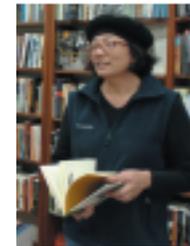
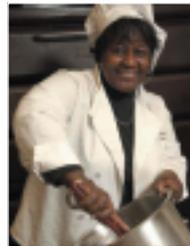


FIELD Funder Guide



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Performance Counts

Across the United States, high performing microenterprise programs are making a difference in the lives of thousands of emerging entrepreneurs. With one eye on achieving strong business development and client outcomes, the managers of these programs exemplify excellence by also focusing on reaching higher levels of scale and sustainability, increasing efficiency, and seeking continuous improvement in all aspects of their operations.

But while these institutions go from strength to strength, other programs are challenged to achieve similar levels of performance. While the gaps between them and the high performers may be due to differences in market size and program strategies, other factors are at work as well. In a tight funding environment, many programs struggle to find the resources necessary to hire and retain skilled staff, and to build the organizational and technological capacity needed to both increase efficiency and capture the information required to analyze and improve performance. Further, differing funder requirements and expectations send mixed messages to programs about how quality is defined and rewarded. This lack of coherence leads to programs managing multiple reporting systems, and monitoring varying measures for different stakeholders, while struggling to develop a meaningful approach to performance measurement that can support continuous program improvement and growth.

This situation is detrimental not only to individual programs but to the field as a whole. As the industry seeks to maintain public support and compete in the larger philanthropic community, the weaker performance of some programs undermines arguments about its value. It is essential that more institutions improve their capacity to measure their performance, and then make the changes necessary to achieve levels of quality more in consonance with industry leaders.

What Does High Performance Look Like? A Tale of Two Organizations in New Mexico¹

ACCION New Mexico is a credit-led program that provides statewide services. In Fiscal Year 2004, it served more than 1,000 clients of whom 51% were women and 61% were low- to moderate-income using HUD standards.² While making 559 loans, the program maintained its portfolio at risk at 5% and its loan loss rate at 3%, and spent only 25 cents to manage each dollar in its portfolio, indicating that it was one of the most efficient microlenders in the nation.³ A sample survey of clients participating in the program at least one year (most of whom were in business before they sought a loan) found that respondents increased their sales from \$28,980 to \$54,000 on median (an increase of 86% over baseline), and that median household income increased by \$9,626, a change of 30.7%. The number of full- and part-time employees increased modestly by 12% and 25%, respectively.

(box continued on the next page)

¹ Data included in this box is drawn from reporting by both programs for Fiscal Year 2004 using MicroTest measures, tools and protocols.

² The U.S. Department of Housing and Urban Development defines low- to moderate-income as having household income at or below 80% of the median income for households of the same size in the Metropolitan Statistical Area in which the client resides.

³ Portfolio at risk is defined as the dollar amount of principal outstanding on all loans with payments past due more than 30 days divided by the total dollar amount of microloans outstanding at the end of the fiscal year. Loan loss rate is defined as the dollar amount declared non-recoverable and written off, net of recoveries, during the fiscal year, divided by the average dollar amount of microloans outstanding for the fiscal year.

What Does High Performance Look Like? A Tale of Two Organizations in New Mexico (cont'd)

WESST Corp is a training-led program that also provides statewide services. In Fiscal Year 2004, it served 645 clients, 74% of whom were women and 62% of whom were low- to moderate-income. The organization managed a small loan fund, making 34 loans with a portfolio at risk of 2% and a loan loss rate of 3%. Because of its small size, the program paid an operating premium, spending \$1.25 to manage every dollar in its loan portfolio. While its credit program was much less efficient than ACCION New Mexico's, the organization did meet the industry standard for cost-efficiency for small-scale programs. It also spent a little more than the industry standard on providing training and technical assistance services to clients, slightly more than \$2,000 per client.⁴ However, respondents to a survey showed strong client outcomes. They reported an increase in business ownership by 25%, and median sales increased 201% (from \$15,322 at baseline to \$46,130 at survey). Full- and part-time employment increased by 20% and 100%, producing 11 new full-time and 59 part-time jobs.

What Funders Can Do

High-quality performance has always been a key concern of funders. Over the past few years, several funders have made special investments to build the microenterprise field's infrastructure with respect to performance measurement. The Charles Stewart Mott Foundation and the Ford Foundation have taken the leadership in supporting the development of MicroTest, a performance measurement tool designed by FIELD to standardize the industry's approach to performance measurement. The Mott Foundation, with Deutsche Bank, also funded the design of a standard setting and accreditation process by the Association for Enterprise Opportunity (the microenterprise industry's "trade association"), and the Ford Foundation supported industry efforts to improve management information systems. The Ms. Foundation's Collaborative Fund for Women's Economic Development, the J.P. Morgan Chase Company, the Hewlett Packard Company, the Maine Department of Economic Development and other funders also have supported the use of MicroTest by their grantees, and the Hewlett Packard Company has provided technology as well to 35 programs. These efforts are predicated on the notion that performance will improve if:

- There is a uniform and coherent set of performance measures and standards that can be used by practitioners as they implement programs, and by donors as they fund them.
- Programs have access to tools and systems that support the use of common measures for program management. These include training and data collection instruments that facilitate data gathering and analysis, the collection and analysis of industry-wide data that can provide a picture of what high quality performance looks like, and better management information systems and technologies to capture and use data.
- Practitioners have access to resources – funding, training, staff development resources, consulting expertise, and so forth – that can help them address gaps in performance identified through their measurement efforts.

Donors can play a key role in driving improvement in performance. The signals and incentives they send in their grantmaking play a critical role in reinforcing programs' internal push to increase quality. As they support the drive to higher performance, it is especially important that funders align with efforts already under way in the field. In particular, funders should consider:

⁴ To compare, the Association for Enterprise Opportunity recommends that programs making fewer than 50 loans spend less than \$1.40, and that training and technical assistance services cost \$1,800 per client or less.

Working to achieve a more consistent approach to performance-based grantmaking for microenterprise programs.

Donors can use industry measures and standards as they create criteria for selecting grantees and develop reporting requirements. They also can encourage other donors to do the same.

Investing in building the capacity to measure and improve performance.

Donors can invest in management information systems and other capacities that help their grantees measure and improve performance, and recognize that these investments are required on an ongoing basis. They also can support the further development and expansion of national systems and tools for measuring performance, and capacity-building resources designed to help more institutions come into compliance with national standards.

Rewarding performance through grantmaking.

Donors should expect grantees to participate in industry-wide efforts, like MicroTest and AEO's accreditation process, and support them in those efforts. Funders also should make explicit that grantees must maintain the discipline of working toward higher scale, effectiveness, efficiency and cost recovery as they work to achieve good business and client outcomes. This will involve requiring grantees to report on critical performance measures, and structuring grant awards to support and reward progress toward achieving greater internal efficiency and effectiveness, increasing the scale of operations, and producing better outcomes.

A Statewide Approach to Increasing the Capacity to Measure Performance

The Northwest Area Foundation (NWAf) exists to help communities in its eight-state region (Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington and Oregon) reduce poverty. NWAf works directly with communities by providing financial resources and technical assistance to help them increase their ability to identify and develop key local assets, expand economic opportunities, increase the use of inclusive decision-making and increase community know-how and institutional support to design, lead and implement poverty-reduction strategies. In Oregon, this led the foundation to work with the Oregon Microenterprise Network (OMEN) to increase the capacity of local microenterprise organizations to help low-income citizens use business development as a path out of poverty.

OMEN received a PRIME grant (SBA funding designated for training and technical assistance services) beginning in 2001 to develop the Statewide Microenterprise Training and Technical Assistance Project, designed to help eight Oregon microenterprise development programs focus on poverty alleviation and business development for low-income entrepreneurs. Complementing this initiative, the foundation provided funding to create a cohesive on-line performance data collection system for the participating institutions.

OMEN established standardized performance measures and customized Vista-Share, an on-line database package, to centrally track program results. The foundation also provided funding to OMEN that allowed it to finance necessary program-level technology upgrades so programs could fully utilize the on-line database system. OMEN administered the on-line database and collected and aggregated standardized performance data. It produced frequent reports to satisfy funding reporting requirements and provide feedback to participating programs. OMEN held conference calls and in-person meetings and conducted site visits with participating programs to share key findings and identify areas where programs could benefit from increased technical assistance.

By the project's conclusion, 10 microenterprise programs were trained and using the on-line database as their primary performance data tracking system. Their ability to accurately collect, report, understand and use performance data had substantially increased and this group raised awareness within the state microenterprise community regarding the value of and need for standardized performance data. OMEN is now engaged in efforts to extend the project's success to all 45 of OMEN's member organizations. OMEN also has used its increased data tracking capacity to secure a contract with the Portland Housing and Community Development's Economic Opportunity Initiative to evaluate its microenterprise strategy, which is implemented through nine programs.

A Collaborative Approach to Enhancing Measurement and Performance

The Ms. Foundation established the Collaborative Fund for Women's Economic Development (CFWED) in 1991 to provide crucial support to organizations across the country that help low-income women start and expand microenterprise, community-based and cooperative businesses. Bringing funders together to invest in and support grantees with technical assistance, training and networking opportunities, CFWED's goal is to support and refine enterprise development practice and to improve the policy and economic environment in which programs operate.

Through the third round of the Fund, beginning in 2001, collaborative members invested in 16 microenterprise programs and social-purpose businesses, complementing operating support with help to strengthen grantees' capacity to collect and use performance data.

The Fund adopted MicroTest measures, data collection and reporting tools as core components of grantee reporting to the Ms. Foundation. FIELD trained grantees on data collection to track both internal performance and client outcomes, and provided technical assistance to them during data collection. CFWED also provided capacity-building mini-grants in order to help programs identify MIS limitations and implement upgrades to increase data collection abilities and efficiencies. Consequently, programs were better able to track and report key activities, expenditures and output numbers. FIELD produced annual reviews of key data findings for CFWED and customized reports for each program and allowed them to analyze their performance historically and in relationship to their peers. Funders and grantees also reflected on data findings in annual meetings, considered continuing performance challenges, and developed work plans to improve future data collection efforts and performance targets. By the end of the third round, participating funders had more detailed aggregate and comparative data than they had ever had before on CFWED grantees, and grantees had both improved performance management systems and a three-year database of performance to help guide future program strategy.

For More Information

Elaine L. Edgcomb and Joyce A. Klein. *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States*. Washington, D.C.: The Aspen Institute, February 2005. Pages 83, 94-97 discuss the challenge of performance and offer more detailed recommendations for programs and support organizations, as well as funders. Available from: <http://www.fieldus.org/publications/FulfillingthePromise.pdf>.

For more information on MicroTest, see www.microtest.org, and for more on AEO's standards and accreditation process, see <http://www.microenterpriseworks.org/projects/msap/index.htm>.

For more on the results of the Ms. Foundation's Collaborative Fund for Women's Economic Development experience with performance measurement, see Jeremy Black, *Enhancing Economic Opportunity through Entrepreneurship: Lessons learned from the third round of the Collaborative Fund for Women's Economic Development, Overview Report*. Washington, D.C.: The Aspen Institute/FIELD, August 2004, available from http://www.ms.foundation.org/user-assets/PDF/Program/Enhancing%20EcoOpp_Overview.pdf. Also *Enhancing Opportunities for Entrepreneurship: 2003 findings from the third round of the Collaborative Fund for Women's Economic Development*. Washington, D.C.: The Aspen Institute/FIELD, 2004, available from <http://www.ms.foundation.org/user-assets/PDF/Program/MicroentBrief.pdf>.

For more information about the Microenterprise Funders Group, an informal network of funders interested in exchanging information and exploring funding opportunities, please see http://www.fieldus.org/Projects/funders_group.html.

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