Performance Measures for Microenterprise in the United States

by Karen Doyle and Jerry Black

Abstract: Microenterprise, while currently serving a small number of America's poor, is often the only option—other than receiving welfare—for a variety of individuals to improve their standard of living or quality of life. MicroTest, a project of the Aspen Institute, was created to improve the value of microenterprise services and the stability of microenterprise organizations over time by perfecting and promoting the use of measures to regularly assess performance. This article proposes a performance measurement framework for U.S. microenterprise development programs.

The following key categories of outputs and outcomes can be used to assess the performance of microenterprise development providers:

- Reaching Target Groups
- Scale
- Program Services
- Program Services Performance
- Costs, Efficiency, and Sustainability
- Institutional Capacity and Financial Condition
- Outcomes and Impact

As the microenterprise field matures, there is a growing need for some level of standardization in these performance assessments. However, there is a need to balance the simplicity and accessibility of standardization with the diversity of this field. The performance measurement framework described in this article begins the process of determining excellence among distinct strategies, targeted to different populations, and implemented in unique socioeconomic environments by a broad range of microenterprise development organizations.

Introduction

Microenterprise development is one of the more flexible tools available to low-income families who want to better their standard of living or quality of life. While it is but a small piece of the puzzle in terms of mitigating the country's wealth disparity, microenterprise can be one of the only options, other than receiving welfare, for a variety of individuals at certain times in their lives. For example, self-employment may be one of the few viable options for the following people:

- An individual struggling to find living-wage employment in an economically depressed area.
- A non-English speaking but skilled or educated immigrant.
- A dislocated worker affected by lay-offs.
- A disabled person who has been constrained from finding traditional employment.
- A minimum-wage worker, probably holding down several jobs, who sees no other chance to climb out of poverty.
- A single mother who cannot afford reliable childcare or chooses to work from home while raising children.

Because these potential microentrepreneurs are at critical periods in their lives, it is imperative not to waste their time, limited resources, and motivation with inefficient or minimally helpful programs. Poor Americans are among the busiest members of the population, often holding down multiple jobs, perhaps working in a business on the side or attending classes in hopes of competing for a better job. It is critical that microenterprise development programs regularly assess the extent to which they are efficient and effective in working

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with these individuals. In recognition of this, microenterprise program directors who were collaborating with the Aspen Institute's Economic Opportunities Program created MicroTest, a working group of practitioners from around the country who are committed to documenting and improving the performance of the U.S. microenterprise industry.

This article describes MicroTest and then, using the MicroTest philosophy, process, and system of measures as a base, proposes a performance measurement framework for U.S. microenterprise programs.

The MicroTest Model

MicroTest's long-term purpose is to improve the quality of microenterprise services and the stability of microenterprise organizations over time by perfecting and promoting the use of measures to regularly assess performance. The MicroTest practitioner-led steering committee contends that performance standards that are *embraced and used* will increase quality throughout the field, will increase the availability of efficient and effective microenterprise services, and will help investors and policymakers discern accurately what is an excellent microenterprise program. The Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) manages MicroTest. A steering committee of seven practitioners from around the country advise and guide the effort.

From an initial cohort of 13 programs in 1997, MicroTest has grown to 54 Practitioner Member agencies. Although a strictly voluntary effort, membership in MicroTest has been competitive. This selection process has emphasized each agency's (1) organizational track record; (2) interest in performance measures; (3) motivation to participate in a learning effort with industrywide implications; and (4) in-house information gathering capacity.

The primary task of the original cohort was to develop, define, and test a set of performance measures for the field. The cohort was composed of one or two staff people, typically the executive director and the evaluation manager, who participated in this initial effort. The first step was to collect one month's worth of program data on measures proposed by the Aspen facilitators. As issues on definitions and data collection methods arose, group members posted questions to each other on an electronic listserv moderated by Aspen staff. They also used the listserv to comment on the usefulness of the proposed measures and to propose additional measures. Each agency emailed the data to the Aspen Institute, where staff ensured that it was collected in a manner consistent with that of the rest of the group. Issues that were easy to resolve were discussed over the listserv. More complex issues and decisions on measure definitions were discussed only in person at semiannual meetings. Every other month, the Aspen facilitators proposed new measures for the group to discuss, test, and refine. After a year, the agencies had learned how to collect data consistently on all the refined measures. They then completed a data test for the 1998 fiscal year on the entire set of measures. Aspen presented this data in aggregate form to the group at a meeting, so that the practitioners could reflect on what the data told them and make the final decisions on which MicroTest measures were useful and appropriate, and which should be changed or eliminated.

The MicroTest process benefited greatly from an explicit trust agreement among all MicroTest members and Aspen facilitators. This oral agreement stated that no MicroTest member (including facilitators) would share data or information about another program outside of the group, and that data collection tools would not be circulated until they had been tested and endorsed. This agreement, as well as the absence of funders in the room, fostered honesty and candor about programs' difficulties in collecting data and in implementing their programs. The ability to talk openly about their programs' challenges with other program managers was deemed a welcome and invaluable tool for improving program quality and efficiency.

While the MicroTest process has been more time-consuming on the front end than other efforts to develop performance measures, it has enjoyed tremendous support and input from the practitioner community. It is they who are most affected by performance measurement and who know best the reality of delivering microenterprise services to a variety of populations. Additionally, the process of testing and debating how an entire field should be measured created a structure for identifying and debating potential best practices and for defining success across the field. Lastly, individual MicroTest members report an increased capacity to use data as a decision-making tool to improve their programs. One of MicroTest's steering committee members, Eloise Vitelli (Maine Centers for Women, Work, and Community, personal communication) explains:

> Participation in the MicroTest Core Group has proven to be both an inspiration to me personally and a source of very practical benefits to our organization as a whole. . . .Exchanging ideas and experiences with a cross-section of my peers in developing and testing the Measures continues to enrich my work in microenterprise development. What makes it work for me is the strong underlying commitment of everyone involved to provide quality programs and services. We may not have all the answers yet about what makes a quality microenterprise program, but we are beginning to ask many of the right questions.

The Context of Performance Measurement

Microenterprise development, more than traditional development services, has been affected by the rise in performance measurement of the last fifteen years. Government mandates and public sector funders typically provide the impetus for performance measurement of development programs. With respect to microenterprise development, the federal and state governments have indeed played a significant role in the drive for better performance data. Yet just as significant has been the role of the U.S. practitioner community and private foundations. Practitioners, hoping to attract bank partners and needing to demonstrate increasingly efficient operations to ensure ongoing subsidy, launched the MicroTest initiative and various state-level efforts to devise appropriate performance measures. These practitioners were further motivated by the likelihood that performance data would clarify whether comparisons being made between U.S. microenterprise development programs and developing world microfinance programs were valid.[1] The private foundations, on the other hand, have promoted the need for performance measurement because these funders need information to help them determine whether microenterprise is a promising strategy for advancing their objectives. As discussed below, these objectives vary widely.

In the 1980s, microenterprise assistance was introduced in the U.S. as a new strategy for accomplishing a range of distinct goals. Among these goals were the creation of jobs among dislocated workers and the unemployed; improving the economic self-sufficiency of poor families; transitioning welfare recipients to self-employment; and increasing the collective assets of poor communities. Piloting this untested approach, early microenterprise development programs were funded as demonstration projects with accompanying independent and externally managed evaluations. Therefore, the earliest performance measures (used by evaluators on just a few of the early programs) mirrored the values and goals of disparate government and private funders.

Even though the field has matured—yielding a surge in the number of performance measures in use—the state of performance measurement for microenterprise remains fragmented and is indeed bewildering for the majority of programs. Only very recently are there nascent discussions about attempts to coordinate general reporting requirements, and perhaps, specific performance measures at the federal level. Practitioners, recognizing that the need for performance data is growing, have expressed their strong desire for a universal performance measurement framework through which measures capturing similar information can be consolidated or coordinated.[2] At the same time, practitioners are concerned that this framework be sufficiently comprehensive to allow for the breadth of microenterprise outcomes and strategies.

A Proposed Framework for Microenterprise Performance Assessment

The following is a conceptual framework of performance measurement categories. It presents key categories of outputs and outcomes by which microenterprise development providers can assess their performance. The framework draws heavily on the MicroTest Key Performance Areas, as well as on ACCION International's work on performance standards for its U.S. Network, the National Community Capital Association's Best Practices Project, and a review (Doyle, 2000) of other state and federal reporting systems. While not every category is appropriate for every program, this framework captures the "pillars" of microenterprise performance. It is meant to remind one of the range of performance areas and to mitigate the tendency to evaluate complex program(s) according to unidimensional criteria. An organization's leadership can then decide what is relevant. Whatever framework is ultimately used to guide performance measurement, it must be comprehensive enough so that data can be understood and are not isolated from other pertinent information. Where possible, preliminary data from MicroTest are provided in order to relate the framework to practice.

The key categories are

- Reaching Target Groups
- Scale
- Program Services
- Program Services Performance
- Costs, Efficiency, and Sustainability
- Institutional Capacity and Financial Condition
- Outcomes and Impact

Reaching Target Groups: Low-Income Clients

This first category of measures helps answer the question "Whom is the program actually serving?" Most microenterprise programs describe a target population that reflects their overall program mission. Therefore, another set of questions that this category of measures sheds some light on is "Is the program fulfilling its mission? Is the program offering services attractive to and accessible by the individuals whom the organization has identified as its target population?" The target group measures are evaluated in light of an organization's operating context and mission. One would expect to see a program with a poverty-alleviation mission serving a significant number of low- and very low-income individuals, while a program focused on community economic development may serve some moderate income individuals to meet business development or job creation goals.

Table 1 shows targeting data from fiscal year 1999 for 41 MicroTest programs. The first column shows data on all MicroTest programs. The second and third columns show data for two groups, depending on the extent to which programs report serving low-income individuals whose household income puts them at or below 150% of the national poverty line (according to guidelines established by the Department of Health and Human Services) and as determined by staff of the microenterprise program at the time each client enters that program.

Table 1. Low-Income Clients Served

	All Programs (n = 41)	Programs serving ≥40% low income (n = 19)	Programs serving <40% low income (n = 22)
	Median % of total clients		
Low-income (≤ 100% HHS guidelines)	27%	36%	16%
Low-income (≤ 150% HHS guidelines)	38%	55%	29%
Low-income (≤ 80% HUD guidelines)	61%	78%	52%

Income and poverty guidelines established by the government are based either on local area median income or on criteria that are widely acknowledged as inadequate—resulting in underrepresentation of the number of poor in the U.S. Thus, the MicroTest group chose to report the number of clients who are low-income based on three sets of guidelines. The *number and percent of clients at or below 100% of HHS poverty guidelines* reflects clients who everyone would agree are poor—their incomes are acknowledged to be at or below what is considered subsistence level. There is a widespread sentiment that this particular poverty guideline is set so low that, used as the sole yardstick, it would seriously undercount the number of economically disadvantaged people who are reached by many microenterprise programs. As a result, MicroTest members chose to report the *number and percent of clients at or below 150% of HHS poverty* as well, enabling a fuller picture of the number of poor served. Finally, there is controversy over the use of a poverty measure that does not recognize cost of living differentials. The

Department of Housing & Urban Development's (HUD) local area median income is a proxy for this variability. The MicroTest members added the *number and percent of clients whose incomes are at or below 80% of HUD local area median income* as the final income measure.

In isolation, poverty-targeting information does not tell us much, other than, of course, how many low-income people are being reached with microenterprise development services. But if we look at other areas of performance and relate them to poverty targeting, then we start to have something interesting to study and understand. For example, does serving a high percentage of very poor clients seem important in terms of a program's ability to make a lot of loans or attract more trainees (i.e., achieve scale)? What are the cost implications of targeting a high percentage of very poor clients? Do loans to the very poor require more staff time to make and monitor? Are they riskier in terms of loan losses?

While answers to these questions cannot be based on one year's data, the 1999 MicroTest data indicates some tentative relationships worth mentioning. There does seem to be a relationship between serving a high percentage of low-income clients and performance indicators related to the loan portfolio quality of a microenterprise program. This relationship is indicated in Table 2.

Table 2. Low-Income Clients and Loan Portfolio Quality

	All MicroTest programs (n = 41)	Programs serving ≥40% low income (n = 19)	Programs serving < 40% low income (n = 22)
		Median number	
Number of loans outstanding as of end of FY99	49	39	59
Percentage of portfolio loaned to start-ups	37%	61%	36%
Restructured loan rate	9%	20%	5%
Loan loss rate	4%	9%	3%
Total portfolio at risk	12%	13%	11%

Of the 41 MicroTest programs reporting credit performance information, 19 of them serve at least 40% low-income clients and 22 serve less than 40% low-income clients. While the above information conceals a range of performance in both groups (i.e., there are poverty-focused programs whose portfolio quality figures are quite excellent), some fairly strong differences show up in MicroTest data. It is possible, for example, that lending to a high percentage of low-income individuals also entails lending to a high percentage of start-up microenterprises. Given the bumpy road most start-up businesses follow, it is not surprising that this sort of lending also tends to involve more work restructuring those loans to deal with the bumps, fits, and starts that characterize the path of a start-up business. The restructured loan rate for MicroTest programs that target a high percentage of low-income people is four times as high as the rate for MicroTest programs that do not serve as many low-income clients with credit products. Poverty-focused lending programs also experience loan losses at a higher rate than other programs.

Reaching Target Groups: Women and Minority Clients

In the microenterprise field's brief history in the U.S., a number of programs have been established that focus on serving women or ethnic or racial minority populations. Two of the MicroTest measures (*number and percent women clients* and *number and percent minority clients*) allow a program to measure its outreach to minorities and women, both groups believed to have enjoyed less access to formal business assistance institutions. Table 3 shows targeting information by gender and minority status for all MicroTest programs, grouped together in three ways: whether the programs primarily deliver credit or training, whether they serve a higher or lower percentage of low income clients, and whether the program is considered young (less than 6 years old) or older (6 years or older.)

Table 3. Outreach to Women and Minorities

	All programs (n=43)	Credit programs (n=18)	Training programs (n=25)	≥40% low income (n=18)	<40% low income (n=22)	Programs < 6 years old (n=11)	Programs ≥ 6 years old (n=32)
	Median % of total clients						
Women	56%	50%	70%	73%	55%	63%	56%
Minorities	38%	48%	19%	39%	26%	16%	39%

Again, this is just a snapshot of median figures over one fiscal year; it does not display the range of targeting data among MicroTest programs. Many programs, for example, work entirely with either women or minorities. A few work almost exclusively with minority women. Within the MicroTest sample overall, however, training-led programs reach more women, while credit-led programs reach more minority clients.

Scale

The scale category is designed to measure the extent of a program's reach. *How many clients/borrowers/trainees has the program* *served? How many businesses has the program helped to start or maintain?* Inherent in the scale category is the need to agree on another question: *How much service does a person need to receive in order to be considered a program client?* For example, if one person attends a one-time workshop and another attends a ten-week training class, are both individuals counted as clients?

At the field level, policymakers and practitioners use the scale category to learn the true market for microenterprise services and the field's capacity to serve the market. Conventional wisdom, data estimates, and recent market surveys (Clark and Kays, 1999) identify millions of low-income and disadvantaged microentrepreneurs, many of whom could benefit from services but who have not been reached by providers. At the organization level, managers use measures in this category to glean what portion of the local market the program serves. They also use data from the scale category to build cost and efficiency ratios. Finally, programs compare scale data with outcomes data to assess how many people or businesses they can serve effectively and still achieve desired goals. Table 4 shows median figures for three measures of Scale, and how these three measures differ across different kinds of programs, as in Table 3.

Table 4. Scale of Programs

	All programs (n=44)	Credit-led (n=17)	Training-led (n=21)	<6 years old (n=10)	≥6 years old (n=28)	≥ 40% low income (n=16)	< 40% low income (n=19)
	Median number						
Total clients	184.5	270	164	120	192	201	144.5
Total loans disbursed	20	63	13	26	20	15	26.5
Dollar value of loans disbursed	$124,500	$432,353	$34,238	$70,000	$173,900	$57,574	$184,500

MicroTest programs disbursed a median 20 loans during FY99. The average, however, was 58, indicating a wide range of lending activities across programs from a minimum of 0 loans to a maximum of 541 loans. MicroTest programs provided intensive training or technical assistance to a median 164 (average of 218) individuals. The median number of clients served in FY99 by MicroTest programs was 184.5, the range being 19–1,244 clients served.

Figure 1. Number of Served by FY99 Programs

Figure 1 shows a further breakdown of the extent to which some MicroTest programs are achieving higher levels of scale. A "client" is someone who receives substantial services, and for whom, as a result, outcomes are expected to be observed. Figure 1 reflects the fact that most programs are currently able to reach up to 200 clients in a year with an intensive level of service. The largest programs in MicroTest are those reaching over 400 clients a year, representing 13.3% of the group.

Program Services

This category is critical in that it provides programs an opportunity to describe their methodologies, thereby contextualizing quantitative data in other categories. This is envisioned as an open-ended, narrative description of the services offered through the microenterprise program. A program describes all loans, equity products, or savings products that are used as microenterprise development tools; lending methodologies such as peer or individual; terms and conditions; and charge-off policies. Training is described in terms of major curricula topics, course objectives, length in terms of hours and weeks, and providers. Technical assistance, a broad area of service, may include one-on-one consulting, mentoring, peer workshops, economic literacy counseling, etc. Programs describe the purpose of any technical assistance, hours and type offered, and providers. Marketing services are sufficiently broad and undefined at this time to warrant fully open-ended descriptions. Table 5 is an example of a program services description.

Table 5. Sample Program Services Report on Training and Technical Assistance

Name of Course	Course Content	Duration
Enterprise Basics	Develop business plan	30 hours
Core Skills	Marketing, cashflow, operations, success	16 hours
Market Enhancement	Professional development, marketing, operations, finanial evaluation	28 hours
Mentorship Program	Ongoing meetings with existing business owner	Variable

Lending Methodologies: Individual Lending

Name of Loan Product: Microventure Loan

Loan Size Range: $100–$15,000

Loan Term (in months): 36–60 months

Charge-off Policies: Our board and staff review all loans on a semiannual basis, writing off any loan that is over 180 days past due, except loans that have been rescheduled and are performing.

Program Services Performance

This section includes loan delinquency and loss rates—the measures most commonly associated with microenterprise performance assessment. Measures used to document and report on the financial performance include *loan loss and restructured loan rates, portfolio at risk* at a range of time periods, *percent of portfolio loaned to start-ups*, and *average initial loan size*. Table 6 displays some of this MicroTest FY99 data. Discussions within the MicroTest group illustrate an inherent conflict within the microenterprise strategy that necessitates a wide variety of measures. In order to document that the organization is achieving balance between *its role as a financial institution and its mission as a development organization*, the program should show a certain amount of risk-taking—thus traditional financial performance indicators alone cannot serve as useful evaluation tools. An interesting difference that appears to show up in the FY99 portfolio quality data in Table 6 is the extent to which training-led and credit-led programs lend to start-ups. At the same time, however, most of the organizations recognize the importance of a disciplined financial services program: that the median loan loss rate for all MicroTest programs is just 4% speaks to this discipline. Nevertheless, the loan loss rate for MicroTest programs ranged widely, from 0% to 30%.

Table 6. Program Service Performance

	All credit programs (n=38)	Credit-led (n=19)	Training-led (n=27)	< 6 years old (n=12)	≥ 6 years old (n=34)	≥ 40% low income (n=19)	< 40% low income (n=22)
	Median Numbers						
Number of loans outstanding as of end of FY99	49	89	33.5	48.5	53	39	59
Percentage of portfolio loaned to start-ups	37%	23%	61%	21%	37%	61%	36%
Restructured loan rate	9%	6%	10%	7%	9%	20%	5%
Loan loss rate	4%	4%	4%	6%	4%	9%	3%
Total porfolio at risk	12%	11%	14%	11%	12%	13%	11%

To contextualize these figures, one needs to examine historical loan loss rates, the size of the outstanding portfolio, the number of loans made to start-up businesses, the number to individuals new to entrepreneurship, and the number to poor clients, as well as interview program staff and management.

The measures used to document program service performance are heavily biased toward finance. However, this category is also intended as a benchmark for other components within the microenterprise strategy as well. These include business development training and technical assistance, market-access assistance, matched savings programs, economic-literacy training, and credit, legal, or personal counseling. While portfolio performance indicators are well developed, it has been much more difficult to create useful measures for nonfinancial microenterprise services. One challenge, for example, is how to measure the collective performance of distinct training programs. Other services, such as market access and economic literacy programs, are still new within microenterprise development, as are corresponding efforts to define performance measures for these services.

While programs view these services as critical to their clients' success, there have been few efforts to assess their effectiveness rigorously. Experience has largely focused on a set of measures applied during or at course completion, including comparing enrollment and graduation rates; pre- and post-course knowledge testing; the successful production of business plans; and satisfaction surveys. About 75% of MicroTest program clients who enroll in a training program complete it, and complete business plans (see Table 7). Programs also have used indirect measures of demand, such as willingness to pay some portion of training or technical assistance costs as evidence that clients value their services (Edgecomb, 1999).

Table 7. Performance of Training Programs

	All programs (n=31)	Credit-led (n=6)	Training-led (n=18)	Younger (n=7)	Older (n=17)	≥40% low income (n=11)	<40% low income (n=12)
	Median % of total scheduled to complete						
Training completion rates	74%	72%	74%	76%	74%	69%	91%
Business plan completion rates	75%	91%	71%	95%	75%	72%	86%

Attrition does not appear to be a serious problem among MicroTest programs that offer classes to their clients. The one notable difference that shows up is the disparity in training completion between programs serving different proportions of low-income clients. Not surprisingly, this difference supports common assumptions among practitioners that vulnerable life circumstances can make regular attendance over an extended period of weeks at a training course problematic. In general, however, the strength of these completion rates should be understood as one of the strengths of the microenterprise field—those who are reached with microenterprise development services tend to get a lot out of them and to stick with them as long as they can.

Costs, Efficiency, and Sustainability

This category contains essential and interdependent measures for assessing microenterprise performance. Program-level financial information is needed to calculate the cost, efficiency, and sustainability ratios. The cost figures help us make rough comparisons of the investment that was required to train one client, assist one business, disburse one loan, serve one participant, etc. Both public and private sector investors are keenly interested in cost data. Moreover, efficiency and cost ratios can serve as "wake-up calls" to program managers who need to restructure inefficient aspects of operations.

The sustainability ratios yield a sense of the current level of cost recovery from program income, as well as the level of funding diversification achieved by the program. The term "sustainability" is used in the U.S. context, as is "self-sufficiency," for two reasons. (Self-sufficiency, in simple terms, refers to a program being fully self-financing.) First, programs operating in this economy face exceedingly high barriers to self-sufficiency. Second, client demand necessitates a focus on business development services as well as on financing services. While a few highly successful institutions—ones that concentrate on lending and target existing business owners—have attained or are nearing self-sufficiency of their lending operations, it is doubtful that the majority of programs in the U.S. will achieve full financial self-sufficiency. The levels of operational self-sufficiency achieved by MicroTest programs as of the end of FY99 ranged from 0 % to 95%, with a median level of 14 % (see Table 8).

Over 20% of all MicroTest programs are generating at least 25% of their total funding from their lending and training activities. This includes training-program cost recovery, which ranges from 0% to 21%.

Table 8. Operational Self-Sufficiency

	All programs (n=36)	Credit-led (n=11)	Training-led (n=11)	Younger (n=4)	Older (n=18)	>40% low income (n=10)	<40% low income (n=12)
	Median figures						
Cost per client	$1,933	$1,723	$2,257	$1,776	$2,237	$1,665	$2,209
Cost per business assisted	$2,270	$1,750	$2,783	$1,893	$2,582	$1,936	$2,564
Cost of training per client	$949	$738	$1,426	$1,098	$805	$752	$880
Operational cost rate	0.9	0.7	1.9	2.6	0.9	1.4	1.2
Operational self-sufficiency	14%	25%	14%	6%	23%	20%	17%

While the median cost per client is $1,933 for FY99, as Table 8 shows, the median does not take into account the wide range of costs across all programs. The lowest cost cluster of programs (the 20th percentile) have costs that hover at $1,163 per client or less. The highest cost cluster (or 80th percentile) of programs indicate a cost per client of $2,822 or more per client.

In order to be able to see even more clearly the distribution of client costs, Figure 2 shows the frequency of programs with various client costs. It is clear that although the majority of programs are clustered around $2,000, there are quite a number with lower client costs and a small number of outlier programs with significantly higher costs per client.

Figure 2. Client Cost for FY99

Figure 3. Training Costs for FY99

Figure 3 shows the range of training costs per MicroTest program. While the average and median figures for cost per training/TA client are $1,334 and $949 respectively, the frequency distribution indicates the range of figures for this measure. There are two outliers with significant training costs; however, the majority of the programs cluster between $50 and $2,450 cost per training client.

Institutional Capacity and Financial Condition

This category relates to the strength and solidity of the program and institution in which a microenterprise program is housed. As with the previous category, these are measures that assess management quality rather than programmatic quality. Many microenterprise development programs are housed within community development financial institutions (CDFIs.) Through its Best Practices Project, an effort to strengthen the CDFI field, the National Community Capital Association identified fifteen “Performance Principles”—fundamental attributes and core competencies that foster strong performance. Performance principles are grouped in four strategic areas: Mission and Strategy; Market and Programs; Human Resources; and Finance and Information. Here are a few illustrative examples:

- The CDFI is visible in its market and leverages its visibility to further its mission.
- The CDFI has leadership, a set of core values, and an institutional culture that supports its mission.
- The CDFI has a board of directors and governance structure that furthers the organization’s mission, fosters institutional strength, and ensures accountability to the public.
- The CDFI manages its affairs in accord with sound financial practices and applicable statutory requirements to achieve its purposes, promote institutional strength, and be accountable to its investors and funders.

Financial condition measures relate to the overall financial condition of the organization; they are ones that assess management quality rather than programmatic quality. They include an examination of the organization's net worth, net operating income, capital adequacy, and leverage. This category encourages microenterprise organizations to think about capital structure and reserve policies. Several of these kinds of ratios are derived from an organization's balance sheet and are relevant for any nonprofit organization; others are geared to lenders only, specifically to those with high loan volume or heavily capitalized portfolios (Klein, J., memo to MicroTest core group, April 14, 1998). Examples of financial condition measures include *capital structure*, *net operating income*, and *loss reserves*.

Outcomes and Impact

Most microenterprise programs are founded with some variation of an economic or community development mission or as a poverty-alleviation strategy. Programs and their funders are critically concerned with *business and job creation*, *income generation*, and other outcomes measurable at the level of the individual, the business, the community, or the economy. Measuring these outcomes requires establishing a baseline and then following up to remeasure over time. For example, a poverty alleviation program that collects information on *household income* and *family size* showing that a client is poor upon enrollment in the program would have to update this data at a determined period after program participation to know whether the *client escaped poverty*. This type of ongoing data collection is known as *outcome monitoring*, and most community-based enterprise programs find it difficult to do on a consistent basis. Collecting this type of data requires mail, telephone, or in-person surveys or interviews that can be expensive and time consuming. Because most programs do not have staff designated for evaluation activities, they hire evaluation firms to conduct queries of samples of their clients when required by funders.

Because of strong interest in collecting outcomes data, MicroTest has developed several instruments that support simple client tracking. These are being tested now by select members of the MicroTest working group. The intent of this future outcomes work is to develop a simple annual process that mirrors the overall performance measurement exercise, providing some simple and key data to give program managers and program funders insight into program effectiveness.

Conclusion

The broad appeal of microenterprise development has resulted in many funders (and particularly those concerned with assisting low-income Americans to achieve economic self-sufficiency) carving out a place for microenterprise development within their overall community economic development strategies. This has also resulted in a variety of performance measurement systems, each representing the unique cultures and missions of the funding program and its implementing partners. However, as the field has matured and as we learn more about its successes and problems, there is a growing consensus that some level of standardization in performance assessment is sorely needed. The performance measurement framework described in this article can serve as a basis for defining what is meant by a high-quality microenterprise program (Aspen Institute, 1997). The ability to define, and subsequently to assess and compare quality, is important to both practitioners who seek to improve program operations and investors who need to assess which programs can manage capital and achieve intended outcomes.

The next step for the field, standards development, is no simple endeavor. How will the field determine excellence among distinct strategies, targeted to different populations, and implemented in unique socioeconomic environments by a range of institutional types? A rural program cannot be judged by the same numeric or narrative standard as an urban one. A refugee-assistance program should not be held to the same rates of job creation as a program that delivers intensive marketing assistance to existing business owners. And a stand-alone microenterprise institution may take longer to develop systems and policies and to attract capital than a community development credit union that adds a microenterprise product; the efficiency ratios of these dissimilar institutions will and most likely should differ. In cases such as these—ones representative of the diversity of the field—care must be taken when developing any set or sets of standards. There is a need to balance the simplicity and accessibility of standardization with the veracity and intricacy required by this decentralized, diversified field. In that vein, it remains important to familiarize ourselves with the range of performance measures currently in use, their rationale, and their relative significance to overall performance assessment of microenterprise development.

Notes

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1. In general, microenterprise development professionals now recognize that comparing developing world programs with programs in industrialized economies is inappropriate. However, the general public and some policymakers still relate the successes of well-known, developing world microfinance institutions to their support of domestic microenterprise programs. This can create problems if expectations for U.S. microenterprise development (that may be unrealistic) are not met.

2. While staff at the Aspen Institute have repeatedly heard this sentiment from our practitioner partners in a variety of forums, it was formally expressed during the March 1999 MicroTest meeting and through the Association for Enterprise Opportunity's Research and Demonstration Committee.

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