative to positive, and staff and management have committed to continuing the learning undertaken in this project. This commitment helps to ensure that tools and methods will be “institutionalized” and are not considered an “add-on.”

The CVCAC FIELD Evaluation project has highlighted the importance of a participatory approach to evaluation in which all staff are involved from the outset in determining what they want to evaluate, how to evaluate it, and how to respond to what is learned in the evaluation. This participation has important implications for institutional change and ensuring that staff buy-in is achieved and to make lasting changes. An awareness of the amount of staff time needed for thoughtful and ongoing evaluation, and a commitment to allocating resources to support staff involvement is critical to the effectiveness of evaluation as a meaningful tool for program development.

It was CVCAC’s intention to make participant assessment more explicit and consistent, and to explore ways to document its impact on participant success. The power of assessment in promoting change is something that warrants further exploration with the use of the *Perceptions and Circumstances Survey*. The notion of supporting participants in “driving their own ships” has been at the core of discussions with staff throughout this evaluation project. The *Perceptions and Circumstances Survey*, in particular, has aroused concern among staff about how to use it with participants in ways that respect and support the participant in making choices about the most useful services at the time. Treating participants respectfully and as decisionmakers has far-reaching consequences because effectively engaging the “disenfranchised” as participants gets at the underlying cause of the condition of poverty, and enlists those affected by the condition in creating change.

Another issue that this project raises relates to participants who might reflect scores in the low range of the *Perceptions and Circumstances Survey* (unfocused or unsafe). Where are these people? Do they ever make it through the door? Should staff make more effort to recruit them? Would they come, if staff did? If poverty creates a *surround force*<sup>2</sup> of chaos and lack of stability, how can staff support change for participants who are in that surround force?

This evaluation project has laid a foundation for further study of the data collected by CVCAC staff on all participants of the program henceforth. It also suggests more research into the relationship between participants’ *perceptions* and *circumstances* and the probability of success in starting a small business.

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<sup>2</sup> (Term used by Earl Shorris in *New American Blues: A Journey Through Poverty to Democracy* (New York: WW Norton & Company, 1997.)





# TESTING AN INTENSIVE TECHNICAL ASSISTANCE MODEL

## DETROIT ENTREPRENEURSHIP INSTITUTE

### Organization's Background

Detroit Entrepreneurship Institute (DEI) is a 501 (c) (3) private, nonprofit organization with the mission of providing entrepreneurship and economic literacy training to individuals with limited resources. DEI offers business training programs to both adults and youth that cover the basics of starting or expanding a business, i.e., marketing, management, financial analysis and business plan development. In addition to business and economic literacy training, DEI provides comprehensive services, including technical assistance and use of a business reference library, business computer center, and graphics and printing department.

This document presents highlights from the findings of a two-year study that explored the effectiveness of an advanced level of technical assistance and how that might lead to greater business success for existing businesses that remained marginal in growth.

With funding from FIELD, DEI had the opportunity to test the effectiveness of an Advanced Level Services Program (ALS). It was recognized that although clients had businesses that could be considered at least marginally successful, they did not thrive financially. In short, in many cases the clients did not demonstrate economic growth through such wealth indicators as personal and business assets and acquisitions.

The research sought to determine whether more intensive technical assistance would result in an increase in profits and other wealth indicators for DEI's entrepreneurs. DEI contracted with Evaluation Research in the Center for Urban Studies at Wayne State University in Detroit, Mich. to evaluate the research plan. The program began in July of 1999; the evaluation team collected data from January 1, 2000 through June 15, 2001.

The research can contribute to the field's planning of comprehensive technical assistance beyond that provided during the period of business training. As a result of the study, DEI determined that existing business owners are still in need of "direction" in the development of their business operations, particularly in the area of financial management. There were other questions that need to be answered that became evident during the research, including how to help business owners overcome personal barriers impacting their ability to focus on the development of their businesses. This is certainly an implication for the field as it designs effective technical assistance programs.

### Technical Assistance Service Design

The technical assistance provided to start-up and existing businesses enrolled in either of DEI's adult business skills training programs has evolved over the 11-year history of the organization. In the early years of the program, technical assistance was provided to students after completing the 11 weeks of training. However, it was discovered that many of the students needed assistance with the research assignments that were required for successful completion of the business skills training program. The program structure evolved to assigning a business consultant to each student upon enrollment in the business skills training. The role of the business consultant is to be a *bridge* between what is taught in the classroom and the one-on-one assistance needed by the students to put theory into practice. The business consultants are to continue assisting the graduates of the business skills training with start-up or expansion steps in the development and growth of their businesses.

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After the fourth year of working with clients, DEI began to take a closer look at those whose businesses had been in operation for more than two years. In many instances DEI administration and business consultants concluded that a number of the businesses were only marginal at best. This was during a period when DEI served only one target market, those receiving public assistance. The business owners were required to report their monthly business income to both the Department of Social Services and to DEI. There was a two-year waiver in place that protected individuals' business income and medical benefits, giving them an opportunity to develop their businesses while still maintaining their households. The business consultants were required to review the monthly income statements and assess where the business owners might need some direction. It was believed that business owners were "under reporting" their business incomes, which may have contributed to their "marginal" status. However, DEI still wanted to move these businesses toward stabilization and sustainability. Yet, because the business consultants were working with a new group of students every 11 weeks, it became increasingly difficult to conduct adequate follow-up with the current business owners.

In an effort to more effectively monitor the progress and success of the business owners, DEI implemented the use of the Business Audit. The audit was to be conducted by each business consultant once a year for all active clients. The instrument was designed to monitor the progress of the business in the areas of overall management, marketing and finances. As a part of the assessment, the business consultant was to make recommendations and follow-up with the business owner regarding implementation. While the instrument, when used as intended, could be an effective tool for monitoring the progress of business owners, it was difficult at times to get business owners to comply with the yearly audit. However, when business consultants were successful in conducting the audit, there were opportunities to identify problem areas and address them with the business owner. To improve upon the number of audits being conducted each year, DEI changed the name of the process three years ago to a more "user friendly" title, Business Management Review. These reviews are conducted with all business owners completing one of DEI's business skills training programs including the Young CEO and Investor Program participants (14- to 21-year-olds).

Although DEI found the Business Management Review to be an effective tool, there was still a concern about how to give the evolving businesses the vital assistance they appeared to need. The business consultants were only able to provide assistance in the "demand" mode rather than "supply" mode DEI believed was required. The business consultants carry an average load of 15 new clients each 11 weeks with whom they are required to meet each week during the training. Because of this, it can be difficult to follow-up with current business owners to monitor their progress. To address this issue, the Advanced Level Services program was designed and tested during the FIELD research project.

## The Study

There were four primary questions DEI sought to answer in the course of the research:

- Will a more intensive level of technical assistance result in an increase in profits and other wealth indicators of DEI's entrepreneurs?
- What are appropriate services directed to low-income clients and their businesses?
- Which intermediate measures are better indicators of final impact on clients and their businesses?
- What practical approaches can programs use to document and track outcomes of training and technical assistance services on low-income clients, and how can that information be used to improve program strategy?

To answer these questions, DEI implemented an experimental program involving the random selection of 50 clients who met the criteria to participate – completion of the training, development of a business plan, submission of two months of financial documentation of the business and a signed agreement to comply with the required monthly documentation and consultant contact. Clients were randomly assigned to treatment and control

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conditions. The treatment group of 25 clients received weekly visits or calls from business consultants for one-and-a-half years, with follow-up meetings as requested by the clients. The control group of 25 clients could access consultants when they requested them. There were two Advanced Level Services Business Consultants among which the 25 test group entrepreneurs were divided. The 25 control group entrepreneurs remained with the business consultants assigned to them upon enrollment in one of the business skills training programs. The Evaluation Research staff followed the progress of the clients using data generated with tools developed by DEI, focus groups, interviews and a telephone survey.

*Question 1. Will a more intensive level of technical assistance result in an increase in profits and other wealth indicators of DEI's entrepreneurs?* To determine if the advanced level of technical assistance would lead to an increase in profits and other wealth indicators, DEI required the ALS entrepreneurs to submit monthly income statements for review by their ALS business consultants. The monthly income statements also answer other questions such as

*Without DEI the success rate of my business would be minimal. I had the vision and DEI was helpful in making this a successful business.*

*-- ALS entrepreneur commenting during the telephone survey in May of 2001*

bank activity, number of hours worked in the business and how many employees or contractors were hired during the month. On a quarterly basis, income statements and balance sheets were also to be submitted for review. All 50 entrepreneurs were asked to complete an intake form that detailed the current status of both their business and personal assets.

*Question 2. What are appropriate services directed to low-income clients and their businesses?* While DEI already considered its services comprehensive, during the research the current offerings were monitored to ensure that the ALS entrepreneurs were utilizing the

services in the course of growing their businesses. DEI currently provides business consultants, a business computer center that also offers tax and financial assistance, a business reference library, a graphic arts department, a full-service print shop and access to financing. The 25 test group ALS entrepreneurs also had access to industry specific consultants. In addition to these services, ALS entrepreneurs were encouraged to participate in quarterly networking events, advanced training and business card exchanges. DEI also provides access to a personal development consultant to help clients cope with personal problems that interfere with managing their businesses.

*Question 3. Which intermediate measures are better indicators of final impact on clients and their businesses?* The intermediate measures selected centered on a 50 percent increase in income reporting, income generation and the accumulation of assets within one year of involvement in the research. DEI wanted to explore whether financial indicators were the best, yet perhaps not the only potential indicators of impact on the ALS entrepreneurs and the success of their businesses.

*Question 4. What practical approaches can programs use to document and track outcomes of training and technical assistance services on low-income clients, and how can that information be used to improve program strategy?* DEI wanted to test the use of another instrument in addition to the Business Management Review and the Client Counseling Record to track the progress of the ALS entrepreneurs. Entrepreneurs in both the test group and control group were asked to complete a Two-Year Action Plan that allowed the ALS entrepreneur and ALS business consultant to set goals, determine length of time for the goals to be reached and resources needed to meet the goals. A quarterly "check-up" was to be conducted to assess progress toward reaching the selected goals. As indicated earlier, all 50 entrepreneurs were asked to complete an intake form. The 25 test group ALS entrepreneurs were required to submit monthly income statements, quarterly income statements and balance sheets and received an annual Business Management Review. DEI wanted to learn if these instruments together would allow for better tracking of the outcomes of the Advanced Level Services that required weekly contact, either in person or by telephone with the ALS entrepreneurs.

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## Key Findings

*Initially the intensive, weekly contact with the ALS entrepreneurs appeared to be too much.* At the onset of the research, two of the test group entrepreneurs opted out because of the amount of time required to meet with their ALS business consultant. One entrepreneur indicated that scheduling up to an hour or more each week with the ALS business consultant was too much. Another indicated that other commitments were more important than utilizing the intensive service. Yet this entrepreneur was facing displacement of the business due to new development in the area and could clearly have used the assistance available from the ALS program. Several of the remaining ALS entrepreneurs initially missed appointments and avoided telephone contact. One ALS business consultant said he sometimes felt like a bill collector because he would arrive for appointments and the entrepreneur would not answer the door. It was not until the second year of the research that the ALS entrepreneurs showed indications of valuing the service.

*It was determined that the comprehensive selection of services offered by DEI can benefit the growth and development of businesses.* The ALS entrepreneurs indicated that the business computer center and the business reference library were the most beneficial to them, 87 percent and 92 percent respectfully. A number of them also took advantage of the networking events and advanced training offered through the Women's Enterprise Center, DEI's Women's Business Center. At least 47 percent indicated they attended the networking events and another 53 percent attended an advanced training session.

*The ALS entrepreneurs found the ALS business consultants services beneficial.* Among DEI's ALS entrepreneurs that were interviewed by telephone in May 2001, 93 percent felt their ALS business consultants offered advice or recommendations for improving their businesses, and 87 percent said they followed through on the advice or recommendations of their ALS business consultants. A significant number (87 percent) felt the contacts with the ALS business consultants helped improve the operation of their businesses. While 100 percent indicated they are now more capable of handling the day-to-day operation of their business, 93 percent agreed or strongly agreed that they still need additional assistance to help operate their businesses.

*It needs to be viewed as more of a partnership between the client and consultant. I don't believe most clients understand how much a business consultant is worth to them.*

*--ALS Business Consultant*

*The lack of sound financial management of the businesses was a critical issue that surfaced early in the research.* The ALS business consultants experienced difficulty from the outset of the research obtaining current or any financial data from the entrepreneurs. This included financial data requested as part of the intake form, as well as obtaining the monthly income statements and quarterly financial statements. The range of record-keeping extended from "shoebox files" to a computerized record-keeping system. The ALS business consultants spent a great deal of their time (24 percent), second only to marketing, assisting the entrepreneurs with basic record-keeping and the construction and analysis of financial statements. There was never a time throughout the research when all 25 test group entrepreneurs submitted financial data.

Although the submission of financial data was less than desired, there is evidence of clients changing behavior and business practices. Other evidence – the consultants reinforcement, the test groups' increased volume of reports, and the clients' own testimony at the focus group discussion – all point to the fact that there was a deliberate change in the clients' attitude and behavior with regard to submission of financial data.

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Marketing was the number one area of consulting time spent with the ALS entrepreneurs. It was clear marketing and sales are areas where the entrepreneurs needed direction. This included assisting with the designing of marketing strategies, marketing materials and sales techniques. Over the two-year period, 34 percent of the ALS business consultants' time was spent in this area.

*It needs to be viewed as more of a partnership between the client and consultant. I don't believe most clients understand how much a business consultant is worth to them.*

*--ALS Business Consultant*

*Personal issues had an unpredicted impact on the progress of the entrepreneurs. DEI encouraged the test group to utilize the services of the personal development consultant, in recognition of the stresses personal difficulties placed on clients and their ability to maintain normal business practices. Business consultants reported, and a review of Client Counseling Records verified, that personal concerns, especially those involving personal relationships, could disrupt the client's efforts. Businesses are especially vulnerable if the spouse or*

life partner of the businessperson is not supportive, for instance, or if the roles of each are not clearly defined and agreed upon.

In one case study a woman business owner had to move her business back to a home-based operation because of the lack of support from her spouse. This significantly impacted the income generated by the business. Income was cut by more than 50 percent within the first month of closing the store location in a neighborhood-based mall. However, another client with the full support of his spouse was able to grow his business during the research study. He expanded his market base and services offered by the business.

*There is evidence that too much paper work was required of the ALS business consultants during the research period. From a data collection perspective, it appears there was "too much" to collect and some information was not in a "collectable" format. The Client Counseling Records (CCRs) collect information on the counseling session itself. This includes area of counseling, length of time spent in preparation, actual counseling time, telephone contact, etc. It was the narrative portion of the document that was difficult to input into a database. There was some very rich information found in the CCRs. The evaluator likened them to reading a new chapter in a continuing story each week, yet was unable to translate it into a format suitable for analysis.*

It was also determined that while the client Two-Year Action Plan was a useful tool, it may have been too much coupled with the Business Management Review. The ALS business consultants felt "overwhelmed" at times with the quantity of paperwork required for the ALS program. In addition to these documents, there was a summary presented during the weekly meetings of the consultant sessions from the previous week. This was critical, however, to the DEI administrators overseeing the research.

*The regular submission of financial data was consistent with regular meetings with ALS business consultants. This should be no surprise. However, it is significant when coupled with the finding that 93 percent of the ALS entrepreneurs agreed or strongly agreed with the importance of using financial statements. Yet only 44 percent of the test group entrepreneurs reported on a consistent enough basis to make any statements about their financial status over time.*

*The styles of the two ALS business consultants were different, but both achieved some success moving entrepreneurs to the next level. One style was perceived as cookie cutter, while the other used a strategic planning process, including the development of mission and vision statements to be sure clients knew what they were doing and why. The ALS business consultant made sure the activities were related to the mission and vision and*

prepared the logic model to use as a guide for the assistance provided to clients. Of the 10 ALS entrepreneurs reporting the most financial information during the research, six were consulted by the *cookie cutter* style ALS business consultant. On the other hand, the *logic model* style ALS business consultant had two entrepreneurs who won awards for business achievement, perhaps indicating this style moved the entrepreneurs further along in the growth and development of their business operations.

## Outcomes

It was possible within the time frame of the research to identify some outcomes. The following reflects a few immediate, intermediate and long-term outcomes.

### Immediate Outcomes (<6 months)

- *Change attitude, gain skills.* Focus group discussions with the clients indicated a difference in attitude between 2000 and 2001. Clients participating in the 2000 discussions cited difficulty devoting time to meeting with the consultants and completing financial data. In the year 2001 focus groups, clients expressed some concerns about this, but readily acknowledged that they had made it more of a priority because they understood the importance of documenting their businesses. An ALS participant indicated, “It takes a lot of time, but it’s worth it” at the May 2001 focus group. This change in attitude and adoption of best practices for a microenterprise was expected within the first six months, but come at a much later point in the research.

### Intermediate Outcomes (>1 year)

- *50 percent increase in income reporting, income generation and assets.* A primary intermediate outcome was the improvement in income reporting. As mentioned earlier, there was a marked change in this area. There is evidence that the intensive contact with their ALS business consultants did lead to an improvement in the reporting of financial data over time. There was a 32 percent increase from 2000 to 2001 in the number of ALS entrepreneurs reporting financial data. There was a 109 percent increase in the number of monthly income statements submitted by the entrepreneurs. This marked increase can be seen in Table 1.

While it was not possible to determine an accurate percentage of increase in assets, DEI does know that several ALS entrepreneurs did increase the number of business assets owned during this period.

### Long-term Outcomes (>1-2 years)

- *Increase in business assets such as equipment, inventory, buildings, vehicles.* One entrepreneur in particular purchased two commercial vehicles and a major piece of equipment that in the past had been rented when

**TABLE 1: Monthly Financial Statements Submitted, as of 5/31/2001**

	Test Group		Control Group	
	1/2000 to 6/2000	1/2000 to 6/2001	1/2000 to 6/2000	1/2000 to 6/2001
No. Of Active Clients	6	19	7	13
No. Of Clients Reporting	6	19	2	11
Monthly Financial Reports Submitted	17	155	10	41
Expected No. of Reports per Client	6	18	6	18
Avg. No. Reports Submitted per Client	2.8	6.5	5	3.7
Range	1-4	1-14	1-3	1-13

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needed by the business. Another entrepreneur purchased a van and remote communication system for a delivery service business.

- *Increase in personal assets such as cars, savings and home ownership.* One ALS entrepreneur purchased a home during the course of the research, and another began saving for the purchase of a new home. Two entrepreneurs purchased new personal vehicles that also are used for business. In addition, comments about applying lessons learned from the ALS business consultant included: *He really helped me with managing my money.*

## Conclusion

- Some level of technical assistance beyond that provided during a training program can be critical to entrepreneurs. Technical assistance is important because it keeps the business owner focused.
- The real value comes from consistent contact with the business owner to assess progress, make recommendations and assist with the implementation of strategies, policies and procedures that can lead to business growth including the accumulation of both business and personal assets.
- Business owners who make a commitment to work cooperatively with their business consultant increase their potential for business success.
- Such services as accounting services, business reference library, graphics, access to financing, etc. are supports that growing businesses need.
- The use of tools that assess progress can be valuable to the technical assistance process and ultimately the success of the businesses served. These tools should be concise in design, and the resulting data easily collectable through the use of a database.
- The use of standards for the business consultants working with entrepreneurs on an advanced level could be beneficial to the outcomes expected. Setting some benchmarks for moving entrepreneurs to the “next level” in their business operations may be useful.

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Additional copies of this report are available by contacting FIELD  
via the Publication Hotline: 410-820-5338.

Also available:

*Practitioner Manual: Assessment Tools for Microenterprise Training and Technical Assistance*, a volume containing 13 easy-to-follow tools to help practitioners understand and assess the value of their training and technical assistance services. Copies can be ordered from FIELD for \$15 each.

A section of the FIELD Web site ([www.fieldus.org/li/training.html](http://www.fieldus.org/li/training.html)) is devoted to the Training and Technical Assistance Learning Assessment. There, visitors will find:

This report, posted and available for downloading in pdf format.

The full, final reports from each of the five grantees in the Training and Technical Assistance Learning Assessment cluster. These reports are available for downloading in pdf format.

A report on a gathering in 2001 of the five grantees in the Training and Technical Assistance Learning Assessment cluster.

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