

FIELD *forum*

ISSUE 4

Ultimately, FIELD hopes to advance the industry's knowledge about how to deliver effective follow-up services — beyond core training or lending

Five new grants focus on:

FOLLOW-UP SERVICES: POST-LOAN AND POST TRAINING

Theorizing that many low-income entrepreneurs could benefit from long-term technical support as they grow, expand and/or stabilize their businesses, FIELD recently made grants to five organizations to test models for providing such assistance. FIELD selected the organizations from among 32 programs that responded to a competitive Request for Applications process that spanned from September to April. Each organization will receive a two-year, \$100,000 grant.

FIELD selected this topic for a research/demonstration project in order to generate knowledge that ultimately will advance the microenterprise industry's understanding about how to deliver effective services beyond a core training or lending program. In addition, FIELD hopes to learn more about the costs and outcomes associated with delivering follow-up services that meet client demand.

This grant cluster is one of three made in 2000 by FIELD, and one of five made by FIELD since it began grantmaking in 1999. With this round of grants, FIELD now has distributed \$3 million to 33 organizations nationwide that are engaged in microenterprise demonstration projects.

This issue of the *FIELD forum* is designed to detail the issues underlying this grant cluster, explain the rationale for conducting research on

this topic and briefly describe the organizations selected to participate in this grant cluster.

The Issue

Microfinance programs outside the United States are focused on building and keeping long-term relationships with satisfied customers — based on the premise that these clients' business and financial needs will grow over time and they will remain loyal to and engaged with the programs. Such ongoing relationships are considered good for the program because volume translates into revenue, and greater client knowledge reduces transaction costs. Moreover, there is evidence that long-term relationships are good for clients as well; some research shows that client outcomes improve with length of time in the program.

The experience in the United States, however, has been decidedly different. If the watchword internationally has been "retention," the watchword domestically has been "graduation."

Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination

The Aspen Institute

One Dupont Circle, NW • Suite 700
Washington, DC 20036
Phone: (202) 736-1071
Fax: (202) 467-0790
Web site: www.fieldus.org
email: fieldus@aspeninstitute.org



Some credit-led programs offered stepped lending and opportunities for longer-term relationships, such as peer groups, but many others have found that clients move on after one or two loans. They either no longer need financing, or are able to access more formal sources.

Programs that center their services on training and technical assistance also tend to have a core component through which most clients pass. Other assistance is limited in nature and amount. In all programs, there is a period of intense engagement between clients and program staff centered on feasibility analysis, business skills development, writing of business plans, loan preparation and underwriting, etc. Afterwards, the intensity of engagement diminishes whether or not the client remains formally linked to the program, and the amount of technical support is often minimal.

The limitations inherent in this approach have not gone unrecognized. According to the *1999 Directory of U.S. Microenterprise Programs*,¹ 71 percent of programs indicated that providing more advanced training and technical assistance was a very high priority. Moreover, a number of microenterprise organizations have indicated to FIELD that business success for low-income clients requires longer-term technical support than their current model allows. And even with intensive training, some low-income clients still operate only very marginal businesses.

That overall picture prompts the question: Could outcomes be improved for microentrepreneurs if additional and timely assistance was provided? While many programs now provide an excellent introduction to business planning, cash flow management and other start-up issues, microentrepreneurs face real challenges in day-to-day management and other areas.

In fact, low-income microentrepreneurs surveyed over five years under the Aspen Institute's Self-Employment Learning Project reported a desire for an ongoing

relationship with the program that evolves with their level of business experience. In particular, they sought assistance in marketing and in learning how to locate and access new clients. Other requests included industry-specific guidance and in-kind support services, such as access to office equipment, including computers and copiers.

The Challenge

Although there is broad support for providing follow-up services, programs have experienced limited success offering them. Three key challenges have proven difficult to overcome:

Cost: Typically, technical assistance services in the United States have not been designed to recover their costs. While programs focused on providing credit services can move toward self-sufficiency, to date, training and technical assistance services have demonstrated very low rates of income generation. On average, the 13 U.S. practitioners participating in the original Core Group of MICROTTEST, a FIELD initiative aimed at developing and testing performance measures, reported recovering only 2.5 percent of all training and technical assistance expenses. This lack of recovery puts pressure on microenterprise programs to keep expenses as low as possible. For the MICROTTEST practitioners, this meant an average expenditure of \$1,600 per client for all training and technical assistance expenses. How to provide additional, ongoing technical assistance with a reasonable level of incremental costs remains a challenge.

Time: Many efforts to deliver follow-up services through peer groups and ongoing networks of program "graduates" have faltered because clients grew busier and participation diminished with time. Some programs have begun to experiment with other delivery methods, such as mentoring, coaching, telephone conferences and Internet-based services. But little is known about levels of use and effectiveness. Adult learning pedagogy

¹ The Aspen Institute, (Washington D.C., 1999) p. xvii

GRANTEES AT A GLANCE

PROGRAM NAME	LOCATION	STRATEGY	SIZE OF PROGRAM (Last FY Total Clients)
WEV	Santa Barbara, Calif.	Intensive peer coaching training; weekly peer groups; business owner roundtables for advanced entrepreneurs	403
West Co.	Ukiah, Calif.	Web-based technical assistance coaching and information transfer through a “Commerce Café”	387
Goodwill	Atlanta, GA	Comprehensive microbusiness service center providing access to equipment, expert consulting, seminars and meeting space	75
WREN	Bethlehem, NH	Advanced entrepreneurial support program; technology center providing access to equipment; affinity groups	178
ABD	Lewisburg, W. Va.	Test of various media for delivering sector specific and “order-specific” training in rural setting	81

also has demonstrated the effectiveness of “just in time” presentations of skills and information. This argues for program designs that foster client-program interaction at the time the client recognizes the need for specific assistance.

Demand: Clients may lose interest in follow-up services, not only because of time constraints, but also because they do not address priority needs. Most microenterprise programs are staffed by business development generalists who can respond to the common needs of incipient businesses. As businesses develop, needs change. Issues around sales and marketing also are more pressing. Understanding what clients want is an important step that has not received sufficient attention. Programs need to develop ways to identify and assess the demand for services prior to designing and offering them, drawing upon customer research strategies to help design, price and deliver appropriate, effective services.

With those factors in mind, FIELD issued a Request for Applications (RFA) that

challenged practitioners to propose strategies focused on innovative ways to deliver effective follow-up services to clients. Specifically, FIELD sought projects that demonstrated an ability to articulate a strategy for ongoing technical assistance that involves a reasonable level of additional cost, and a practical method of testing results.

In addition, projects were required to demonstrate how their proposed services responded to client demand, as identified through customer research, previous evaluation work or past experience.

As part of FIELD’s RFA process, practitioner organizations also were required to:

- Indicate how their model for follow-up assistance is responsive to the time and place constraints of clients, and makes use of delivery methods that clients will use in significant numbers.
- Demonstrate that their services are cost effective — that is, that they produce benefits for client businesses that exceed the costs incurred.

- Ensure that at least 65 percent of clients in the FIELD-funded demonstration are low-income. (FIELD defines low-income as at, or below, 150 percent of U.S. Department of Health and Human Services poverty guidelines.)

The Grantees

The five organizations awarded grants by FIELD are located in both rural and urban settings across the United States. One of the organizations, West Company of Ukiah, California, is participating in another FIELD-managed demonstration project, which helps women moving off welfare become entrepreneurs. (That grant cluster is supported with funding from the Charles Stewart Mott Foundation.)

Another grantee — Goodwill Industries of North Georgia, based in Atlanta — is one of only a handful of organizations to be selected to participate in more than one FIELD-funded and led demonstration project. Goodwill Industries also received a two-year, \$70,000 grant in April to participate in a demonstration that will closely examine various institutional settings to determine which are most advantageous for housing microenterprise programs.

On the following pages, a brief description of each grantee and its research plans are provided (alphabetically by state).

Women's Economic Ventures (WEV) Santa Barbara, California

WEV was established in 1987 and began providing self-employment services in 1990. Core services include: a 14-week, 56-hour self-employment training program; individual business counseling; career development planning; and business start-up loans of up to \$25,000.

WEV will use the FIELD grant to test how business coaching, an increasingly popular tool for entrepreneurs, works for

microenterprise program participants. First, all participants in WEV's core training program will receive intensive training in how to serve as a business coach to a fellow entrepreneur, meeting on a weekly basis to provide support, encouragement and feedback on entrepreneurial goals. Second, those who have finished training but have not yet started a business will have the opportunity to join a five-member peer accountability group, as yet another source of encouragement and support. Third, those who have started businesses can join a staff-mentored Roundtable for Business Owners, which will bring together 10 to 15 peer businesses and guest experts for four hours each month to exchange ideas and problem solve.

West Company Ukiah, California

Since 1988, West Company has provided microenterprise training, technical assistance and small loans to low-income people in Mendocino County. Services include: business development workshops, one-on-one counseling, loans up to \$10,000, networking opportunities and personal development training.

Using the FIELD grant, West Company will introduce The Commerce Café, a micro business association facilitated on-line and via telephone, to graduates of the core training who have opened or will soon open a business. The Café will offer a menu of professional development opportunities that includes: web-based training and technical assistance to individual business owners; packets of business information disseminated monthly via mail, email, Internet, and fax; monthly technical assistance appointments by telephone or Web site; technology training; annual site visits from a West Company business consultant; topical workshops; participation in trade association activities; quarterly networking meetings; and access to West Company's savings and loan programs. Participants will be measured against a com-

parison group of non-participating training graduates to identify the value added.

**Goodwill Industries of North Georgia
Atlanta, Georgia**

In 1996, Goodwill Industries of North Georgia established BusinessNOW — the Business Neighborhood Organization for Women — to increase the economic self-sufficiency of low- and moderate-income women. Core services include: an eight-week market research and product development course; a business planning class; business development or “market access” services; one-on-one counseling and case management; and individual loans of up to \$5,000.

With FIELD support, BusinessNOW will develop a “Micro Business Center” that will provide members with convenient access to: business equipment, including copiers, computers and scanners; an accountant, attorney and public relations expert; space for meetings and product creation; a retail outlet; and seminars on topics important to business people. Users will pay for these high-demand services.

**Women’s Rural Entrepreneurial
Network (WREN)**

Bethlehem, New Hampshire

WREN was founded in 1994 to help low-income women start and grow busi-

nesses. WREN offers an array of services including: access to working capital; workshops on various aspects of business ownership; one-on-one consultations; networking; promotional events; and a resource center that provides a lending library, as well as technical help with marketing, computer technology and record keeping.

WREN’s follow-up services project will involve: staff working individually with entrepreneurs to establish business goals; creating a technology center to provide access to computers, a photo studio and other business equipment; expanding its advanced course offerings; conducting individualized assessments of the marketability and pricing of clients’ products; consulting individually on management issues and marketing; and organizing affinity groups so that businesses in complementary industries can work together on promotional activities.

**Appalachian by Design (ABD)
Lewisburg, West Virginia**

ABD was established in 1992 to recruit and train rural women to become home-based knitters. Since then, ABD has served as a bridge between a network of 60 home-based knitting microenterprises and the handloom knitwear market. ABD provides a technical knitting apprenticeship program, telephone and drop-in assistance,

OVERLAPPING AREAS OF LEARNING					
	WEV	WEST CO.	GOODWILL	WREN	ABD
Service Delivery through Technology		X		X	X
Industry Clustering	X			X	X
Business Coaching	X	X			
Access to Experts	X	X	X	X	
Market Access	X		X	X	X

mentoring and access to contracts through a wholesale product line.

ABD will use FIELD funding to: offer order-specific training close to the knitters' homes; create instructional videos for knitters; provide training and technical information via email, the Internet, brochures and newsletters; offer small grants to knitters wishing to pursue training opportunities; host skill-enhancing workshops; create a peer-to-peer skills training program; connect knitters through email and a Web site; and develop a new career track with workshops for advanced knitters.

The Learning Assessment

As part of FIELD's goal to inform the microenterprise industry about promising new ideas and practices, learning assessments are designed for all grant clusters. These assessments, which involve practitioner meetings, data collection and dissemination of research, are designed to ensure that findings from grant activities benefit other practitioners.

More specifically, the learning assessment will include:

- Meetings at which grantees can exchange information on their experiences delivering additional services to participants.
- Documentation of strategies, tools and techniques, as well as learnings about participant outcomes.
- Production and dissemination of documents that capture lessons learned across programs on key areas of inquiry that are broadly relevant to the field.
- Participation in the data collection activities of MICROTTEST.

Reports focused on key findings from the demonstration will be disseminated broadly to policy makers, practitioners and other interested parties during and after the two-year grant period.

About FIELD

The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination 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.

Established to make a significant, strategic contribution to building the capacity of the microenterprise industry, FIELD has made 33 grants to practitioner organizations pioneering promising approaches to key challenges facing the field today. Those grants are part of five ongoing demonstration projects, centered on the following research topics: Follow-up Services (described here), Achieving Scale, Institutional Models for Microenterprise Development Programs, Business Financing Products for the Poor and Assessing the Effectiveness of Training and Technical Assistance.

FIELD also is managing and evaluating two additional demonstration projects, both of which are funded by the Charles Stewart Mott Foundation. Those demonstrations focus on: how microenterprise programs can serve women moving from welfare to self-employment, and techniques that can help low-income entrepreneurs better market their goods and services.

Additional information about all of these demonstration projects is available by visiting FIELD's Web site: www.fieldus.org. In addition, past editions of the *FIELD forum* have been devoted to most of these topics. They can be downloaded from the Web site or obtained by contacting FIELD using phone, fax or email.