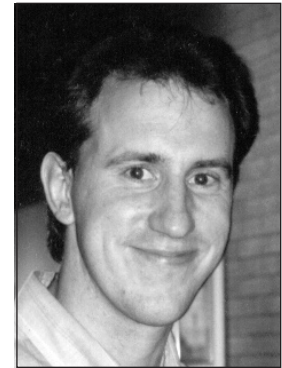


MICROENTERPRISE BEST PRACTICE

Mark Cabaj has high praise for 2 recent program evaluations

by **Mark Cabaj**



I am always excited to review research and evaluation reports on small business development programs. In a field that enjoys a lot of hype, the amount of good practical information on the results of projects and how to do better seems to lag a few steps behind.

Two evaluation reports recently came across my desk (okay - not recently, but within the last year) that I think CED practitioners and policy-makers should set aside some to time to review and reflect upon.

The first, by the Aspen Institute, is called *Microenterprise and the Poor*. This long-awaited work describes the results of a research effort that tracked the economic changes experienced by over 400 low-income business owners - served by seven mature small business development organizations (SBDOs) - over a 5-year period in the United States.

This work is simply excellent. Here is why.

The report is comprehensive in its review of the business owners' economic lives. Among many other things, data has been collected on changes in the venture's revenue and profitability, the owners' income and household assets, their experience of exiting welfare and poverty, and employment status. This hard information is complemented by a score of well-presented individual case studies of program participants' background and micro-enterprise experience.

I have seen only one or two other formal studies that provide this depth and breadth of information on the results of small busi-



ness programs in North America.

Though the study does have some methodological limitations - a relatively small sample size and lack of a comparison group - its results reinforce three things that practitioners and policy makers know full well, but often seem to ignore.

First, it takes time for low-income entrepreneurs to exit poverty - particularly in an increasingly low-wage economy. A full five years elapsed before half the low-in-

come entrepreneurs in this study escaped poverty. As the many rich case studies in the document emphasize, "the path out of poverty is not drawn by a smooth, clear line from hardship to plenty. It is a course of small steps forward and back, leaps ahead and hard falls."

Second, it takes time for SBDOs to develop skills and experience to develop strong small business programs. Participants in the fifth wave of program, for instance, did better than the first wave. Agencies providing business support were able to take advantage of the lessons learned with the initial group of entrepreneurs and modify their programs accordingly.

And third, low-income entrepreneurs require a range of supports to keep the risks of self-employment to an acceptable level. These supports include childcare, health insurance, and a financial cushion to help weather personal and business setbacks.

If the report provided no more information than this, it would be valuable enough. But it also reminds practitioners of a very simple but important point; many, many low-income entrepreneurs choose the tough road of self-employment not because they enjoy the lifestyle, but because jobs are scarce or because personal issues make it problematic for them to be somebody's full-time employee.

The report's authors, Peggy Clark and Amy Kays, go on to argue that small business programs should keep the "total picture" in mind, encouraging people to "patch" together income from other sources where and when they can - for example,

from social assistance, employment insurance, and full- or part-time employment. The implications of this claim for small business program objectives and policy environment are of course considerable.

Microenterprise and the Poor is a must-read for everyone in the field. It has much to say about how to improve small business programs. The results will provide useful benchmarks against which to compare programs. And given that it is so attractively put together (like most Aspen publications) many people will simply enjoy reading a piece of work created with such care and attention.

The second evaluation report to which I want to alert people to is *Refugee Microenterprise Development: Achievements and Lessons Learned* (Institute for Social and Economic Development, 1998).

This work reviews the experience and results of 16 U.S. organizations and their small business programs for refugees and immigrants over the years 1991-96. These programs were funded by the U.S. Office of Refugee Resettlement (ORR) in order to assess the potential of self-employment as a strategy for this fairly marginalized group.

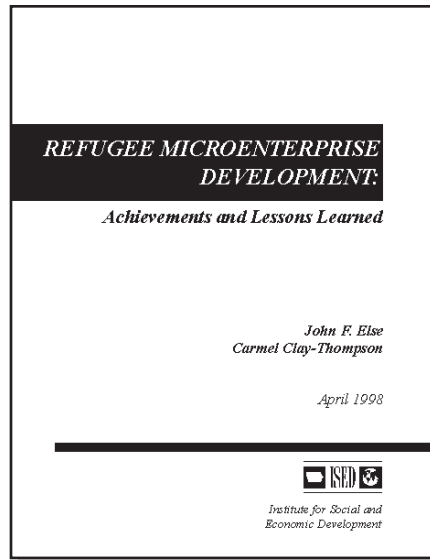
The research is not as comprehensive or as in-depth as the Aspen work. Although it does describe program results, they are very short-term (one year) and in some cases, difficult to interpret. For those that are interested, however, the business survival rates of participants compared favourably with average survival rates for small business.

The real value of the report lies elsewhere. It does a good job at describing the experience of agencies which try to offer members of this marginalized group the supports they need to launch and manage successful businesses.

Several findings stand out. The first is that it is not easy simply to start up an enterprise program for refugees, whatever the agency's background. Ten of the 16 organizations in the study were social service agencies that chose to incorporate self-employment into their program mix. The others were self-employment groups that tailored their existing services to suit the needs of immigrants.

None of the groups "hit the ground running." Each in fact had longer than expected start-up times (on average nine months), struggled to modify their administrative practices to suit new programs or target groups, and suffered from high staff turnover. The majority felt transition might have been tougher, had it not been for technical assistance provided to the organization by Iowa's Institute for Social and Economic Development.


Somewhat surprisingly, when the small business projects did get underway, the social services agencies performed better than anticipated, while the six SBDOs did not do as well as they had hoped!



Another important finding is that lack of capital is not the greatest barrier to launching and building a successful venture. In fact, the agencies found the opposite to be true. Participants managed to find internal resources for business start-up (40% from love money). What they really required was far more training and technical assistance than originally anticipated. This mirrors the findings of several other assessments in the United States.

Anyone in the field will find this report useful, but it will of course prove particularly helpful to any SBDO interested in supporting immigrants or refugees. The document explores a range of lessons learned about such issues as the role of language

and interpretation, trust between program staff and participants, and the types of business that immigrants tend to pursue. There does not exist a better work that speaks to this niche area of small business development.

Microenterprise and the Poor and *Refugee Microenterprise Development* add to the growing body of work that can now legitimately be called "best practice" in the field of microenterprise. The task now is to continue to create an environment that builds on this experience to allow strong SBDOs and programs to flourish. 

A Lutherwood Community Opportunities Development Association staff member, MARK CABAJ is a principal in that organization's major anti-poverty initiative, Opportunities 2000. He also assists community-based organizations in the evaluation of their economic development programs and is co-author of the workbook *Local Action to Fight Poverty* (CCE, 1998). Contact him at (tel) 519-623-9380, (e-mail) mcabaj@bond.net.

Refugee Microenterprise Development: Achievements and Lessons Learned is available from the Institute for Social and Economic Development (ISED) for US\$5. Contact (tel) 319-338-2331, (fax) 319-338-5824. For copies of *Microenterprise and the Poor* (US\$15) contact the publications department of the Aspen Institute at (tel) 410-820-5326, (fax) 410-827-9174.

Mark notes that the role of assets in the lives of low-income families is an increasingly hot topic in the fields of poverty reduction and CED. For more information, contact the Self-Employment Development Initiative (SEDI) in Toronto about their Individual Development Accounts initiative (URL <http://www.sedi.org/idapol.html>). This national pilot project aims to help low-income individuals and families develop an asset base through a combination of economic literacy training, government waivers, and innovative savings programs.