

Monitoring Client Outcomes: A Report from MicroTest's 2004 Data Collection

Introduction

Microenterprise Outcomes Monitoring

Microenterprise development is a process of supporting emerging entrepreneurs, through training, technical assistance and access to capital, to develop and grow small businesses. Microenterprises by definition employ fewer than five people and require \$35,000 or less in lending capital.¹ The entrepreneurs typically do not have access to the traditional banking sector and are often economically and/or socially disadvantaged. Many lack prior management or entrepreneurial experience.

In starting their businesses, entrepreneurs have varied goals, and these goals in turn affect the types of businesses created. Some are pursuing self-sufficiency strategies in order to rise above poverty and, as such, are often interested in income "patching" to supplement household income. Others are interested in strict self-employment, often looking for a stable source of household income that allows for independence and flexibility, including the ability to care for dependents. Still others are interested in growing businesses and are in business sectors that allow them to start their efforts with relatively low capitalization rates.

Similarly, microenterprise development programs pursue different goals and strategies depending on their mission and target groups. Some are focused on entrepreneurial training, while others are engaged primarily with lending. Some have a business and economic development

mission, while others define their efforts around alleviating poverty and improving access to economic opportunity for the poor. Some are focused on the development of particular geographies, including economically depressed urban or rural areas, while others target services to traditionally disadvantaged populations, including women, minority groups, or recent immigrants and refugees. While all use the same tool of microenterprise development, they serve different customer segments and vary in their expected outcomes.

The outcomes monitored in this report refer primarily to changes in the business enterprises and household economics of those clients served by the microenterprise development programs at least one year after they received a significant level of services. Often difficult to evaluate without formal monitoring processes, these outcomes are critical in program design and management and in accountability to the charitable and public goals guiding investment in the field.

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MicroTest Outcomes ©

MicroTest Outcomes © is the client monitoring tool used to collect and compile the data on which this report is based. The suite of MicroTest products, which includes MicroTest Performance © and MicroTest Intermediary ©, was developed by the FIELD program of the Aspen Institute in order to understand and measure the performance of the microenterprise development field in the United States. The tools were developed in conjunction with leading practitioners in the field, with an explicit goal of supporting program management, design and development.²

Methodology for Collecting Client Outcomes

In 2004, a select group of microenterprise programs, using MicroTest Outcomes tools, interviewed clients of their programs who received services in Fiscal Year 2002. They asked these clients about the outcomes they experienced in 2003. MicroTest staff provided training to both program management and the interviewing personnel in the use of the tools. Programs that served fewer than 100 clients in 2002 attempted to survey all clients served, while programs that served more than 100 clients in 2002 attempted to survey a randomly selected sample of 100 clients. The surveys were conducted over the phone or in person by staff of the microenterprise programs, using the MicroTest Outcomes survey tool and established protocols. Once the data were collected, MicroTest staff reviewed it for completeness and data integrity. Various reports were developed on the data, using both program level data and aggregated data from all of the participating programs. Staff at the Aspen Institute then analyzed the aggregated data for this report.

The data from 17 organizations are included in this report. Of the 1,316 clients originally designated to be surveyed, a total of 813 clients were interviewed, resulting in a 60 percent response rate. Not all of the designated clients were interviewed and, as a result, there was a potential for non-response bias in the sample, a common problem with any survey data. Statistical tests were

conducted to check for non-response bias with respect to business status and household income at intake. For some programs the data were not available to conduct tests to statistically determine how representative the interviewed group was of the original sample. For these programs, relatively high response rates were used as an alternative to these statistical tests. Of the 22 programs that submitted data, five were excluded with biased or potentially biased (programs with relatively low response rates) data.

Participating Programs

ACCION New Mexico, Albuquerque, N.M.
Acre Family Day Care, Lowell, Mass.
Center for Rural Affairs (REAP), Walthill, Neb.
Cobb Microenterprise Center, Kennesaw, Ga.
Community Finance Resource Center,
Los Angeles, Calif.
Good Faith Fund, Arkansas Women's Business
Development Center, Pine Bluff, Ark.
Goodwill Industries of North Georgia, Atlanta, Ga.
Jefferson Economic Development Institute (JEDI),
Mt. Shasta, Calif.
Justine Peterson Housing and Reinvestment
Corporation, St. Louis, Mo.
Native Americans for Community Action,
Flagstaff, Ariz.
PPEP Microenterprise and Housing Development
Corporation, Tucson, Ariz.
Washington Community Alliance for Self-Help
(CASH), Seattle, Wash.
West Company, Ukiah, Calif.
Women's Economic Ventures of Santa Barbara,
Santa Barbara, Calif.
Women Entrepreneurs of Baltimore, Baltimore, Md.
Women's Initiative for Self-Employment,
San Francisco, Calif.
Women's Rural Entrepreneurship Network
(WREN), Bethlehem, N.H.

Limitations of the Data Set

It is important to understand a few limitations when using these data. This is a practitioner-implemented report on monitoring client outcomes. It is not an impact assessment. While the report analyzes longitudinal information on changes achieved by clients and businesses, there

are no claims of causality or of reporting the net benefits of the microenterprise development programs, because there is no comparison group data. When reviewing analysis based upon longitudinal data, it is also important to understand that intake data were not available for all data points, reducing the sample size for some key measures. Because this was the first time that programs have engaged in outcomes monitoring, the baseline data on some clients was incomplete.

All clients received a significant amount of services from a microenterprise program in 2002. However, some may have been receiving services longer than others and, indeed, may have continued to receive services after 2002. Many microenterprise programs attempt to establish longer-term relationships with their clients beyond initial business development assistance or a single loan. Clients in the sample reported the date at which they began receiving services. The median length of services, for those who received services in 2002, was 1.05 years,³ and clients could have continued to receive services in the following year. Some clients had been with programs as long as 13.62 years.

To be included in the study, clients in 2002 had to have received a significant service from a microenterprise program, defined as either a microenterprise loan and/or 10 or more hours of training and technical assistance. Nearly all clients received some sort of business management and development assistance, either in the form of training sessions or one-on-one business technical assistance. One-third received a microenterprise loan in 2002. Clients may also have received additional services, including financial literacy or counseling (42 percent of clients) or savings and Individual Development Account (IDA) assistance (8 percent of clients). Approximately 66 percent of clients entered a microenterprise program with an existing business, while 27 percent came in looking to start a business.⁴

While the data presented here fairly represent the activity of these 17 participating programs, readers should use caution in generalizing the results for the field as a whole. The programs were self-selected and differ in important characteristics from the field as a whole. Some of these differences include:

- The participating programs were more likely to offer credit than the industry as a whole. More than three-quarters offered credit, compared to 64 percent of the industry as a whole. More than a third of the clients interviewed reported receiving loans, whereas industry-wide the percentage of clients receiving loans is about 13 percent.⁵
- Compared to the overall sample of programs engaged in collecting information on program activities through MicroTest Performance, the MicroTest Outcomes participants were more likely to be training-led (76 percent vs. 46 percent) and served a higher percentage of women (76 percent vs. 56 percent). The Outcomes programs also served a higher percentage of pre-business clients (49 percent vs. 34 percent) than the Performance group as a whole.⁶

The survey includes information on the businesses owned and operated by clients served by the microenterprise programs participating in the survey. While the programs consider all of the businesses microenterprises, at intake not all businesses adhered to the strict definition of a microenterprise listed above. In addition, as would be expected, some businesses increased revenues and employment after intake, thereby outgrowing the microenterprise definition threshold by the time of survey.

It is also important to understand that the data presented in this report are based upon the aggregate performance of the 17 programs. The programs themselves varied quite significantly. Some of the findings presented are widely shared among all of the programs. However, other findings are concentrated among a limited number of programs and businesses. Given the diversity of client and program goals, a diversity of outcomes would be expected and, indeed, some patterns of specialization begin to emerge.

Findings

Programs are Reaching Traditionally Disadvantaged Populations

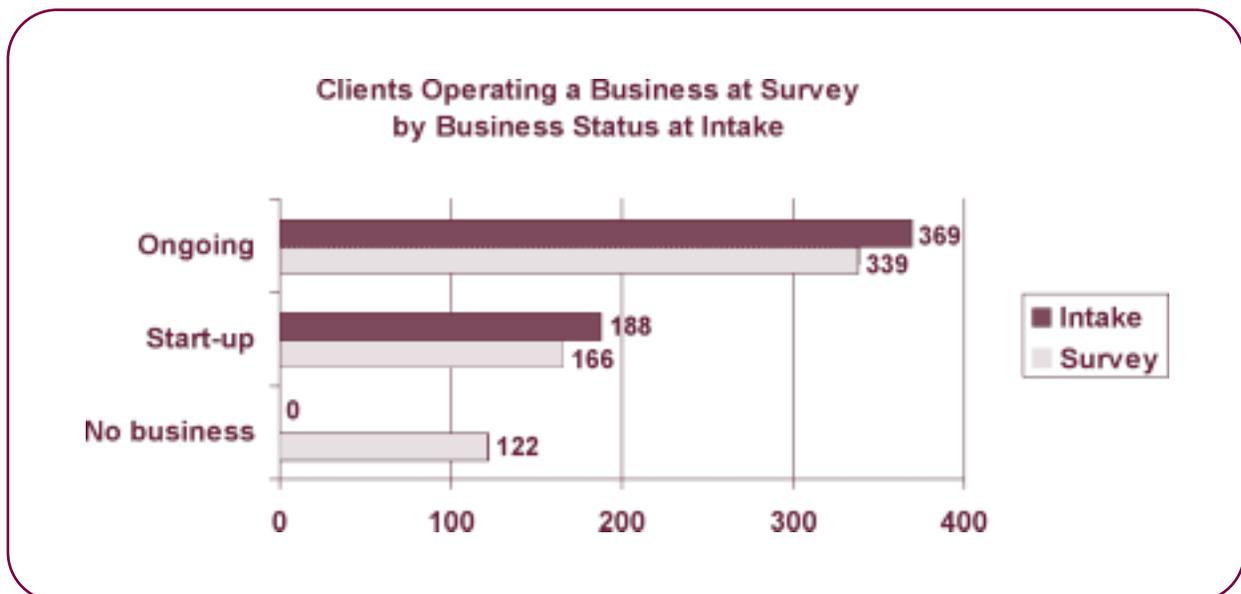
Most microenterprise programs have a mission of serving traditionally disadvantaged populations. The demographic characteristics of the clients participating in the survey show that for the most part these client outreach efforts are effective. Approximately 82 percent of the clients were women, 45 percent were low-income (at or below 150 percent of the HHS poverty guidelines),⁷ and 24 percent were in poverty (at or below 100 percent of the HHS poverty guidelines). While the ethnicity of clients was not captured in the survey, on average 63 percent of the clients served by the participating programs are minorities.⁸

Income Range	Percent of Clients in Income Range
100% or less HHS poverty guidelines (In poverty)	24%
100% - 150% HHS poverty guidelines (Low-Income)	21%
Above 150% of the HHS poverty guidelines	55%

Clients are Opening and Sustaining Businesses

Clients come to microenterprise programs with either an interest in starting a business or an existing business that they would like to sustain and grow. At least one year after receiving services, 651 clients, or 80 percent of the sample of 813 clients, were operating businesses. Nearly 60 percent of the business owners devoted full-time efforts to their businesses, with the remaining 40 percent reporting part-time involvement. The businesses were in operation for a median of 3.44 years (average 4.82 years). Median revenue for the businesses in 2003 was \$20,000. Average revenue was \$75,000, suggesting that some businesses in the sample had relatively high revenues. One-third (34 percent) of the businesses reported having employees in addition to the owner. One quarter reported part-time or seasonal employees, and 15 percent reported full-time employees. Collectively, the businesses sampled employed 953 full- and part-time employees, not including the owner.⁹

Longitudinal information on business status, based on data collected from respondents at both intake and survey, is available on a smaller sample of 758 respondents. These data demonstrate that clients are both sustaining and creating new businesses. The data show an increase of 12.6 percent in the number of businesses, from 557 businesses at intake to 627



at the time of survey. Furthermore, 61 percent of the clients who enrolled in programs without a business reported being in business at the time of the survey. For those who entered with an ongoing business (one that was at least a year old at the time of intake), the survival rate was 92 percent. For those with start-up businesses (with less than a year of existence at intake), the survival rate was 88 percent.

Business Owners are Receiving a Financial Return from their Investment

Nearly three-quarters (74 percent) of the business owners reported drawing income¹⁰ from their businesses to cover household expenses.¹¹ The median draw of those reporting a draw was \$12,000 (average \$17,056). Predictably, the median draw of full-time business owners was higher than their part-time counterparts, \$15,000 vs. \$5,000. Average draws were also higher for full-time business owners, at \$20,129, than for part-time owners, at \$10,074.¹²

Over 80 percent of clients achieved what they set out to do – to open and sustain a business enterprise. Three-quarters of those owning businesses reported drawing income from their business to support household expenses.

Characteristics of Clients Who Saved

	<u>Savers</u>	<u>All Clients</u>
Median Gross Business Sales	\$23,000	\$20,000
Median Owner's Draw	\$8,717	\$7,000
Median Household Income	\$40,000	\$32,458
Low-income at Intake	43%	45%

Some clients reported being able to put aside a portion of their income to build household assets as well. More than one-third (37 percent) reported savings, with a median savings amount of \$2,000. Savers reported somewhat higher business revenues, owner's draw and household income than the sample as a whole. Income status at intake did not appear to be a predictor of capacity to save. Respondents who were low-income (150 percent of HHS poverty guidelines) at intake represented a roughly equal proportion of savers as they represented in the sample as a whole.

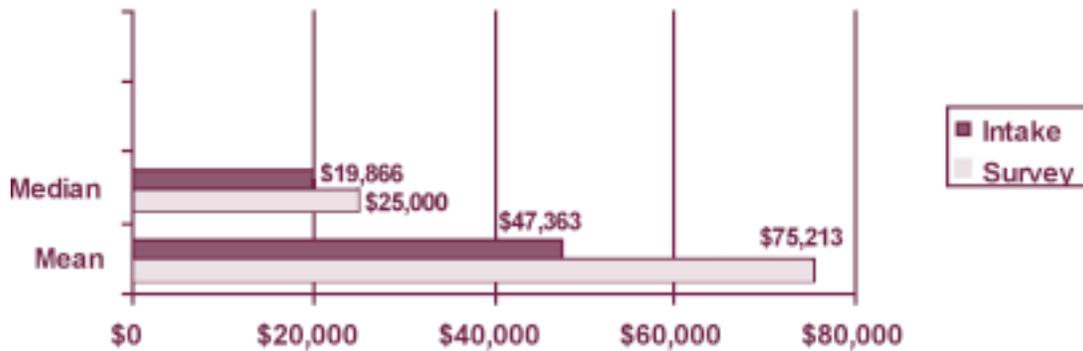
Many Businesses Grow, Creating Positive Economic Benefits for Owners and Others

Sales increased

For those clients coming into microenterprise programs with either an ongoing or start-up business, median business revenues increased by 26 percent, from \$19,866 at intake to \$25,000 at survey. Average sales grew at a higher rate of 59 percent, from \$47,363 at intake to \$75,213 at survey, suggesting some relatively large revenue gains among a limited number of businesses.¹⁴

Clients	% ¹³	Business Status	Revenue			Owner's Draw (of those taking a draw)		
			Median	Average	n	Median	Average	n
381	59%	Full-Time	\$33,500	\$111,185	352	\$15,000	\$20,129	275
260	40%	Part-Time	\$ 5,200	\$ 20,296	229	\$5,000	\$10,074	123
10	2%	Not in Biz/DK						

Change in Revenue from Intake to Survey



Draw and household income increased

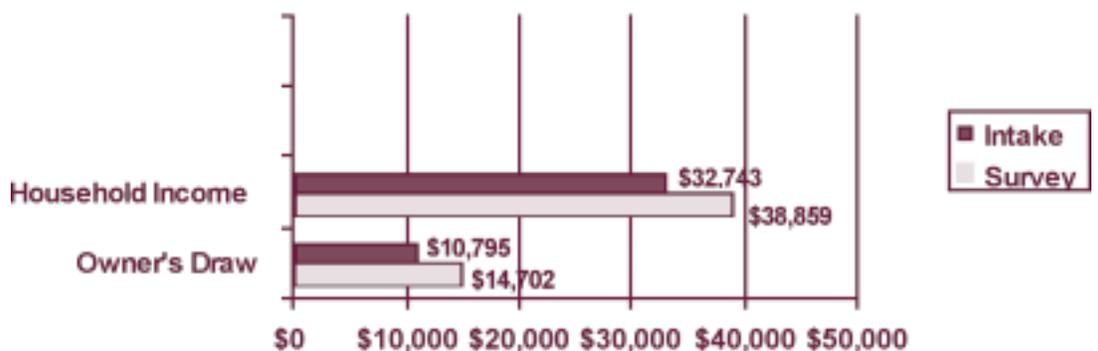
Overall, average owner's draw increased 36 percent, or \$3,907, from \$10,795 to \$14,702. Average household income for program clients increased by 19 percent, or \$6,116, from \$32,743 to \$38,859. In aggregate, the contribution of owner's draw to household income increased from 33 percent at intake to 38 percent at survey. The net number of business owners drawing at or above the threshold for full-time minimum wage work¹⁵ increased 13 percentage points, from 29 percent to 42 percent of all business owners.

The number of households living in poverty decreased

At intake, 24 percent of the group (n=163) were in poverty, defined as having a household income at or below 100 percent of the HHS poverty guidelines. Additionally, 45 percent of the clients were low-income (n=301), defined as having an income at or below 150 percent of the HHS poverty guidelines.

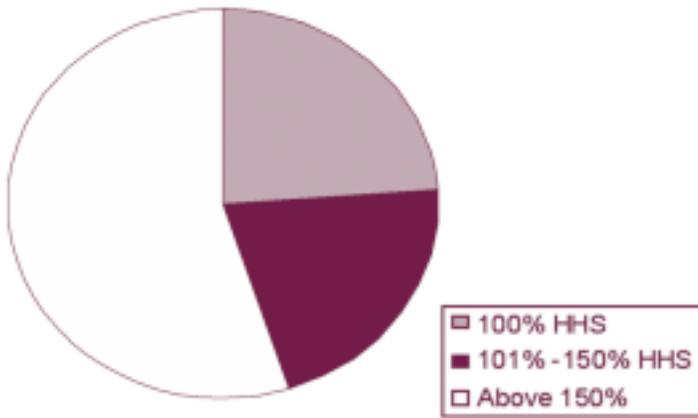
The survey findings showed a net reduction in poverty. At the time of survey, there was a 36 percent net increase of clients who had incomes above the poverty line. In addition, there was a 29 percent net increase in the number of clients with incomes above the 150 percent HHS poverty guidelines.

Change in Average Owner's Draw and Household Income (All Clients)



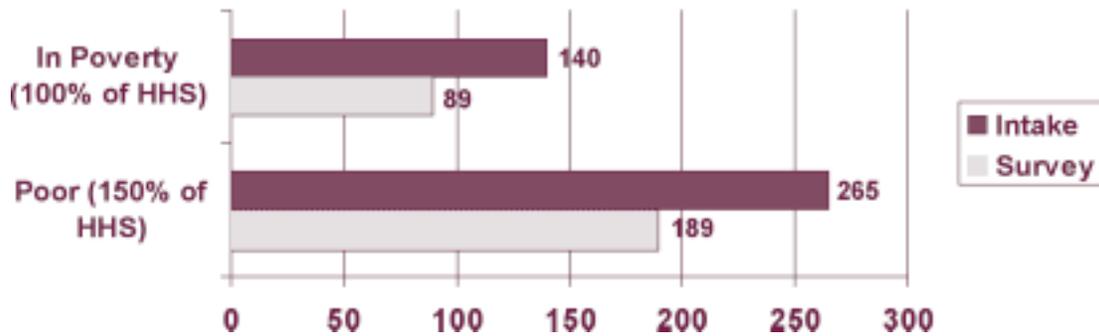


Income of Clients at Intake



Both owner's draw and household income from sources other than the business played a role in increasing household income. Owner's draw increased substantially for those moving out of poverty, nearly doubling from an average of \$4,697 to an average of \$9,335.¹⁶ Other sources of household income grew for this group as well. The change in average household income was \$18,049, compared to the average change in owner's draw, which was \$4,638. Much of this change in household income came from additional members of the household. The incidence of owners holding wage jobs outside of their businesses did not change significantly for those moving out of poverty.

Poverty Status at Intake and Survey (Longitudinal Data)



Change in Owner's Draw and Household Income of Those Moving Out of Poverty



Employment in addition to the owner increased

Employment grew as well. Among businesses on which employment data are available at both intake and survey,¹⁷ 147 full-time and 330 part-time employees were reported at survey. This was an increase of 42 full-time and 162 part-time or seasonal jobs. An additional 98 jobs were generated by businesses created after intake. Total employment increased by 111 percent.

Aggregate economic activity at survey

The 560 businesses in this data set on which we have sales and employment data generated \$43,844,178 in revenues, \$6,805,193 in income for owners, and 648 full-time equivalent employees (FTEs) in addition to the owners in 2003.¹⁸ The revenue figure was considerably higher than would be expected for businesses with median revenues of \$20,000. This was due to a subset of larger businesses in the data set, including several with revenues in excess of \$1 million in 2003.

The Benefits of Microenterprise Were Not Evenly Distributed

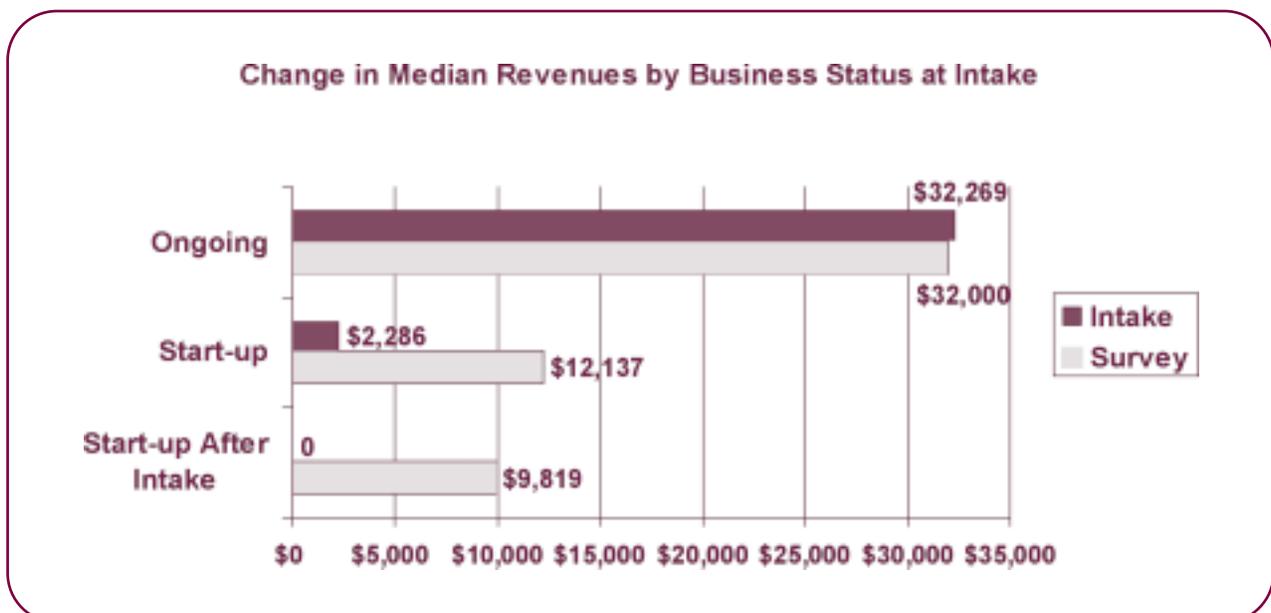
While positive overall gains were reported, it is important to note that not all of the benefits discussed were broadly shared. There was great variation among programs on some statistics, in several cases illustrating the degree of specialization

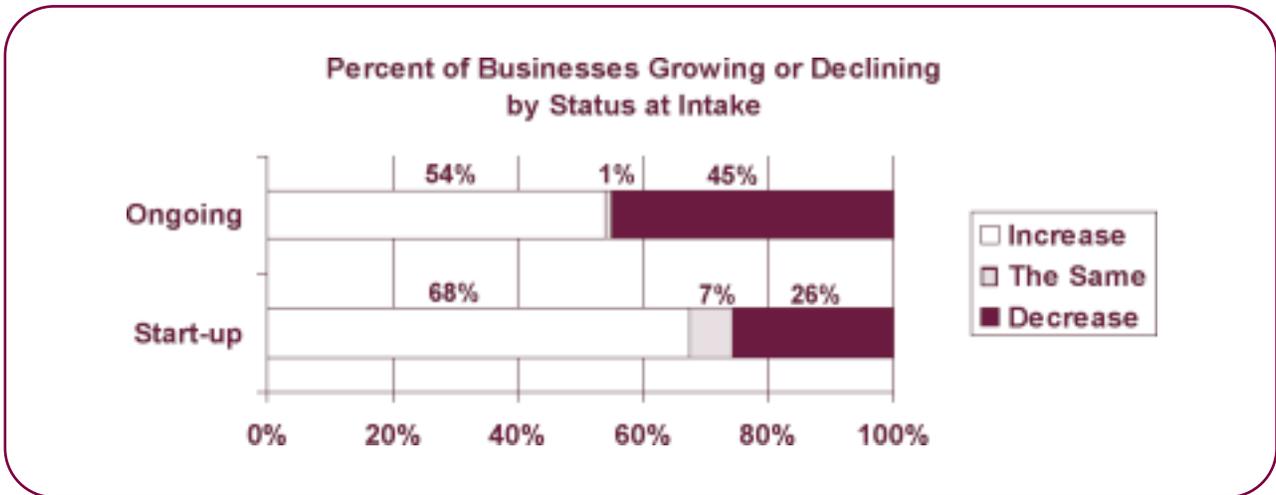
present in the programs participating in the survey. A limited number of larger businesses contributed a substantial share of the economic activity generated. Additionally, in some cases, there were significant minorities of clients that showed smaller gains than those of the group as a whole.

Revenue growth slowed for many ongoing businesses

While revenues increased for the majority of businesses, there were significant differences between newly created, start-up and ongoing businesses. Predictably, median business revenues for more established businesses – those that were in operation for more than one year at intake – were the highest in the sample. Median revenue for this group at survey was \$32,000. Businesses in operation for less than one year at intake had a median revenue of \$12,137, and businesses created after intake had a median revenue of \$9,819. Average revenues for ongoing businesses were also much higher than start-ups or newly created businesses. At the time of the survey, ongoing businesses had an average revenue of \$94,528; start-up businesses had an average revenue of \$32,023; and those businesses starting up after intake had an average revenue of \$33,474.¹⁹

Among businesses for which longitudinal information is available, 59 percent showed revenue





growth.²⁰ For those businesses that were in operation for less than one year at intake, 68 percent saw revenue growth, with median sales increasing from \$2,286 to \$12,137, an increase of 431 percent. (Average sales grew a more modest 81 percent). However, only slightly more than half of the more established businesses – those in business for more than a year at intake – showed revenue growth. In addition, median sales for these mature businesses remained relatively unchanged between intake and survey.²¹

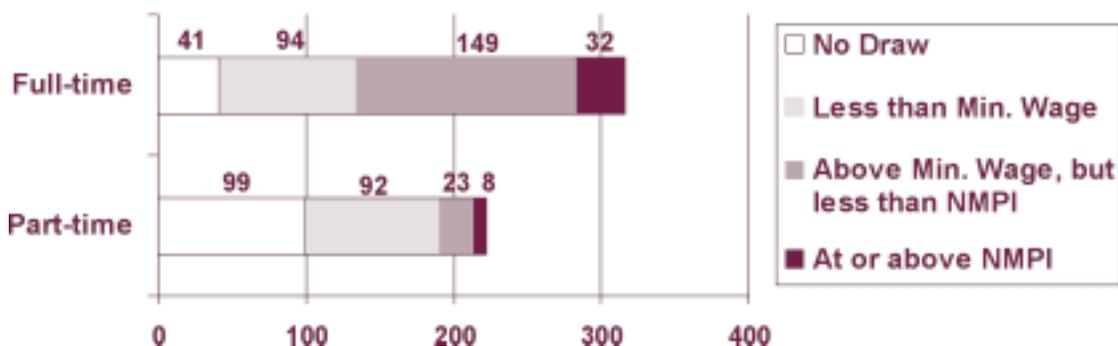
The varying growth patterns suggest several possible conclusions. First, a limited number of businesses are growing significantly faster than others at all stages of business tenure. More will be discussed with respect to these fast-growing businesses later in this report. Second, more mature businesses are not experiencing the same levels of growth that younger businesses are achieving. The reasons for this are not clear, and several hypotheses could be proposed. One is that the mature businesses have reached a size that suits the type of business and the owner's goals. A second may be that the owners of ongoing businesses who are seeking microenterprise program services are looking for assistance to stabilize businesses confronted with new challenges, and that sustainability is a more immediate goal. A third may be that program services are not effectively reaching the needs of more mature businesses. More detailed research is necessary to understand this issue further.

Many owners drew relatively low amounts of income from their businesses

In order to better understand the data, owner's draw was compared to two thresholds. The first was the amount that would have been earned in full-time wage work at the federal minimum wage standard, calculated at \$10,712. The second compared owner's draw to the National Median Personal Income (NMPI), a statistic calculated by the U.S. Census Bureau that shows the median earnings of full-time year-round workers in the United States.²² In 2003, the NMPI was \$40,668 for men and \$30,724 for women. In order to understand the relationships between business revenues and owner's draw, we also developed thresholds for the revenue performance of the businesses, distinguishing those businesses in the top 20 percent of the data set in terms of annual sales. This threshold was approximately \$60,000 in annual revenues.

The majority (57 percent) of full-time business owners reported a draw greater than what would have been earned in full-time minimum wage work. Approximately 42 percent of those achieving higher draws owned businesses in the “high revenue” category – their businesses had annual revenues in excess of \$60,000. Also, 54 percent of the businesses in this group had employees in addition to the owner, and 80 percent of the business owners had household incomes above 150 percent of the HHS standard. Approximately 10 percent of this group had draws at or above the NMPI standard.

Owner's Draw at Survey by Business Hours



A significant minority (43 percent) of the full-time business owners reported a draw of less than what would have been earned in full-time minimum wage work. About a third of this group (42/135, or about 13 percent of full-time business owners) either had a higher revenue (above \$60,000) business and/or employees in addition to the owner. In these cases, it is possible to hypothesize that the owner was deferring income for future growth or to pay family members. Most of those earning lower draws, however, own lower revenue businesses. No business owner taking a draw above the minimum wage standard had a business with less than \$15,000 in revenues.

Not surprisingly, most part-time and seasonal business owners (86 percent) drew income from their businesses in amounts less than the full-time minimum wage work threshold. In fact, nearly half of all part-time business owners reported not taking an owner's draw at all. Overall, the revenues of these businesses (median = \$5,200) tended to be lower than those of full-time businesses (median = \$33,500). On the other hand, those part-time or seasonal business owners who earned above the minimum wage standard tended to be in higher revenue businesses, particularly those with revenues in excess of \$60,000. The household incomes of part-time or seasonal business owners tended to be fairly evenly distributed among all income groups.

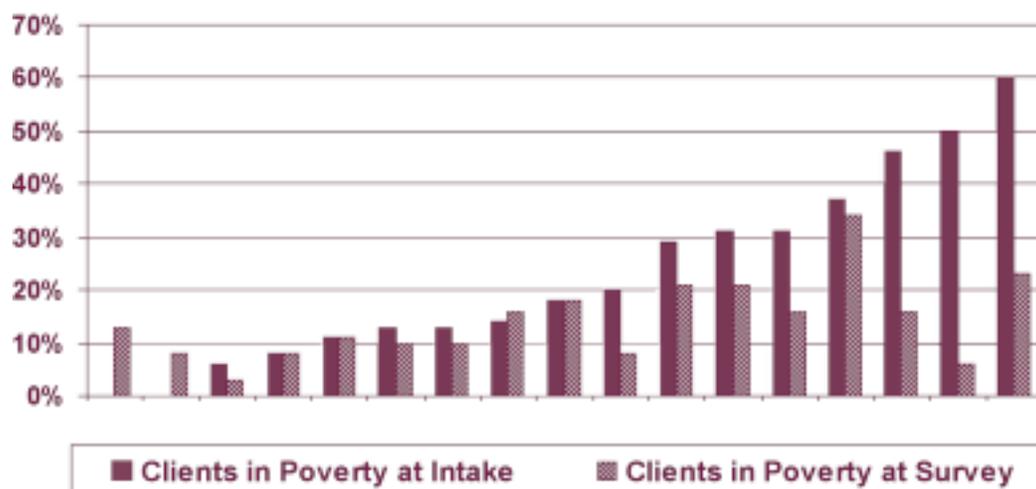
The survey did not collect data that would indicate the degree to which these businesses are meeting the needs and expectations of their

business owners. While some full-time business owners may be deferring income to help grow their businesses or to pay employees, the majority of those taking low draws appear to have weak or under-capitalized businesses. More needs to be understood with respect to this group, both in terms of the owner's expectations and choices, and how business revenues may change over time.

Poverty reduction was concentrated among a subset of programs

There was considerable variation in poverty reduction among programs. Those programs serving a higher percentage of clients in poverty (more than 20 percent at intake) consistently saw net reductions in poverty among the respondents. For some, the reductions were substantial. For those programs that assisted fewer poor clients, the results were much more mixed. There may be many factors influencing these results. One could hypothesize that the clients served by programs specializing in poverty reduction are receiving assistance to address the multiple challenges of poverty, while they also receive services related to their business needs. These specialized services may or may not be provided by the microenterprise development program.

Poverty Status at Intake and Survey (100 % of HHS)



A subset of high-performing businesses accounted for most of the economic activity generated by the sample, and these businesses were concentrated among a subset of programs

The economic activity generated by the businesses supported by microenterprise programs, as measured by revenues, owner's draw and jobs, is not evenly distributed. That activity varies among businesses and among programs. The aggregate revenues of three of the 17 participating programs account for half of the aggregate business revenues in the sample. Average annual business revenues by program ranged from \$20,532 to \$265,000, and average owner's draw ranged from \$5,693 to \$27,689 across the 17 programs. Employment per business ratio ranged from a high of 4.0 FTEs/business to a low of 0.2 FTEs/business.

Top revenue performance

For those businesses with annual revenues in the top 20 percent of the sample, annual sales were above \$60,000. Median sales of these top performers – \$120,000 – were six times the overall sample median of \$20,000. Average sales were \$295,601, indicating some very high performers in this group.

The aggregate revenues of these top performers – \$35,767,690 – account for 82 percent of the revenues in the overall data set. In other words, 121 businesses, or 20 percent, accounted for more than 80 percent of the aggregate business revenues.²³ For the remaining 80 percent of the sample, the 465 businesses with less than \$60,000 in revenue, average revenues were \$17,369. Total aggregate revenues for this group were \$8,076,493.

Median sales for the top revenue performers at survey increased by 26 percent, the same as the sample as a whole. However, 73 percent of these businesses experienced increases in business sales, compared to 59 percent for business owners as a whole. Median owner's draw was 3.6 times the overall sample (\$25,000 vs. \$7,000), and the businesses accounted for 77 percent of full-time and 65 percent of part-time and seasonal employment for the sample as a whole.

Top revenue performers tended to be in business longer than the general sample (4.2 median years vs. 3.44 median years). The owners of these businesses were considerably more likely to work at their businesses full time than the rest of the sample, both at intake (75 percent vs. 44 percent) and at survey (85 percent vs. 54 percent). The businesses tended to use the same distribution of microenterprise development

services as the rest of the sample, although they were somewhat more likely to receive a microenterprise loan (45 percent vs. 32 percent for the group as a whole).

Virtually every business type was represented among this group. However, some businesses, such as arts and crafts or hair and beauty businesses, were less likely to be top revenue performers than other business types in the sample.

Every participating program had a least one “top revenue performing” business in its portfolio. However, for some programs, top revenue performers made up 40-60 percent of their client portfolios, while for at least one-third of the programs, high revenue performers accounted for 10 percent or less of the businesses served. High revenue performance is strongly correlated with other indicators of economic activity, including higher owner's draw and employees in addition to the owner.

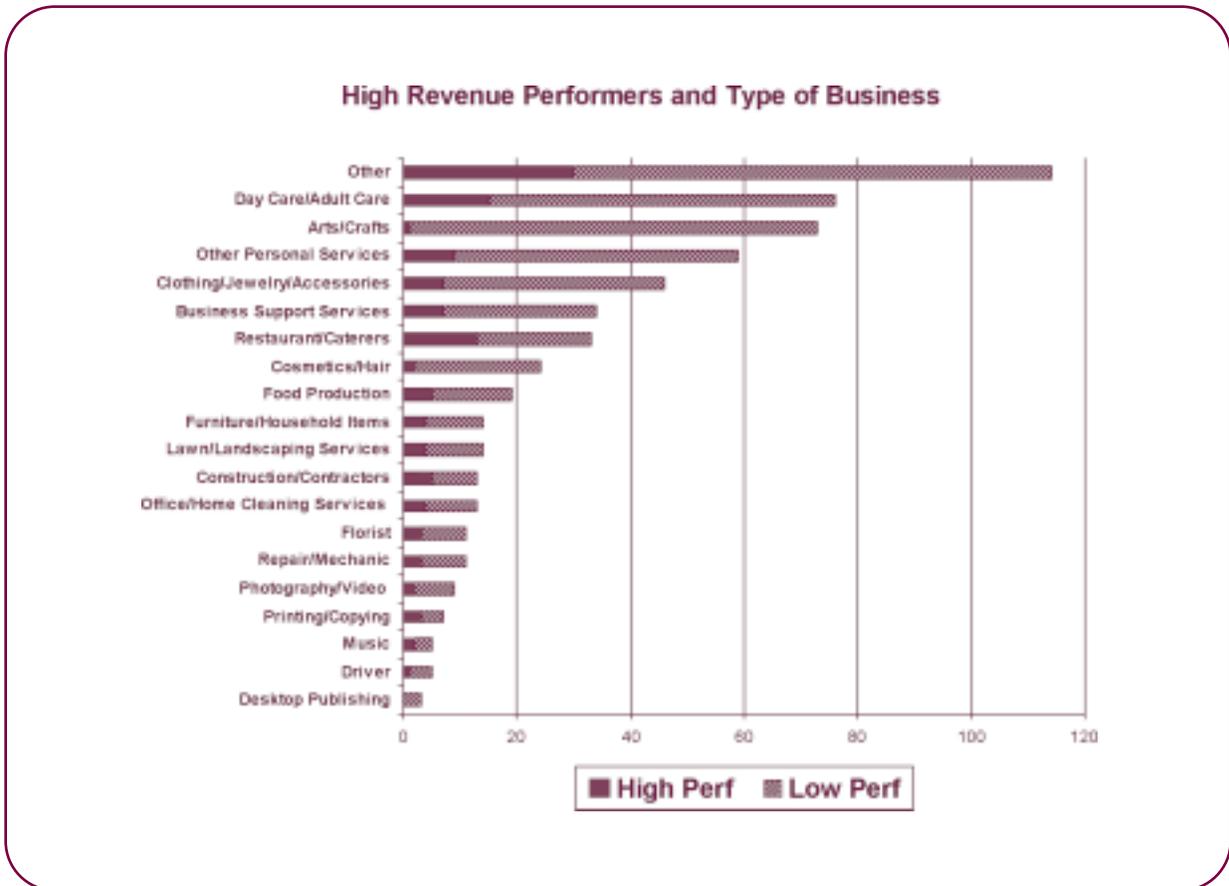
Higher owner's draw

Not surprisingly, higher levels of owner's draws are correlated with higher revenues. Higher draws are also associated with more mature businesses, although it is important to note that this is not necessarily a causal relationship.

The incidence of higher levels of owner's draws varies among programs. Overall, the median percentage of clients per program with draws greater than what would have been earned in full-time minimum wage work at the Federal wage standard is 41 percent. However, there were significant variations among programs, with some achieving 90 percent of the clients with higher draws and some, less than 20 percent.

Employment beyond the business owner

One-third of the businesses reported employees in addition to the business owner. Employment is statistically correlated with business revenues, with



62 percent of part-time jobs and 77 percent of full-time jobs created by businesses with revenues in the top 75th percentile.

Certain business types generated more jobs. Restaurants/caterers, day/adult care and landscaping/lawn care tended to create the highest percentages of full-time jobs per enterprise, with all averaging more than one full-time employee in addition to the owner. Restaurants/caterers, cosmetics/hair and construction/contractors tended to create the highest percentages of part-time or seasonal jobs per enterprise.

Employment is the economic activity most heavily concentrated among a limited number of programs. Two programs account for over half of the full-time employment. Five programs account for three-quarters of all full-time employment and two-thirds of all employment in the sample. For most programs, the employment generated by the businesses served account for 5 percent or less of the total employment in the sample.

It is difficult to isolate the best practices that lead to higher levels of business performance – measured in terms of revenues, owner's draw and employment – with the data in the survey. Clearly some programs are serving clients that are achieving higher levels of activity than others. However, if we consider the factors that lead to strong business growth – the skills and motivations of the entrepreneurs; the quality of the business strategy; environmental factors, such as market opportunity, public policy support or competition; access to intellectual and financial capital; the ability of the microenterprise development program to provide necessary, quality services to entrepreneurs – we see that this analysis is outside the scope of information currently available through this data set. However, one factor that does seem fairly consistent is that those programs with concentrations of higher performing businesses at survey tended to serve businesses that were larger or higher performing at intake.

Conclusions, Recommendations and Next Steps

The 813 clients from the 17 programs participating in this study report strong outcomes. Program services are reaching traditionally disadvantaged populations, including women, minorities and low-income households. Over 80 percent of clients achieved what they set out to do – open and sustain a business enterprise. Three-quarters of those owning businesses reported drawing income from their business to support household expenses. Overall the median changes in sales (+26 percent), owner's draw (+228 percent) and household income (+28 percent) were all positive. Employment in addition to the owner increased 111 percent. In addition, there was an overall net reduction in the number of owners whose families lived in poverty (-36 percent). Furthermore, a subset of high-performing businesses experienced very strong growth in revenues, owner's draw and employment.

For programs looking to communicate outcomes findings either internally or externally, it is important to note the differences in outcomes among programs. Client interests, program missions and program performance vary widely among those participating in this study, and these differences affected the outcomes achieved. This was reflected in this data set, where some findings were widely shared and others were highly concentrated. Furthermore, some of the programs in this study clearly showed stronger results in terms of poverty reduction, while others displayed success in supporting businesses that showed stronger performance in terms of revenue and job generation.

It is important when communicating client outcomes that programs are clear about the public policy goals that they are helping clients and investors achieve. The findings in this study appear to support the need for different program approaches, depending upon the goals of both clients and donors. In other words, microenterprise

programs produce varying outcomes, and the variations are a result of program mission and client expectations, as well as program performance. Because stronger outcomes are generally achieved where the goals and competencies of clients, programs and donors are aligned, it is important for donors to understand these goals and competencies when determining how to invest their resources. Similarly, program managers must consider them when designing services and raising funds for their programs.

Internally, information on outcomes can be invaluable in program design and management. MicroTest Outcomes provides a variety of feedback mechanisms to programs in order to analyze data and make critical decisions. Two issues in particular have pointed to some of the challenges faced by practitioners in the field and the need for better data. One challenge lies in evaluating the value added by the programs when client needs vary. In the survey, business change was measured by changes in revenues. However, not all businesses are showing revenue growth, and it would be unrealistic to expect all businesses to grow. For some small businesses, stability may be more important than growth. It will be important to measure the achievement of this goal as well as the more traditional measures of revenue and job growth.

The second issue relates to client expectations for return on investment. The majority of full-time businesses are providing a draw that is at least what would be earned in full-time minimum wage work. Nevertheless, there is a significant minority, approximately one-quarter of full-time business owners, who have businesses with low revenues and low owner's draws. It is not clear from the data to what extent these businesses are meeting the entrepreneur's goals for income generation and return on investment or the potential of these businesses to do so in the near future. While low draws may relate to the business owner's strategy to reinvest or the best alternative chosen by a particular client, it may also reflect a weak or under-capitalized business. This suggests an

important area of inquiry on the part of the programs. The better they understand the reasons for low draws, the expectations of the micro-entrepreneurs, and their satisfaction with their businesses, the better they can adapt and improve program services. Future iterations of the MicroTest Outcomes survey will attempt to test simple methods to measure the customers' assessment of success as one way to gain a better understanding of these issues.

This is the first report from MicroTest Outcomes. Through feedback from practitioners, the tool and services will be revised in a process of continuous improvement. Over time, as more programs use Outcomes and as more longitudinal information is available, the data set will become richer, the analysis more definitive, and the program effects better documented.

Endnotes

1. Association for Enterprise Opportunity.
2. MicroTest, an initiative of FIELD, is a management tool that empowers microenterprise practitioners to gauge and improve the performance of their programs and the outcomes of their clients. The MicroTest performance framework, developed through a collaborative effort with industry practitioners since 1997, has been used by more than 70 microenterprise organizations.
3. Length of service was calculated from a client's entry date to December 31, 2002, the last date of the fiscal year studied. Average length of service was 1.73 years (n=813).
4. For 7 percent of clients, the business status at intake was unknown.
5. 2003 Directory of U.S. Microenterprise Programs; available at <http://fieldus.org/directory/Highlights2003.pdf>; Internet.
6. MicroTest Performance data Fiscal Year 2003.
7. For a family of four in 2003, the poverty rate was \$18,400.
8. MicroTest Performance data Fiscal Year 2003.
9. N=651.
10. Ideally, the best way to measure the value of the business to the household would be to track profits (business revenues less business expenses) over time. However, in the course of its research with low-income entrepreneurs, FIELD has learned that many entrepreneurs do not have a very clear idea of their profits. This stems from a variety of factors, including: that some entrepreneurs vary in how they pay themselves (e.g., taking an owner's draw or, alternatively, a regular salary), the quality of their financial record-keeping, and the degree to which household and business finances are co-mingled. In the course of conducting interviews, FIELD has found that answers to questions about how much money the entrepreneur took out of the business seem to be more reliable than answers to questions relating to "profits." As such, FIELD's more recent survey research looks at the issue of income drawn from the business, rather than profitability. (From *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States*, Edgcomb and Klein, February 2005, the Aspen Institute).
11. N=539.
12. In calculating the median and averages, those cases where the owner reported not taking a draw were excluded. In the case of part-time business owners, 99/222, or 45 percent of part-time owners, reported not taking a draw.
13. Sum of percentages is greater than 100 percent due to rounding.
14. N=233 for existing businesses with revenue data at both intake and survey.
15. Using the federal standard for minimum wage for 52 weeks, or \$10,712 annually.
16. N=19; owner's draw and household income longitudinal data were available for only approximately one-third of the sample.
17. N=277 businesses.
18. In generating FTE, part-time and seasonable employees were counted as one-half an FTE.
19. N=342.
20. N=233.
21. Average sales grew by 56 percent, however, suggesting that a limited number of businesses in this group grew substantially.
22. Available at <http://www.census.gov/prod/2004pubs/p60-226.pdf>; Internet.
23. Illustrating further concentration, 5 percent of the businesses surveyed accounted for 65 percent of the employment and 45 percent of revenues.



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