

# What Makes for Effective Microenterprise Training?

by Elaine L. Edgcomb

*Abstract:* Only a few studies so far have focused on the relationship between effective training and technical assistance, and client success at starting, stabilizing, or expanding a business. The Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) project selected five U.S. microenterprise organizations to increase the industry's understanding of what makes for effective training and technical assistance. What follows is a summary of key findings in two categories: those that address the relationship between the characteristics of clients and their business success, and those that address the relationship of business skills training and client success.

## Overview and Summary

When FIELD, the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination,<sup>1</sup> was launched in 1998 at the Aspen Institute, 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 have far and away been the dominant ones offered to clients in the U.S., few have studied their relationship to 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 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 through the bottom line to help programs chart their course. In this context, FIELD selected five grantees to 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 of 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?
- 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 research projects to answer these questions. They examined 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 researched the companies' measures of participation and compliance; and they discussed

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the effect of training style on business outcomes. The research included a large quantitative study of 478 clients through statistical tests to gauge significance and an 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 tracked clients for at least 18 months; one surveyed numerous clients at eight months after training completion, while another tracked a small group up to six months out.

Each study had its strengths and limitations, and no one can be considered definitive. Nevertheless, their findings gain credibility due to 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 key findings in two categories: those that address the relationship between the characteristics of clients and their business success, and those that address the relationship of business skills training and client success.<sup>2</sup>

### 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 clients can be influenced by program practice, a number of them can be.

#### Exposure to Business Ownership

Not surprisingly, ISED found a strong, statistically significant relationship<sup>3</sup> between entering training with a business and completing training. These individuals are already committed to business and seek specific information and support to help it grow. But ISED also found that clients who were characterized by one of the following were also much more likely to complete ISED's 13-week training course:

- Previously owned a business.
- Grew up in a family that ran its own business.
- Worked in a family business while growing up.
- Had a business idea similar to the family business.

Current business owners were 19 percent more likely to complete the training than nonbusiness owners at the start of training. Previous business owners were 15 percent more likely to complete than those who had never owned a business. 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 six 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-startup 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<sup>4</sup> 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.

Business ownership is also associated with progress on securing financing. ISED clients who currently own a business, 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>

#### Relevant Work Experience

Women's Initiative's "success circle" clients had an average of ten years of relevant work experience compared to the average seven years that other clients had. While not statistically significant, ISED found that clients who had a business outcome had had more experience in managing and supervising other employees, being responsible for a geographical area, and daily opening or closing 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

ISED clients who are most likely to complete training have extensive support systems. They have people who can watch their children, run their errands, provide transportation, allow the use of their phone, lend money, and give encouragement. They have family members who support 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 start in self-employment possible. This support was not only emotional but also financial.

WHEDCO's case study data demonstrates how husbands or partners could either limit or facilitate the functioning of their clients' daycare businesses. DEI found that forty 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 Basic Infrastructure

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

WHEDCO also found that a home's location greatly influenced the chance that a family daycare provider would 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.

#### Clarity of Client's Goals, Level of Commitment, and Basic Organizational Capacities

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, twelve, and eighteen 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 daycare 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.

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"). Their research also demonstrated that clients could improve their goal-setting and 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 ten respondents. The median increase was 1.07 points on a seven-point scale.

### What Have We Learned about Core Training and Client Success?

#### Clients Do Acquire Business Skills through Training

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 to graduate. Graduation then means that clients have at least a basic understanding of fourteen core business skills, as well as the development of eleven core competencies. 88 percent of Women's Initiative's research sample graduated during the period under study. Follow-up surveys documented that all the skills taught are being used by at least some clients.

WHEDCO assesses skill use through quarterly home visits that are part of the program's monitoring of family daycare 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 childcare 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-startup 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 had never owned a business reported a greater gain in skills (17.94) than clients who were current or previous business owners (15.45), 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; understanding the four major parts of a business plan; and 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. While clients felt they learned the most in these areas, they don't feel they have completely mastered these skills.

#### The Skills Clients Use the Most

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 is 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.

Women's Initiative further found that cash flow and financial statements were least used among their clients, while ISED found that 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

The programs found significant 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, filling out 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 are also 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 they are taught, and it 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, comparing the skills acquisition of their "success circle" clients to other clients, 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).

"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. In its case study, WHEDCO echoed the importance of pricing strategies. WHEDCO found that its higher earners were those who were able to stand up to pressures to undercharge, something to which many daycare 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 Associated with Making Progress

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 a draft. The remaining 28 percent did not have one at all. Not surprisingly, 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>7</sup> More than three-quarters of 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 pursue 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 who 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 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

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 its graduates experienced business-growth events (defined as new start-ups, stabilizations, or expansions);

only 36 percent of nongraduates experienced these growth events. And 100 percent of clients who attained self-sufficiency due to self-employment alone graduated from training.

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 achieving a high attendance rate. Each of these activities depends on client behavior and reflects his or her level of commitment to the endeavor. They are critical milestones that demonstrate to both the client and the program that positive movement is being made toward 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.

Sustained participation in training that fosters accountability appears to be particularly important to client success. WHEDCO, for example, found 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.

#### Dynamic Training Style

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 five 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>8</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.

### Implications for Training Practice

In reviewing and analyzing the findings of this research, FIELD grantees came to a number of conclusions regarding their implications for what constitutes best practice in microenterprise training services. In summary, the research and experience of the FIELD grantees underscores three 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 in their goals and business vision, have business exposure 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, proactive referrals to

needed services, links to relevant work experiences, and training designed to improve goal-setting skills and clarify and 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 methods that build on clients' experiences 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 which provides them with opportunities to increase their skills through in-service training and other opportunities.
- 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 pricing 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 technical expertise. Thus they teach clients to be successful in the marketplace through critical thinking, strong decision making, broad networking, and effective communication.

### Notes

1. The Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) is a research and development program at the Aspen Institute 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 policymakers, funders, and others about microenterprise as an antipoverty intervention. This article is drawn from a larger monograph, *Improving Microenterprise Training and Technical Assistance: Findings for Program Managers* (February, 2002), which can be found on FIELD's website, [www.fieldus.org/li/training](http://www.fieldus.org/li/training), along with detailed research reports produced by FIELD's five grantees who participated in this initiative.

2. This document summarizes the key findings related to training effectiveness. It also highlights the most important findings with respect to appropriate measures of intermediate and final impact. More on the relationship between technical assistance and client success can be found in the complete monograph referenced in footnote 1. 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 & Technical Assistance*. See FIELD's Web site ([www.fieldus.org/li/training](http://www.fieldus.org/li/training)) for additional, related material.

3. 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.

4. Women's Initiative used the self-sufficiency standard developed as a measure of success by Dr. Diana Pearoe 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 level falls at approximately 90 percent of the HUD median area income level ("moderate income") for a family of two adults in San Francisco County.

5. 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.

6. The difference between completers and noncompleters with respect to these characteristics is statistically significant at the very high level of .001.

7. Significant at the highest confidence level of .0001.

8. The difference in training completion rates was significant at the .001 level. The differences 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.