MICROENTERPRISE PROGRAM BEST PRACTICES

The following best practices should be implemented by all Microenterprise Program service providers.

OUTREACH
Goal: Target help to as many businesses who you want to help.
- Create overall marketing strategy.
- Define location/size of target market in terms of mission/capacity.
- Know who potential customers are and what they need.
- Explore partnerships with private lenders in local community.
- Use staff meetings to review marketing, ensuring quality and consistency.
- Engage donors/put marketing in donor proposal.
- Have outreach coordinator to keep key timelines, materials, and connections to media outlets.
- Customer service representative maintains marketing systems i.e. inquiry log, contact database, fliers, campaign emails.
- Develop event marketing guide.
- Promote training workshops and community outreach guide to get to know community and culminate an orientation.
- To reach low/moderate income, best targets are social service organizations.

Examples:
- Marketing guides involve timeline, set of marketing targets/tasks, identifying key parties responsible.
- Market research: in-house systems to capture key marketing/contact info.
- Market research: use geographic info systems to identify scope of demand in various neighborhoods.
- Market research: client focus groups and customer surveys geared toward providing feedback on products/services.
- Use of MIS, client records, intake forms, commercial databases, database marketing, referrals
- Market research: telephone, in-person, mailed surveys.
- Graphic of target to remind staff.

APPLICATION/INTAKE
Goal: Enroll as many of the struggling, but targeted group that you’re looking to assist.
- Implement screening assessment for each client.
- Capture referral sources.
- When screening clients, assess client readiness, viability of business idea, and entrepreneurial skills.
- Hold interviews between clients and program staff.
- Maintain consistency and transparency in screening process.
- Vary assessment based on different target groups.

Examples:
- Tools: written applications/intake forms to collect basic demographic and economic data, make screening decisions, description of business idea, detail on client business and education background
- Client records and MIS database.
- Interview guides, written applications, scoring sheets.

SERVICE DELIVERY
Goal: Provide business owners with basic skill development and move on to customized assistance.
- Set personal and business goals with consultant.
- Teach business development, partnerships, financial packaging recommendations, exporting/importing support, market research help, employee guidance, marketing/graphic design advisement, access to markets, financial literacy education, personal effectiveness, bank linkages.
- For rural entrepreneurs, use distance learning, incubators, and exposure visits to confront their isolation from mainstream markets and higher costs of attending training in distant location.
• Implement core training course, using adult learning techniques.
• Offer variety of consultants for clients to pick best personality fit.
• Have variety of services including classroom trainings, business consulting, coaching, mentoring, facilitation of networks to develop skills, help build markets, and distance learning strategies.
• Provide services for 1-2 years after core training.
• Provide sector sensitive services, assistance in technology integration, larger scale loans, patient capital for expansion.
• Be able to adapt services and deliver them in some volume.
• Build staff capacity in advance of stimulating demand.
• Invest in organizational infrastructure.
• Offer menu of optional workshops.
• Tailor core training to target market.
• Include services that help clients acquire resources and experiences necessary to succeed.
• Mentoring provides counsel, advice, and support from entrepreneurs in structured advice.
• Select content that outlines both content of training and process that to follow in teaching that content.
• Give more guidance and consideration with TANF versus non TANF clients.
• Have business consultants shadow each other to provide feedback and learn new skills.
• Have management shadow consultants to assess challenges.

Examples:
- Financial skills tools: use of income and cash flow projection sheets, guidelines for setting up a ledger system, financial record keeping sheets.
- Marketing skills tools: use of handouts to promote business, handouts on how to evaluate the competition, sample customer surveys, sample marketing plans, marketing cost estimate worksheets, and sales projections worksheets.
- Business building tools: handouts of buying and selling a business, resource guides for buying insurance, industry packets, loan application checklists, and lists of databases.
- Business development tools: business planning guides, sample business plan, business action and accountability plans, business progress checklists.
- Use of questionnaire about status of participant's business, one year action plan with long range exit strategy and goals, quarterly review plan of written docs with an updated action plan following quarterly assessment meeting.

LENDING

Goal: Provide foundational loans to grow the business and prepare borrowers for a banking relationship.
• Offer main financial services including direct lending that can couple with training or one-on-one technical assistance.
• Subservices include grant assistance, micro equity investments, IDAs, and savings options.
• Offer a secured credit card with financial education.
• Have transparent pricing.
• Have a debt service that doesn’t constrain business ability to grow.
• Develop new loan products to meet demand.
• Streamline and strengthen underwriting.
• Reinforce risk management.
• Develop low-cost consistent credit analysis methods to assess the risk of loss in underwriting.
• Develop and refine underwriting criteria for a market sector not adequately captured in standardized credit reporting systems.
• Maintain consistency of loan officer and underwriter performance.
• Use credit scores.
• Use third party information regarding valuation of loan collateral.
• Use of credit evaluation grids.
• For LMI, offer peer loan that provides up to $500 for finance predevelopment costs of training program graduates to reduce underwriting requirements for clients who have access to sources of repayment beyond business.
- For LMI, offer SBA express loan that provides small amounts of capital with rapid turnaround.
- For LMI, offer consumer loan product for clients who would otherwise draw cash out of their business.
- Create business investment trust to hold in escrow 40% of each loan payment, after 12 consecutive months client can access funds (provides incentive for payment and equity for business).
- Prepare certain borrowers for a banking relationship.
- Require substantial documentation reflecting borrowers’ management capacity, business track record and showing business has ability to generate income to repay debt.
- Partner with local loan funds for capital for clients.
- Credit reporting, to start developing a credit score.
- Expose borrowers to conversations and critiques of traditional lenders to avoid future shocks.

Examples:
- Use credit reports from national credit bureaus that serve as a proxy for character assessments, tax returns, audited financial statements, decisions and verification of employment terms and compensation levels.
- Use automobiles, real estate, equipment, etc. to determine collateral providers compensatory coverage for loan.

OUTCOME TRACKING

Goal: Know what is happening in your program.
- Implement MIS and processes that can track growth, efficiency and cost recovery of new products and services.
- Connect to national efforts and accreditation processes that support and enhance performance.
- Collect, reflect, and act on data regarding program performance.
- Client must come out with a business plan.
- Answer what percentage of clients expected to graduate in a year actually do.
- Answer what percentage of clients have started, expanded, or stabilized a business.
- Track business status later after graduation.
- Know program revenue generated in relation to its costs.
- Know the cost per client for services.
- Decided what services to offer through staff and what to offer through referral to external organizations.
- Know to what extent clients implement consulting recommendations and what specific accomplishments they achieve as a result of participating in it.
- Build a monitoring and evaluation systems process aimed at supporting high program quality.
- Structure a process for the mentoring relationship with a clear beginning, middle, and end and with mechanisms for early exit.
- Develop a mechanism for recruiting and selecting appropriate mentors and protégés.
- Ration access to consultants by looking at core training outcomes.
- Monitoring and evaluation needs to be quantitative and qualitative and consider immediate and final outcomes.

Examples:
- Data collection processes, hardware and software to store, aggregate.
- Use program records to answer key success questions.
- Use surveys/client self-assessment forms to track skills acquisition and client satisfaction and program strengths and weaknesses.
- Use phone surveys or a sample of clients.
- Use program income and expense statements documenting client fees and other sources of revenue.
- Use staff time allocation sheets, income and expense statements, and client to know cost per client.
- Use periodic reviews of action plans produced by clients with consultants to assess achievements.

SUCCESS METRICS

Goal: Using what you learned tracking outcomes, have a program that works successfully.
- Client has a clear business idea.
• Client has direct experience in his/her business.
• Client has motivation and determination to work on developing business idea.
• Client knows basic financial tools.
• Client has confidence and strong communication skills.
• Program objectives include business development, community economic development, and poverty alleviation.
• Client completes training.
• Opens, expands, and stabilizes a business.
• Number of jobs created, depending on program goals.
• Amount of profit, depending on program goals.