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Assessing Program Effects or Impact in Enterprise Development Programs

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ABSTRACT Responding to questions increasingly posed by funders regarding what works best in assisting small businesses and what impacts are caused by program interventions, this paper aims to help program administrators answer these questions. Focusing on business development service provision, specific conceptual measures and quantitative variables are presented with examples in an effort to provide some guidance for collecting and analyzing data. The paper elucidates how program planners may emphasize the impact of their interventions, thereby explaining to funders what works best and how to prove it. It presents two major reflections about measures that yield robust results. The first conceptual measure explored relates to measuring changes in knowledge or empowerment levels among program participants. The second area examines how to demonstrate that program services may have led to a change or difference in businesses assisted by gauging business characteristics and sales or costs. Presented together, findings generated from both quantitative and qualitative methods are the most persuasive and compelling means of informing audiences about the effects of enterprise development programs.

Enterprise development programs have gained considerable popularity, domestically and internationally. In both international and domestic contexts, the aims of such programs are identical, as they focus on primarily alleviating poverty and expanding the informal business sector, and secondarily on empowering minorities (particularly women and those from different ethnic groups) and expanding the market for business development services (BDS). BDS includes any non-financial service(s) provided to businesses on either a formal or informal basis (i.e., technical assistance, training one on one or through groups from workshops, mentorships, technology, infrastructure), and areas in which training/technical assistance are

extended vary from marketing to input supply negotiation to book-keeping.

There are two basic approaches used when servicing credit and other enterprise development services to the poor, and they are 1) minimalist and 2) integrative. The minimalist approach focuses almost exclusively on credit extension, whereas the integrative approach offers credit as well as other social services (i.e., nutrition education, HIV/AIDS awareness, and daycare centers). Recently, however, a new approach to enterprise development has emerged. Organizations now provide BDS as an indirect measure of assisting small/micro businesses reduce costs and expand production. Such community based groups may sustain the costs for their services through at-cost fees, or in the event that costs are too high, such organizations simply act as facilitators, sharing information about marketing outlets, prices for goods, and connecting businesses together.

As is the case of most social programs, funders and investors typically ask “what works and what works best in assisting small businesses?” and “what is the impact of such interventions?” This paper explores two forms of evaluation that organizations offering services to small/micro businesses may use to demonstrate impact. The reflections about what specific conceptual measures and quantitative variables produce the most robust results over time will also be presented in this paper, although no specific or ‘real’ cases will be cited due to obligations to retain confidentiality. Nonetheless, the results, although fictitious, are insightful and should be viewed as a resource. Moreover, the information in this paper is intended to show business development service providers how they may harness the power of evaluation and presents a guide about avenues to take when collecting and analyzing data. Grasping solid and trustworthy impact information may be, ultimately, in the practitioner’s reach.

Two Evaluation Approaches Used in the Land of Theory

Like most impact assessments, measuring the effects of enterprise development programs involves observing and analyzing the nature of and relationships among several outcome variables over time. Outcome variables examined may include loan repayment rates, changes in business sales and profits, differences in household

income, and attendance rates at training sessions or meetings where beneficiaries learn [new] business skills.

At present, it appears that evaluators use at least two distinct lenses while evaluating enterprise development programs. On the one hand, assessing the effects of *participating in a program* necessitates measuring the degree to which the institution or community based organization has promoted a participant's "empowerment" process (Ackerley 1994; Goetz & Gupta 1996). Specifically, evaluation findings may reveal:

- a) the nature of receiving training and repaying a loan at the same time (in most cases); and
- b) the effects of learning business management skills and applying them to the actual business venture.

Essentially, the empowerment process is the central focus, but the issue of knowledge acquisition and business sales expansion are also included in the analysis. Problems arise in conceptualizing, defining and then measuring the empowerment construct or concept (Ackerley 1994; Goetz & Gupta 1996; McNelly & Watetip 1993), but one may overcome some of these limitations.

On the other hand, evaluators may explore the effects of *having access to the credit*, a program's end product. Through this lens, one determines quantitative and qualitative changes and/or differences in employment status, business income, household consumption, and physical and liquid assets. Often, these types of evaluations draw on quantifiable, financial data (e.g., borrower household income and savings) as well as qualitative data (e.g., power shifts in the household, stabilization or expansion of employment status). In essence, the evaluation focus is directed at uncovering the effects of credit access and attributing the changes observed within the business and household to *credit access specifically* (Berger 1995; Buckley 1996; Hulme, Montgomery, & Bhattacharya 1996). At times, evaluation findings may reflect the employment of both lenses in tandem. In such a case, the effects of credit as well as the service delivery system are examined holistically (Nichols 1997).

How to Measure Knowledge and Empowerment?

The conceptual measures and quantitative variables presented in this paper are largely drawn from informal field studies and professional

experiences internationally, although the approach has significant application to domestic work. First, the conceptual measures used to test the extent to which an enterprise development program facilitated or led to a change in empowerment/knowledge levels among program participants involves presenting a taxonomy, or list, of areas which participants should know upon completing the program. For instance, the areas repeatedly used include basic management practices (i.e., increased control over resources such as record keeping, financial management, inventory and stock control), and other factors which may directly influence enterprise costs and production. To measure empowerment, many researchers (including the author) have used the concepts of *self-esteem*, *confidence* (in undertaking a task), and *work ethic*. For instance, through the use of qualitative methods, program participants have been asked to comment on any changes experienced in these areas. Most often, the respondent shares information or experiences associated with improved status in the family and community, and additional details regarding these areas are elaborated later in this paper. Essentially, one must stay focused on measuring any differences in the program participant's knowledge or experiences of self-worth, and such an observation may then be attributed to program results.

How to Demonstrate Impact?

To examine the extent to which the program facilitated or led to a change in goods/services offered through the business involves measuring the expansion (if any) in business sales and costs. In addition, the evaluation should systematically present the key characteristics of the business which may include changes in paid or unpaid labor, inventory, investments in marketing efforts, and purchases or upgrades in business assets. For instance, after enrolling and participating in the program, did the business owner:

- a) hire or engage more workers? If so, in what way, part-time, full-time, or seasonal? Was the person paid or compensated in other cost-cutting ways?
- b) improve the quality or desirability of products/services? If so, what [new] items/services constitute the bulk of new inventory? An example of this variable asset is a

high quality shampoo for client purchase at will at a hair salon.

- c) invest in other marketing activities?
- d) purchase enterprise assets? If so, was this asset a technological innovation (i.e., an additional sewing machine for a dry cleaner) or another kind of fixed asset such as a different storefront to improve the business appearance?

Ideally, the person interviewed reports the use of more labor, particularly during busy seasons, or (s)he describes a new service/item offered to attract new clients. In essence, concentrating on changes in the program client's business is paramount, as the observed change may then be accredited to the enterprise development intervention. Over time, one would expect the observed changes in the business to increase which could in turn be ascribed to the duration of program exposure.

Methodology

How does one collect the information necessary to *prove* change(s) in program participant skills and impact? On the one hand, qualitative information offers depth and specificity in which the funder may have strong interest. On the other hand, quantitative information appears 'objective' and 'representative', as numbers and statistics present a strong case for change or continuing program funding. It is possible, however, to use a mix of *both* quantitative and qualitative methods, and there are several frameworks available, stipulating different designs, instruments, and forms of presentation (Caracelli and Greene 1997).

When collecting data concerning changes in empowerment/knowledge levels among program participants, one leans toward the use of qualitative methods. Knowledge acquisition is a personal process. In the field of enterprise development, understanding *how* and *when* an entrepreneur gained and applied her/his knowledge in basic management practices or inventory/stock control is challenging to quantify, since businesses vary tremendously by sector, location, and customer base. For instance, in the event that a program offered training services to businesses engaged in selling one commodity exclusively (i.e., pizza parlor restaurants),

then it would be straightforward to measure changes in program participant skills in business management as they relate to managing a pizzeria. However, most programs offer or refer training services to a maximum variation of businesses, and measuring and collecting data on the knowledge acquisition process requires more time, paying closer detail to a) the nature of the business (including location and seasonal influxes), and b) the business owner's skills sets and state of mind before and after the intervention.

Similarly, the questions used to uncover 1) what the participant has learned and 2) *how her/his sense of empowerment has evolved* (if at all) since program enrollment are open-ended, easy, and uncomplicated. For instance, "Describe any changes you have experienced?" or "Since you have learned new skills in inventory management (or what skills the program offers), what changes have you noticed, in your business?" The responses to such questions are, in turn, simple and usually refer to one or two ideas. For example, the quotes below reflect some changes women in Nicaragua mentioned to the aforementioned questions,

"Now, that I earn money, I am much more respected by other members of the household."

"Now I no longer have to buy millet from my mother-in law on credit."

"Now I feel well-respected by X [member of the community], and I feel confident about my contribution."

In each case, it is noted that the respondent mentions her current state contrasted with a condition which took place before program enrollment. As seen above, qualitative data is easily presented, puts forward a personalized sample of who the program is assisting, and finally enables the reader the flexibility to interpret how the participant's business has changed as a result of knowledge gained or/and a new sense of empowerment.

When monitored over time, data concerning business sales and costs produces great insight and provides planners and/or managers with information which could inform program direction and strategy. Quantitative measures normally relate to business fluctuations and (later) expansion, and one may tailor data collection

tools around such questions. The list falls into three categories, including 1) characteristics about the business labor structure, 2) the business customer base, and 3) value and volume of inventory, sales, and estimated profit(s). Each category is further defined.

The labor upon which a business relies varies, depending upon the nature of the business venture. For instance, in the event that a business operates in the agricultural sector or in retail, it is possible that the owner contracts full-time labor seasonally (during harvests or holiday periods), while the remaining part of the year (s)he may employ one part-time worker. From this measure, a program manager may expand data collection inquiring about the full/part time work status, gender, and wage(s) paid to the worker(s). Table 1 below presents data from a sample of twenty program participants interviewed from a BDS program in India. The program was designed to aid dairy farmers, and so the commodity sold was practically the same, albeit some variations in quality existed, but the business sizes were different, given the number of employees and corresponding labor status.

Information about the customer base paints a one-dimensional picture, illustrating to whom one sells merchandise/services. Once the business owner becomes acquainted with regular customers, (s)he can closely estimate the proportion or percent of certain customer characteristics such as a) age (i.e., younger or older), b) residence (i.e., urban, rural, suburban location), and c) volume during a particular period (i.e., customers come more frequently during the beginning, middle, or end of the month/week). All such factors create a surprisingly rich picture about the business size and its rate of expansion. Once the profile of the customer is established, the quantitative data also informs business inventory needs and marks the fluctuations in capital flows. For instance, in the case of a video rental business, rentals are most prevalent during the close of the week (Thursdays and Fridays) for older movie-watchers, as they may have more time on the weekends to enjoy a video. Younger clientele may have an alternative rental pattern however. In any case, given the two different groups of clientele, the basic inventory needs which include labor (additional workers on Thursdays and Fridays) to accommodate the influx of renters and extended hours and a supply of videos varies, and the business owner requires capital to cover such operating costs.

Table 1: Anonymous data reflecting quantitative data related to labor.

Labor Status Categories	Minimum	Maximum	Average Hourly Wage Paid
Owner Experience (in number of years)	3	35	
Total number of employees	1	9	\$5.00
Number of full time – male employees	0	4	\$5.50
Number of full time - female employees	1	5	\$4.75
Number of seasonal - male employees	0	20	\$6.25
Number of seasonal - female employees	0	14	\$7.00

Sample Size = 20

Table 2: Program Participant Business Sales in Consecutive Years.

Year	Sales 2001	Sales 2002	Sales 2003	Sales 2004
Sample Size	13	10	23	20
Program Clientele	US \$3,111	US \$4,950	US \$7,341	\$8,154

Finally, the value and volume of business sales and costs is the most telling indicator measuring expansion and success. Unless the program extends credit/financial services directly, *attributing business expansion or successes directly to program services or training* is challenging. However, if monitored over time (in excess of two or three years), a positive trend from financial data would suggest a link or correlation between program exposure and business expansion.

The value of business sales and operating costs, normally recorded for tax purposes, enables an entrepreneur to understand exactly how much (s)he extends to customers and spends on inventory. In some places, particularly internationally, a business owner may not keep track of such financial information, in which case the program representative could assist or facilitate the business owner to recall and then *estimate* a number for business sales/costs. Under

such circumstances, it is best to begin with the amount of the item/services the business owner *purchases* monthly to supply her/his customers. The same process should be used when calculating how much the owner sells in merchandise. Multiplying these figures by twelve months in the year is logical, but one must take note of any seasonal fluctuations the business may experience. For instance, summer months may be heavier compared to spring. Once these figures have been computed, they are fairly accurate predictors of business expansion/change, but data collection must always take place at the same time of the year. It is possible that a business owner will receive other income (i.e., pension from a previous job, social security, other wages), and it important to note any outside contributions invested into the business. Table 2 presents anonymous data how one may display business sales data over three years. Please recall that such information, particularly a positive trend observed, may only *suggest* that a link between program exposure and business expansion exists. Nonetheless, the positive trend presents a strong case to funders.

With such data, it is also possible to conduct other statistical analyses, such as Chi-Square and Analysis of Variance (ANOVA) which could indicate that the percent change from one year to the next is statistically significant.

Conclusions

The paper elucidated how program planners may emphasize the impact of their interventions and explain to funders “this is what works best, and here is how we have proven it”. While explaining the steps one may take to demonstrate impact, the intention was to present concepts and methodologies in simple language, using specific examples.

Drawn from international experiences, there were two major reflections about what specific conceptual measures and quantitative variables presented in this paper, and such measures yield robust results, particularly when used over time. The first conceptual measure explored related to how to measure a change in knowledge and/or empowerment levels among program participants. The most logical method of collecting data in this area is through the use of qualitative means. Asking simple open-ended questions produces

straight-forward answers, and as seen in this article, the results appear interesting and convincing.

The second area to examine how program services may have led to a change or difference in businesses assisted is by gauging business characteristics and sales/costs. It was noted that quantitative methods are the most practical in this case, and several key characteristics of the business (i.e., labor structure and customer profiles) were elaborated upon, including several examples. The value and volume of business sales and costs is another indicator reflecting business expansion, but attributing the success to program enrollment is difficult. However, the case may be more credible *if the business owner has extended program exposure*, and an example of such was also provided.

Finally, it is important to note that the findings generated from both quantitative and qualitative methods *presented side-by-side* is the most persuasive and compelling means of informing audiences, both domestic and international, about the perceived effects enterprise development programs. The tools presented in this paper should be viewed as a starting point, but the framework and/or varying forms in which to present and combine data sets are boundless.

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