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# INTERNATIONAL INSTITUTE OF PUBLIC MANAGEMENT

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## SUMMARY OF PROCEEDINGS

WORKSHOP ON ENTREPRENEUR SELECTION  
METHODOLOGIES AND THEIR APPLICABILITY  
FOR LESS DEVELOPED COUNTRIES (LDC's)

APRIL 28 - MAY 1, 1981

SPONSORED BY THE

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)  
RURAL DEVELOPMENT OFFICE  
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ADMINISTERED BY THE

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## ENTREPRENEUR SELECTION METHODOLOGY WORKSHOP

### I. Introduction/Overview

The ESM Workshop took place under the leadership of Mr. Louis R. Faoro of USAID, Rural Development Office. The Workshop was administered by the International Institute of Public Management. It was held as an intensive problem solving workshop for four and a half days (April 28 - May 1, 1981) with a very specific goal. The consensus of all participants was that the workshop was highly successful, met the specified goals, and provided a forum for highly relevant interchange on "state of the art" methodology in participant selection for less developed countries (LDC) entrepreneurship development programs. This report details workshop goals, summarizes the processes used to achieve the goals, the presentation outcomes which advanced goal attainment, and workshop conclusions, recommendations, and next steps. Materials presented as papers, presentation hand-outs and presentation content supporting documents were collated and can be appended to this report on reader request.

#### Workshop Participants

1. Louis R. Faoro, USAID, RS/RAD, Workshop Chairperson
2. Dan Edwards, US Peace Corps, Associate Agency Training, Specialist, Workshop Process Consultant Facilitator
3. George O. Klemp, Jr. McBer and Company
4. Lyle M. Spencer, Jr. McBer and Company
5. Udai Pareek, Indian Institute of Management (IIM)
6. T.V. Rao, Indian Institute of Management (IIM)
7. Pauline C. Tay, Malaysian Industrial Development Finance (MIDF)
8. Gene R. Ward, Hawaii Entrepreneurship Training and Development Institute (HETADI)
9. Carl Liedholm, Department of Agriculture and Economics, Michigan State University

#### Other Contributors (direct discussions or submission of documents)

1. Robert Nelson, University of Illinois
2. Kenneth Lauks, Laurentian University
3. Philip Neck, International Labor Organization
4. Richard Morse, East-West Center

5. Gerald Smith, Irish Management Institute
6. U. G. Patel (via U. Pareek and T.V. Rao) GILC, India
7. Various World Bank Staff

Observers/Visitors

1. Jan Hersee, Practical Concepts Incorporated
2. Robert W. Hunt, USAID
3. George L. Roberts, IIPM

II. Workshop Goal: The following charge was given by USAID as the only goal for the workshop:

Identify or develop an entrepreneur/small enterprise manager selection methodology having the following characteristics:

- Reliability
- Cross cultural validity
- Independent of reading and writing skills
- May be administered to groups or individuals
- Requires minimal adaptation to country
- Transferability (local personnel can be trained to administer)

Prepare summary report on the substantive findings and recommendations of the workshop.

III. Workshop Process

There were several features to the workshop which contributed to a manageable, smooth, effective process and which allowed the group to meet the workshop objective by the end of the third day. They included the following:

- 1) The workshop was limited to a select few experts who were brought in as resources with direct field-based experience in the problem under consideration. Experts were selected who provided a mixture of research-oriented specialists with substantial field experience), who were field practitioners both from the U.S. and developing countries, and who were individuals with hands-on experience in Small Business development. All participants had some or all of these characteristics.
- 2) The workshop group was professionally managed as a working team with active process facilitation. The facilitation continually focused the group by clarifying, managing the synthesis process, and by moving the group

toward goal attainment. The facilitator was aided by the AID Chairperson in this effort. Standard presentation aides such as audio visual, flip chart, and materials-support equipment were provided.

- 3) The presentation-workshop mode process consisted of:
  - A) Presentation of about one and one-half hours by each expert
  - B) Critique/Analyses of presentation against problem criteria by group
  - C) Synthesis toward goal attainment or problem solution
- 4) The workshop process had a minimum of outside interruptions by visitors coming and going. Those participants who arrived after the workshop norms were set and the process begun, were integrated into the working group by a briefing process. All participants were expected to contribute to the process by presenting ideas or otherwise serve as active problem solvers. AID agency personnel were advised of this ground rule in advance. (See memo in Annex A)
- 5) The analysis-critique process followed a rigorous comparison of the selection methodology presented against the criteria for problem solution. The discussions were lively, fiercely advocated and debated, and ultimately, a consensus was reached on synthesis elements to problem solving.
- 6) The process moved along rapidly in the problem solving mode. The group reached consensus on the solution to the problem one half day ahead of schedule. It was decided that the best use of time for the last half day of the workshop was to move ahead with the drafting of the project proposal, by Mr. Faoro, using the conference group as consultants to the process.

Two quotes from the conference participants typify the climate of the workshop and indicate some of the unanticipated benefits of this type of workshop:

"I never expected to learn so much; usually one pays a great deal for this kind of opportunity."

"I think this week has been very valuable because it gives us some very good ideas to go back and try out in our own settings...even though I know that is not our agenda here."

#### IV. Presentation Outcomes

Detailed information on each presentation can be appended to this report on reader request. This section summarizes the main characteristics of the selection methodologies presented and lists the main advantages and limitations of each methodology.

A) The McBer System

Main characteristics:

1. Identification of "job competencies" of the entrepreneurs or small enterprise managers sought. This establishes an indigenous model or prototype
2. Use of operant method selections
3. Use of behavioral event interviews
4. Use of thematic analysis in interviews and comparing interview data with competency model

Main advantages:

1. Emphasizes actual behavior on the job (of entrepreneurs or managers) which is necessary for success in the job
2. Has high inter-rater reliability
3. Is quick
4. Requires only small samples
5. Has cross-cultural validity
6. Can be taught to others

Main limitations:

1. Requires expertise and thorough training of interviewers
2. Uses only one method, and may miss assessment of some dimensions
3. Does not include "First Cut" methods, such as screening of applicant through advertising, application analysis.

B) The Indian System

Main characteristics:

1. 3-stage selection procedure (announcement, application form, tests, interviews)
2. Use of announcement and advertisement
3. Use of well-designed application blank, with scoring manual
4. Use of psychological tests
5. Use of interview
6. Use of a panel (including an entrepreneur) for interviewing

Main advantages:

1. Helps in self-selection
2. Narrows selection to lesser member (after two screenings)
3. Is easily transferable

Main limitations:

1. Tests have not shown discriminatory power, may not be valid
2. Has limited value with illiterate or tribal groups
3. Probes operant dimensions very little

C) Approach Being Evolved by Pareek and Rao (partly used in Malaysia)  
Main characteristics:

1. Identification of "Key Performance Areas" (main responsibilities)
2. Identification of "Critical Attributes" (which distinguish effective from less effective)
3. Use of both operant and respondent measures
  - a) Use of new and innovative tests, designed or adapted and validated in a culture
4. Use of simulated material

Advantages and disadvantages:

The methodology presented above is in the formative state and analysis on the data has not yet been done although it was agreed that the testing elements are not likely to be valid.

D) The HETADI Method  
Main characteristics (passive diagnostic):

1. Advertisement (newspapers, fliers, media, mini-seminars, pre-course quiz)
2. Preliminary selection, from two tests and an application form
3. Scored interview: panel of experts, consensus decision

Variations (for New Zealand Model):

1. Advertisement: mini seminar - business plan seminar, two days
2. Interview using feasibility statement (developed after seminar)

3. Participation in three week business course on how to start a business

Main advantages:

1. Variety of advertising methods (seminar) provides some pre-selection
2. Method works within the context of a total system; selection becomes participation and vice versa

Main disadvantages:

1. Does not meet time line criteria of quick and easy
  2. Use of tests in initial screening not validated
  3. Tribal affiliation, age, ethnic group has no correlation with success
  4. Research on 15 dimensions of possible success - correlates only power drive, 3-5 years of work experience, and a subjective assessment called "Hussle" seemed to correlate with small business success in an entrepreneurial role.
- F) Summary of Methodology compared with goal and constraints to the problem:

The following table summarizes the results of the presentation findings compared with a series of dimensions which were used in determining the utility of the methodologies presented. 0 means "on-target;" X means "informal data, non-conclusive."

v. Workshop Conclusions and Recommendations

1. Establish a competency model based upon the development of "assessment dimensions" using the Behavioral Event Interview methodology (BEI) developed by McBer.
2. Using #1, generate complimentary "weeding out" mechanism:
  - a) advertisements
  - b) application forms which are rated
  - c) timely experiential activities (e.g. mini-courses, simulations, group meetings)
3. From #2, identify a manageable sized group
4. With the identified group apply BEI for final selection

OPTIONS:	Transferability to local individuals:	Adaptation to local environment:	Can be administered to groups:	Literacy not required:	Less than one day sufficient:	Cross-Cultural validity:	Reliable:	Political acceptability (local);
1. Advertisements	0	0	0	0	?	0	?	0
2. Group meetings	0	0	0	0	0	0	?	0
3. Psychological tests	0	0	X	X	0	?	X	?
4. Interviews:								
A. Structured	0	0	X	0	0	0	0	0
B. Behavioral Event	0	0	X	0	0	0	0	0
5. Nominations (by govt. officials, Village leaders, religious leaders, extension agents, et al) and by specific groups: artisans, youth women, coops, villages	0	0	0	0	0	0	X	0
6. Development i.e. induction by involvement in projects, training, education	0	0	0	?	X	0	?	0

5. Apply the methodology now in developing country settings. This will prove the effectiveness of the methodology thereby stimulating its replication and, at the same time, significantly improve our performance in establishing new employment-creating enterprises.

The above recommendations form a simplified schematic of a whole, or complete process for selection of individuals for small entrepreneurial development projects. This approach meets the criteria which was defined in the workshop goal. The recommendation was unanimous among the participants.

The following comments were added as cautions and conditions for the effectiveness of the proposed solution:

1. If there is little "opportunity structure," it may be more difficult to establish a competency model. One must consider the ultimate potential for success, especially in some rural, third world environments.
2. The competency model development team should survey the environment to determine the opportunity for ultimate project success, otherwise even accurate selection might have limited impact.
3. Pilot development of the model and initial work should take place where there is a reasonable expectation of ultimate "overall project success."
4. The "competency model" is relatively new and has not been applied in the third world rural areas; It is suggested that the parallel testing and development of models be conducted in places like Hawaii and/or Egypt where a great deal of comparability data now exists.
5. Do the selection methodology project development on a pilot basis in countries expressing clear interest; be selective.
6. Consider carefully the institutional structure which sponsors the pilot, involve the sponsor in all phases of development of the methodology and institutionalize the methodology in the process.

#### VI. Workshop Recommendations on Next Steps for "State of the Art Development"

There was a great deal of exchange on "state of the art" of small enterprise development which is not reflected in this workshop report. Much of this interchange took place outside of formal sessions or in the midst of discussions which were related to the workshop goals. It was the overwhelming feeling of the group that a workshop structured around a similar process would be extremely valuable in defining the "state of the art" in the general area of small enterprise development.

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