

Ten grantees offer final thoughts on: MICROENTERPRISE PROGRAMS IN DIFFERENT INSTITUTIONAL SETTINGS

Introduction

In the last two years, FIELD's Institutional Models grant cluster has provided the framework for considering how institutional structure affects the strategy and performance of microenterprise programs. Through a participatory learning process with 10 grantees, FIELD examined the strengths and challenges of microenterprise development in three institutional settings. The grantees represent different approaches to microenterprise development within Human Service Organizations (HSOs), Community Development Corporation (CDC) networks, and multi-service Community Development Financial Institutions (CDFIs), particularly Community Development Credit Unions (CDCUs).

In February 2002, representatives from the 10 organizations came together to review their experiences to date integrating or coordinating microenterprise development within their organizations. Meeting participants considered how each institutional type is distinct from the others, and what common characteristics distinguish them from stand-alone organizations dedicated entirely to microenterprise. The grantees also examined strategies for effective integration of microenter-

prise services into their larger institutional structures. This *forum* reports on lessons learned in this grant cluster that are likely to interest both practitioners and funders regarding the potential advantages and challenges of providing microenterprise development services through various existing organizational structures.

Institutional Tendencies

Participants at the Institutional Models cluster meeting agreed that each institutional type tended to foster distinct strengths and challenges. While *FIELD forum* Issues 8, 9 and 10 describe the characteristics of each institutional model in more detail, the following strengths and challenges emerged as distinct for each institutional group.

Human Service Organizations

Microenterprise programs in HSOs tend to reach a very high percentage of low-income clients. Many Human Service Organizations, which include Community Action Agencies and workforce development organizations, have a long history of providing services to the most disadvantaged members of society. They have strong relationships with public social service agencies and are well known in their communities for the resources they provide. The microenterprise programs in these organizations tap into the HSO's established institutional relationships and market presence to reach individuals with very limited options for financial security. Most of these programs provide comprehensive self-employment training courses that include life skills, confidence-building exercises and basic financial planning, as well as individual

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INSTITUTIONAL MODELS GRANTEES

Human Service Organizations

- Central Vermont Community Action Council, Inc. (CVCAC)
- Goodwill Industries of North Georgia, BusinessNOW program
- Maine Centers for Women, Work and Community (MCWWC)
- People, Incorporated of Southwest Virginia

Community Development Corporation Networks

- Massachusetts Association of Community Development Corporations/Community Business Network (MACDC/CBN)
- Western Massachusetts Enterprise Fund (WMEF)

Multi-service Community Development Financial Institutions

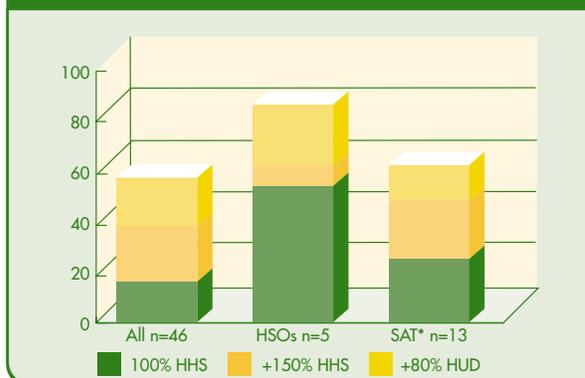
- Alternatives Federal Credit Union, Community Enterprise Opportunities (CEO) program
- Credit Where Credit is Due (CWCID)/ Neighborhood Trust Federal Credit Union (NTFCU)
- Burlington Ecumenical Action Ministry (BEAM)/ Vermont Development Credit Union (VDCU)
- Northeast Entrepreneur Fund (NEEF)

business technical assistance. Many also include access to case-management services that help clients navigate the multiple social services available to them through the organization. Chart 1 shows that the HSO microenterprise programs in MicroTest (FIELD's microenterprise performance measurement program) are reaching a much greater proportion of low-income clients than other microenterprise programs including stand-alone training programs with similar strategic approaches.

Microenterprise programs in HSOs tend to face challenges fitting into the organizational culture of the host institution. Microenterprise programs typically emerged from an approach to working

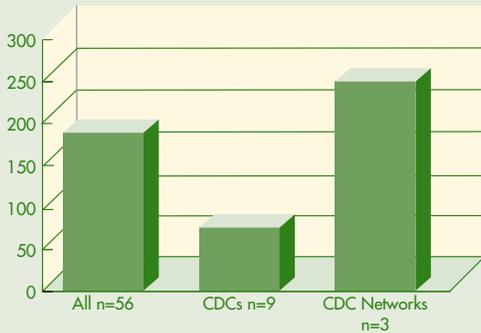
with low-income populations that is distinct from most of the other social service or vocational training programs housed in HSOs. Community Action Agencies tend to focus on meeting the most immediate needs of poor individuals and families, while traditional workforce development organizations emphasize immediate job placement. Where other program staff may see self-employment as a risky venture or a diversion from wage employment, microenterprise program staff see it as a long-term strategy for economic self-sufficiency. Microenterprise program staff often find it necessary to educate other organization staff and stakeholders about the potential of self-employment as a viable option for their target market. *FIELD forum* Issue 8 highlights the strategies microenterprise staff in HSOs use to educate other staff in their organizations about their programs.

Chart 1: Median Percentage of Low-Income Clients MicroTest 2000



*Stand-alone training programs

**Chart 2: Median Number of Clients
MicroTest 2000**



most needed services and coordinate political action with service provision. The result can be an organization that promotes a healthy small business environment not only by connecting microentrepreneurs and small business owners to needed resources, but also by mobilizing communities to reduce crime, clean up streets and parks, or improve the local real estate. The impact of microenterprise programs within CDCs can be magnified by this comprehensive approach to community development.

CDCs tend to be geographically constrained, limiting the potential reach of their microenterprise programs. The geographic area served by a CDC is typically limited either by the state regulatory framework for CDCs or by the mission of the organization. This geographic focus often translates into smaller scale microenterprise programs as shown in Chart 2. Smaller scale programs tend to be less cost-efficient and may find it difficult to access national funders. *FIELD forum* Issue 9 discusses how a network

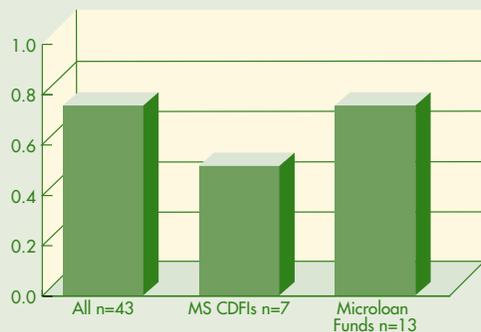
structure can overcome the geographical constraints of individual CDCs (see Chart 2), potentially increasing the cost efficiency of the programs and bringing new funding sources to local communities.

Multi-service Community Development Financial Institutions

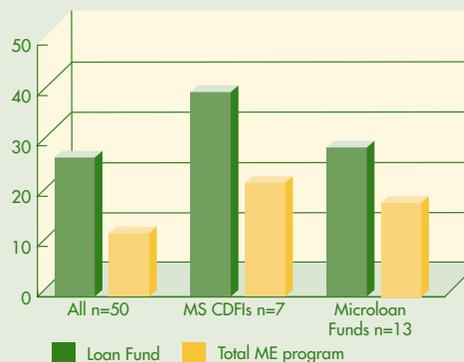
Microenterprise programs in multi-service CDFIs tend to have highly sustainable cost and income structures. The multi-service CDFIs studied provide retail financial services to low- and moderate-income individuals. As shown in Charts 3 and 4, their experience in this area typically results in very cost-efficient lending operations, generating enough income to cover a significant portion of their microlending expenses. Together with a well-diversified funding base, the income from their loan funds allows microenterprise programs within multi-service CDFIs to be relatively well insulated from changes in external funding sources. A stable cost-income structure also provides these programs with a strong foundation for future growth.

Microenterprise programs in multi-service CDFIs must continually evaluate the balance between managing risk, controlling costs and fulfilling their mission to serve an economically disadvantaged market. Regulated CDFIs (CDCUs and community development banks), must negotiate this challenge under the scrutiny of regulatory agencies that measure financial stability using traditional banking standards. In order to meet the needs of customers who are deemed uncreditworthy by traditional banks, CDFI

**Chart 3: Median Cost of Managing \$1
in Portfolio MicroTest 2000 Groups**



**Chart 4: Average Cost Recovery Rates
MicroTest 2000 Groups**



staff must often spend a great deal of time counseling clients to bring them to the point where they can responsibly manage credit. Many have even started formal business training programs to fill a gap in quality and accessible business resources in their community. Although these counseling services and educational programs can help reduce risk in the CDFI's portfolio, they also represent a significant cost that must be subsidized. For unregulated institutions, the provision of business development services places increased demands on staff to raise external funds. In addition to this fund-raising pressure, regulated institutions also come under increased scrutiny by regulatory agencies skeptical of activities requiring external subsidy.

As shown by the total cost coverage of microenterprise programs in Chart 4, the additional cost of training and counseling services assumed by the typical multi-service CDFI dilutes the advantage they have over microloan funds in covering their microenterprise operational costs. Although this grant cluster did not examine stand-alone microloan funds in detail, MicroTest data show that microloan funds typically spend less time providing business development services to their clients while maintaining comparable portfolio at risk and loss rates.¹ In the context of CDFI concerns about cost-control, the decision to provide intensive business development services should be examined carefully.

Institutional Evolution and Collaboration

The experiences of the 10 grantees also highlighted significant variations within the institutional categories. For example, while most HSOs provide intensive training for a small number of very low-income individuals, one is making strides in reaching many more microentrepreneurs by structuring its services to focus on those individuals already prepared to tackle self-employment. While most CDFIs are geared toward covering most, if not all, of their costs with income generated by their

financial services, a few dedicated significant institutional resources to the development of educational programs that are likely to be subsidized indefinitely.

The participants in the final grant cluster meeting emphasized the need to recognize that the microenterprise sector presents a range of demands and opportunities that requires a continuum of services. This continuum ranges from intensive educational and support services for individuals with no other means to support themselves, to credit and advanced business support for small-scale businesses with employees. Microenterprise development programs can attempt to serve the entire range of needs or specialize in a specific market. The decisions each institution makes about what portion of the microenterprise market to serve will have implications for the program's cost and income structure, scale and impact.

In some cases, the interconnections between cost, income, scale and impact are associated with institutional structure. Often one institutional type has an advantage in one area that might compromise results in another, as shown in the previous section. The institutional models cluster, however, highlighted two trends that demonstrate how various institutions are evolving to leverage the strengths of distinct institutional types. The first trend is the evolution of hybrid strategies that attempt to manage a sustainable balance between subsidized educational services and cost-efficient financial operations. The second trend is the development of formal institutional collaborations, often with contractual and even financial agreements to govern the relationship.

Hybrid institutions

The grantees that emerged as hybrid institutions came from each of the three original institutional categories. One, the microenterprise program at People, Incorporated of Southwest Virginia (People, Inc.), is an emerging CDFI housed in a community action agency offering multiple services to address

¹According to MicroTest 2000 data, multi-service CDFIs with training programs reported an average of 17 hours of training per training client compared to 9 hours for microloan funds (MLFs). In addition, an average of 62 percent of clients served by multi-service CDFIs received only business development services (no credit) compared to 38 percent of MLF clients. The median portfolio at risk rate for multi-service CDFIs was 12 percent compared to 8 percent for MLFs. Median loss rates were 5 percent for multi-service CDFIs and 3 percent for MLFs.



poverty alleviation. The second, Western Massachusetts Enterprise Fund, is a network of CDCs that provides an increasing number of services as a centralized CDFI. The third, Northeast Entrepreneur Fund, originally started as a training-focused microenterprise program and has evolved into a micro and small business-oriented CDFI. In addition to these three institutions, several other grantees have focused more attention on new services outside of their original strategy in order to grow, improve their cost and income structure, or reach a broader market.

Generally, these hybrid organizations started as more local, training-oriented programs that began to consider strategies for reaching a larger scale in a cost-efficient manner. As part of their strategies, the institutions began to emphasize financial services by offering both microloans and larger-scale financing for small businesses. They maintain their educational programs, but focus on building cost-efficient approaches to providing training and/or technical assistance. They emphasize early needs assessment to channel clients into programs with varying degrees of intensive service. In many cases, those clients with the most intensive needs are referred to other organizations or to other programs within the host organization. While these hybrid programs often have become more independent of their original institutional structure, their leadership often cites the original institutional relationship as one that keeps them dedicated to serving a low-income population. They typically see the income-generating services offered to more established business owners as a way to subsidize services for more low-income, less business-ready clients.

Collaborative institutions

While some microenterprise programs have evolved into hybrid institutions to try to reach a larger portion of the microenterprise sector, others have focused on a particular kind of service – often for a specific geographic or demographic target market. Many of the microenterprise programs within HSOs, for example, provide intensive services to particularly disadvantaged groups including Temporary Assistance for Needy Families

(TANF) recipients and individuals with disabilities. These programs fill an important gap that is often left by organizations concerned about scale and cost-efficiency. CDFIs, on the other hand, focus on providing financial services to "un-banked" individuals, and many either cannot or do not want to take on the cost of training or intensive technical assistance. Microenterprise programs in CDCs often are able to provide culturally appropriate services because of their focus on specific neighborhoods or communities.

For microenterprise programs focused on a particular service or niche market, collaboration becomes a crucial ingredient in creating an appropriate mix of services in their communities. The institutional types represented in this grant cluster provide excellent examples of strategic institutional collaborations. Indeed, their institutional structures – either as programs nested within larger multi-service organizations or as networks of multiple organizations – often require that the microenterprise staff learn to work in collaboration with other programs.

The most effective collaborative relationships are governed by written agreements that often involve a financial relationship. The Community Business Network – a network of several CDCs throughout Boston – is the clearest example of a contractual collaboration. Most of the resources raised by the network are distributed to member organizations according to clear performance criteria in microenterprise service provision. For microenterprise programs focused on a particular service or market, these kinds of collaborative arrangements are likely to hold the key to long-term programmatic sustainability as funders increasingly apply standards in scale, cost-efficiency and impact on all microenterprise programs.

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Needs assessment

In order to meet the many and varied needs of the microenterprise sector, effective microenterprise programs are likely to evolve into hybrid or collaborative institutions or take on characteristics of both. As this evolution takes place, identifying the needs of and appropriate services for every microenterprise client becomes the central pillar of organizational effectiveness. Hybrid institutions must learn to identify early in the in-take process what services within the institution will most benefit each client. They must also identify those clients who are not likely to benefit from any services offered by the microenterprise program. If they hope to retain the future business of these clients, they must outline a clear path for those clients to follow so they can return to the program for service. Collaborative institutions must identify the needs of each client and help the microentrepreneur

navigate the resources available through the collaboration. No matter what services an institution chooses to provide in-house, systemized approaches toward needs assessment and well-trained staff to make judgments about customers' needs are essential to serve the microenterprise sector effectively.

Microenterprise in a Larger Institutional Structure

In the final cluster meeting, FIELD staff and the 10 grantees also considered whether working within a larger institutional structure – no matter what the structure – held inherent advantages for the microenterprise program. The grantees provided numerous examples of how a larger institutional structure can offer opportunities for enhancing the performance of the microenterprise program in terms of impact, sustainability and scale. Whether the program takes advantage of these opportunities, however, depends heavily on such important factors as program strategy,

how the program's target market is defined, the funding environment, etc. The following points were raised during discussions about how to enhance impact, sustainability and scale through institutional structure.

Enhanced potential for integrated impact

The grantees in this group emphasized their capacity to develop long-term relationships with customers, thus enhancing the impact they have on individuals and communities. All three types of organizations provided examples of how they leverage the buffet of services available through their organizations to serve clients' multiple needs. Each also described counseling-based strategies whereby microenterprise staff assesses the needs of each customer and works to identify the best available short- and long-term resources – often offered within their organization.

Credit unions build long-term relationships with customers by providing accessible financial services in communities largely abandoned by traditional banks. As full-service financial institutions, credit unions can serve a microentrepreneur regardless of their financial capacity. Those not yet ready for credit can open a business checking account. Those with no or poor credit histories can prove their financial responsibility with small-scale individual loans from the consumer loan department. Businesses that outgrow the capacity of most microloan funds also can continue to access small business loans at the credit union. As documented by an impact evaluation at Vermont Development Credit Union, the use of multiple services at a credit union can translate into increased impact on the customers. VDCU's customers who had used more than one service at the credit union reported that the credit union had had a greater positive impact on their lives than those who had used fewer services.

Human Service Organizations provide a vast array of social and/or workforce development services to their microenterprise customers. These services can prove indispensable for microenterprise programs working with TANF recipients or individuals with disabilities, who often have no alternative but self-employment as a means of supporting them-



selves and their families. At Goodwill Industries of North Georgia, microenterprise staff has taken advantage of case-management services within the agency to access needed services for their customers. Staff members at Central Vermont Community Action Council are committed to learning from one another and improving their practice with participants. To this end, CVCAC has organized cross-program teams to encourage communication about the resources available to clients within the agency. In the case of Maine Centers for Women Work and Community nested within the University of Maine system, program staff has leveraged a long history with their host institution to lobby successfully for university accreditation of their microenterprise development training course. The accreditation means that the low-income individuals served by MCWWC can continue their education while building their capacity to earn income through self-employment.

The CDC networks leverage resources for their clients and the communities where they live at two levels. At the individual CDC level, the integrated economic development strategy of the local organizations works to support microentrepreneurs in an economic, social and political context conducive to healthy small business development. When business owners in a Boston neighborhood identified crime and drug dealing in a local park as a deterrent to attracting customers to their stores, the local CDC collaborated with other neighborhood organizations to organize a park clean-up and weekly music concerts in the park. The CDC also helped broker a roundtable for local youth and police representatives to help address crime in the area. At the network level, microenterprise staff can draw on the resources of the entire network for their clients. Through the Community Business Network in Boston, a Chinese soy products manufacturer was able to access the linguistic and technical assistance resources of the Asian CDC, the marketing expertise of the Allston Brighton CDC, and production assistance from a Babson University MBA student identified by the Jamaica Plain NDC.

Enhanced potential for sustainability

Broadly defined, sustainability is an institution's capacity to serve its mission despite changes in sources of income. Generally, the more diversified the funding sources, including program-generated income, the more sustainable the organization. Typically, the more cost-efficient the organization is in achieving its mission, the more sustainable it is, both because less income is needed to achieve the desired results and because, presumably, a cost-efficient organization attracts more funding. In addition to cost-efficiency, political presence and organizational reputation attract funding. In short, there are many variables that affect the sustainability of an organization and each must strive for the most appropriate balance given its mission and context.

For multi-service CDFIs, a major advantage comes from their cost-efficient lending operations that generate enough income to reduce significantly the program's dependence on external funding. Almost all of the programs nested within larger organizational structures could be more cost-efficient by sharing central administrative costs with other programs within the institution or network. In fact, despite providing intensive-training services that are not typically associated with cost-efficiencies, the HSO microenterprise programs in MicroTest had exceptionally low cost per client ratios.² The nested programs in this group also have leveraged the financial resources of the larger institution as grant matches for new funding or to weather temporary cashflow shortfalls.

Beyond the cost structure of the microenterprise program, an organization's reputation and political presence can have a significant impact on program sustainability. With a grass-roots presence in many communities, CDC networks command attention from government funders. By expanding the service area beyond a single community, the CDC networks also can attract funding from national or regional sources. Many of the HSO microenterprise programs capitalize on their agencies' long-standing relationships with public social service agencies to coordinate services and to attract public

² The median cost per client ratio for the seven HSO microenterprise programs in MicroTest 2000 was \$1,755 compared to \$2,068 for the 55 MicroTest participants reporting these data.

funds to the microenterprise sector. Even the relatively self-sufficient CDFIs leverage their organizational reputations to mobilize external resources for their work. Alternatives Federal Credit Union, for example, has a national reputation as one of the nation's first community development credit unions. This reputation helps Alternative's relatively new CEO microenterprise training program garner funds from sources beyond its original sponsor in the city government of Ithaca, N.Y.

Enhanced potential for reaching scale

Reaching a scale large enough to meet a significant portion of the potential demand for microenterprise services and, therefore, to have a significant impact on the sector, remains one of the principal challenges facing the microenterprise sector in the United States. As shown in Chart 5, the organizations studied in the Institutional Models group face the same uphill climb regarding scale as do stand-alone organizations. The typical microenterprise program in MicroTest serves 205 clients a year (with credit or 10 hours or more of service). The various groups studied in this grant cluster range above and below this median.

Financial institutions – both multi-service CDFIs and microloan funds – are reaching more clients than other microenterprise programs in part because making loans to individuals requires less staff time than providing training and technical assistance to individuals who are often a long way from qualifying for loans. Staff in financial institutions is, therefore, more able and more inclined to market

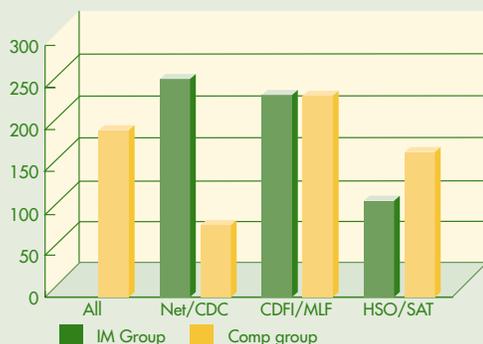
the microenterprise program widely. To date, however, multi-service CDFIs have not shown any advantage over specialized microloan funds in reaching a larger market. In theory, the established market presence of multi-service CDFIs, their experience with retail lending in low-income communities and their ability to rely on established administrative systems could translate into greater scale. Since the microloan programs in multi-service CDFIs tend to be significantly younger than independent microloan funds, only time will tell whether these institutional advantages will result in larger-scale microenterprise programs.

CDC networks show obvious advantages in terms of scale over individual CDCs that usually focus on small geographic areas. The network model shows great potential for reaching scale, but the advantages of the model are realized only insofar as the total costs of the network are less than the cumulative costs of the member organizations working independently. The limited data available to MicroTest on CDC networks suggests that the network structure can reduce the high cost per client ratios of individual CDCs, but does not show any cost advantage over the median MicroTest program. Therefore, the challenge for networks is to reach scale by striking a balance between decentralized outreach through member organizations and centralized administrative services in either one member organization or a central network office. To reach scale, member networks also must carefully evaluate what program services can be provided centrally and which require a strong local presence.

Within MicroTest, microenterprise programs in HSOs are consistently smaller in scale than other types of microenterprise programs. This small scale is in large part due to the high demands on staff time required to meet the needs of a particularly disadvantaged and inexperienced client population. Indeed, in contrast to the grantees in the other institutional models groups, many of the grantees in the HSO group had no interest in aggressively marketing their microenterprise programs because of the stress increased demand would place on their staff. Nonetheless, microenterprise programs within HSOs are not inherently small. Among the seven HSOs in

Chart 5: Median Number of Clients, 2000

All=56 MicroTest members
 Net=3 CDC networks
 CDC=9 CDCs
 CDFI=8 multi-service CDFIs
 MLF=13 Microloan Funds
 HSO=7 HSOs
 SAT=15 Stand-alone training programs





MicroTest, three are above the median number of clients served by all 56 organizations in MicroTest. Three of the four grantees in this group have shown significant growth over the last three years. Two are explicitly engaging in strategies – including more careful in-take screening and marketing through other programs in their organization – to increase the scale of their operations. People, Inc., discussed earlier as a program evolving into a hybrid institution, has even set increased scale as a central program goal.

In short, while each institutional type has certain tendencies toward larger or smaller scale, the structure of the institution does not seem to play a significant role in determining how many clients a microenterprise program can reach. Working within a larger institutional structure affords the microenterprise program certain advantages in reaching scale – established market presence, the institutional capacity to build long-term relationships with individuals who are not immediately ready for microenterprise services, and cost-sharing structures that free microenterprise staff of administrative duties. Nonetheless, whether microenterprise staff take advantage of these opportunities seems related more to program strategy, target market and the availability of funding than to the structure of the institution.

Strategies for Integration

Clearly, there are many opportunities for enhanced impact, sustainability and scale for microenterprise programs working within a host institution or network. However, collaboration, whether within an organization or across several organizations, takes extraordinary institutional commitment. The grantees in this cluster identified several strategies for encouraging the effective integration of microenterprise support services into a larger institutional structure. Their recommendations can be broadly categorized into four areas:

Institutional leadership

One of the most important factors in the successful integration of a microenterprise program into a larger institutional structure is the commitment of the organization's leadership to the program and to the value of coor-

inating the various strategies embodied in different programs. The organization's leadership must feel that the microenterprise program strategy fits into the mission of the institution and actively campaign for the program within and outside of the institution. For the HSOs, the support of the executive director helped overcome some of the skepticism from other program staff about how microenterprise could help an economically disadvantaged population. For the CDC networks, the commitment of the member CDC directors was crucial for establishing the network in the first place and has been important for ensuring that neighborhood microentrepreneurs have continued access to the network's resources. At multi-service CDFIs, the fit between microcredit and other financial services at the institution is more natural, however, the leadership's commitment to microenterprise helps ensure that all staff are aware of the institution's microenterprise resources.

Although the commitment of the organization's leadership to microenterprise helps establish a well-integrated microenterprise program, the grantees also emphasized that the microenterprise program cannot rely in the long run on the interest of one individual. Microenterprise staff must constantly be aware of the need to build support throughout the organization – from the board of directors to the managers of other programs within the institution. Building broad support for the microenterprise program is necessary for the long-term institutionalization of the microenterprise program. Microenterprise program management should ensure that microenterprise support is built into the long-term goals of the institution through its strategic plan and other such documents.

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New institutional resources

A microenterprise program is likely to command much more attention within a larger organization or in a network structure if the program brings new financial resources to the table. The importance of leveraging new funds is particularly evident in the case of networks of existing organizations that will want to participate in the new program only if they can be sure the network will not compete for funding. Indeed, one of the strengths of a network structure is that it often provides local programs with a new channel of funding from state, regional or national sources that are more interested in funding larger entities than one neighborhood initiative. The CDC networks in the Institutional Models group have further leveraged the new financial resources they bring to CDCs by tying the distribution of centrally raised funds to clearly delineated performance measures or contracts specifying the local programs' participation in the microenterprise network. The financial arrangements brokered by the CDC networks could serve as models for any microenterprise organization interested in forging a partnership with another complementary organization.

While not as crucial as the financial resources of a microenterprise network, the new sources of income a microenterprise program can bring to a host HSO or CDFI can help institutionalize the program. For HSOs, a microenterprise program often can bring in new private funding or funding from economic development agencies that do not have a mandate to focus on the more traditional assistance efforts of HSOs. For multi-service CDFIs, providing microenterprise services often allows the institution to meet the needs of a new market. Some credit unions and larger-scale CDFIs have even established microenterprise training programs, often as separate affiliated nonprofit organizations, in part to prepare microentrepreneurs to be responsible credit union business loan clients.

Where the disparity between the budgets of the host organization and the microenterprise program are too vast for the resources of the latter to affect the former, the microenterprise program can still look for ways to benefit the host

organization. MCWWC, for example, plays an important role in organizing Women's History month activities at the University of Maine campuses and provides workshops to students on resume writing and time management. Generally, the community-oriented program provides an important link for the university to the communities where the public institution is located and also provides a bridge to higher education for its clients. One of the keys to a mutually dedicated relationship between a host organization and the microenterprise program is to clearly identify the advantages each gains from the relationship.

Real estate

The microenterprise program's visibility and presence in the organization makes a significant impact on how well the program is integrated into the institution. Having a visible, central office, resource center or classroom triggers curiosity about the program and helps spread the word about the microenterprise resources available within the organization. Central real estate for the program also represents a commitment by the institution to the microenterprise program.

Over the course of the last five years, BusinessNow, Goodwill of North Georgia's microenterprise program, has expanded from a closet to a central area that houses a 2,500 square-foot microenterprise resources center with office equipment and meeting space. While the space represented a relatively small "gift" to the microenterprise program by the \$16 million organization, the program's visible location leveraged significant respect and knowledge about microenterprise within Goodwill. Both CEO at Alternatives and MCWWC at the University of Maine, Augusta, expect to have space in new buildings being constructed by their host institutions allowing the microenterprise programs to be better physically integrated into the host institution's infrastructure.

In an unintended twist on the importance of physical integration, Vermont Development Credit Union has found that its tight office space has actually helped integrate the credit union's departments. Staff in all departments work so closely to each other that not knowing



what happens in another department is virtually impossible. As they consider how to expand into a larger facility, VDCU management is mindful of how to retain the close-knit atmosphere that enhances the institution's capacity to promote all services, including the relatively new small business financial services, available at the credit union.

Program coordination

To leverage the advantages of providing microenterprise services from within a host organization, the organization's staff must be committed to collaborating across programs. Well-integrated organizations resist the tendency of some large institutions to become departmentalized by separate funding streams, program regulations, staff responsibilities or product lines. The organizations in this grant cluster have used three principal strategies to encourage collaboration between the microenterprise program and the other programs within the institution.

The first strategy is to promote an institutional commitment to cross-selling programs or services to customers. Cross-selling services available within an institution strengthens the likelihood that customers will build a long-term relationship with the institution which, in turn, can enhance the impact the institution has on customers. Most of the grantees in this cluster have made concerted efforts to market their microenterprise programs through other program staff in their institution. A few of these institutions are developing information systems that can track a customer's use of any of the services available at the institution. As an institution fully committed to cross-selling the services available at the credit union, VDCU has documented that clients use an average of 2.4 services at the credit union.

A second and related strategy to encourage program coordination is to make a concerted effort to educate all staff about the services available at the institution. CVCAC, for example, has organized cross-program teams of staff who share similar responsibilities such as case managers or trainers. These teams are designed to encourage staff to learn from each other and to refer clients to appropriate services available through the agency. VDCU closes its office

one afternoon a month for program staff to update others on their work. CBN encourages cross-member communication by organizing an annual assessment of the year's activities whereby the network's resources are allocated by the participating CDCs.

Finally, some organizations have encouraged cross-program collaboration by developing joint proposals to coordinate the provision of services to customers. MCWWC is working with the University of Maine on a Title III grant to the U.S. Department of Education that would help develop courses and services, particularly involving the use of technology, which will benefit students and improve access to education for MCWWC participants. At CVCAC, the microenterprise and welfare to work programs have jointly employed a trainer who has contributed to the dramatic increase in the number of welfare to work participants exploring self-employment as a strategy for leaving assistance.

Conclusion

Institutional structure is an important factor in defining certain tendencies in microenterprise programs: whether the program targets very low-income individuals; whether it includes credit operations and how cost-efficient the program is; how integrated the program is into a local market and whether it works in collaboration with other programs. None of these tendencies, however, is set in stone and many of the programs in this grant cluster are evolving into hybrid programs and/or developing collaborative approaches that attempt to garner the distinct advantages of various institutional structures. These hybrid and collaborative strategies respond to the varied needs of a diverse sector. Hybrid institutions focus on pro-

Well-integrated organizations resist the tendency of some large institutions to become departmentalized by separate funding streams, program regulations, staff responsibilities or product lines.

viding efficient educational and financial services to a broad spectrum of microenterprises. Collaborative institutions often provide specialized services or work in a niche market and look to build formal partnerships with other institutions with complementary services. Both strategies are necessary to build effective institutions that, together, can address the continuum of needs in the microenterprise sector.

This grant cluster highlighted some of the many advantages – in terms of impact, sustainability and scale – that can be leveraged by a microenterprise program working within a larger institutional structure. But, like the distinct institutional tendencies, these advantages are not automatically realized by locating a microenterprise program within a particular host institution. To take full advantage of the opportunities presented by the larger institutional structure, the microenterprise program must be well integrated into the host organization or, in the case of a network, the member organizations. Effective integration requires concerted intra-agency or network-member collaboration. The grantees' experiences collaborating effectively within their institutions holds valuable lessons for the overall microenterprise field, as the industry is likely to mature through collaboration between programs with various complementary services that meet the multiple needs of this diverse population.

Additional information about the Institutional Models Cluster is available on the FIELD Web site: www.fieldus.org/li/institutional.html

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