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Principles for
Effective
Design and
Management of
Small Business
Development
Centers

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Principles for Effective Design and Management of Small Business Development Centers

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All views and conclusions expressed in this report are those of the authors and should not be attributed to the U.S. Peace Corps, the U.S. Agency for International Development, or any other organization. Responsibility for errors or misinterpretations rests with the team.

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EXECUTIVE SUMMARY

With the growing attention on the role of the private sector in economic development, the U.S. Peace Corps has become increasingly involved in promoting small business development. Assistance has focused on developing the institutional structure to support private business development by strengthening local organizations and on delivering of training and advisory services directly to individual firms. Small business development centers (SBCs) have received renewed attention as one possible approach that combines both these features.¹ SBCs provide training, advisory services, and other specialized assistance to small-scale entrepreneurs, while serving as a hub for information on other resources in the community. Services are usually subsidized, if not free. In developed industrial countries, SBCs help level the playing field for small businesses to allow them to succeed in the national economy. Recently, international donors have looked at these programs as models for supporting private sector development in the transitional economies of Eastern Europe and the Newly Independent States (NIS).²

The U.S. Peace Corps has been active in small business development since the early 1980s. Peace Corps staff and volunteers have been among the first on the ground in providing assistance in the emerging market economies of Eastern Europe and the former Soviet Union. Currently, the Peace Corps is exploring SBCs as a vehicle for meeting the enormous demand for small business assistance in this part of the world. As a step in this process, the Peace Corps commissioned a study under the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project to examine the experience of SBCs in the United States, Western Europe, and Eastern Europe.³ The purpose of the study was to observe how SBC technology from Western countries has been extended to locally funded and donor-funded SBCs in Eastern Europe and the NIS and to discover cross-cutting principles of effective SBC program design and management.

The team carried out preliminary interviews with a broad range of SBCs and selected 28 programs for in-depth review. Each SBC was visited in person. Managers and staff were interviewed, using a specially developed questionnaire that solicited information on program goals and objectives, organizational structure, services, staffing, client profiles, program financing, institutional collaboration, monitoring and evaluation, and lessons learned. The team also interviewed clients from most of the programs to obtain their impressions on usefulness of services.

On the basis of the data collected, many principles of effective SBC management were found to apply across widely varying program and country contexts:

- **Clear Definition of Objectives.** The primary objectives of a program help shape the approach that makes the most sense — the number and quality of managers and staff required, the mix of services that should be offered, and the procedures that should be

¹ "SBC" will distinguish small business development centers as a generic approach from the U.S. Small Business Development Center network, which will use the acronym "SBDC."

² For ease of expression, the phrase "Eastern Europe" is used in this report rather than the more comprehensive "Central and Eastern Europe"; however, all comments concerning Eastern Europe should also be taken to apply to the Central European programs visited.

³ GEMINI is a five-year centrally funded A.I.D. project. GEMINI provides technical assistance to USAID Missions and Bureaus and carries out ongoing research on cutting-edge approaches to micro- and small-scale enterprise development. Development Alternatives, Inc. (DAI) is the prime contractor for GEMINI.

adopted for implementing the program. One of the key issues that must be clarified from the outset is whether creation of a permanent institution is a primary objective. SBC programs can be classified according to the emphasis they place on institutional development as opposed to direct delivery of services. When institutional development is a primary objective, as is the case for many donor-funded SBC initiatives in Eastern Europe, an explicit, adequate level of human and financial resources must be committed to this objective from the start. It is not possible to say that one approach is inherently better than another. The appropriateness of a particular approach depends on the primary objectives of the principal funding source as well as on the context.

- **Assessment of Context and Needs.** Supply-driven programs featuring inappropriate services result in limited impact and are unlikely to achieve financial self-sufficiency. Assessment of context and needs is a critical step in program design. Assessments should cover the policy and regulatory environment in which small enterprises operate, cultural and social characteristics of the client group, and the specific services entrepreneurs require. Assessments should also identify systemic (as opposed to firm-specific) constraints hindering small enterprise growth, as well as niches in which small business can have a competitive advantage.
- **Strong Leadership.** Sound management of an SBC requires continuous and committed program leadership. SBC managers must have a stake in the center's continued operation, a clear understanding of the program mission, a vision of its future development, and responsibility and authority for shaping program services and procedures.
- **Clear Financial Plan.** Once an SBC's primary objectives and basic approach have been clarified, a clear financial plan should be developed and implemented that reflects these objectives. For time-limited, fully funded SBCs, the emphasis may be on developing systems and procedures that make the most cost-efficient use of project resources, ensuring that services are delivered to the targeted groups. For programs that include a long-term institutional development objective, the plan should indicate the course to be followed in securing long-term financial support, including introduction of fee structures and fundraising plans. The financial plan must be linked to accurate ongoing monitoring and management of operational and program expenses.
- **Qualified, Dedicated Staff.** Most SBCs point to their staffs as both their biggest asset and their biggest potential liability. Attributes most valued include dedication, hands-on business experience, effective counseling and communication skills, sensitivity, and objectivity. Qualified staff are hard to retain. Most programs are not in a position to offer competitive salaries, given low levels of funding and the uncertain conditions under which many operate. This factor, combined with the demanding nature of the assistance, promotes high staff turnover — a serious impediment to effective program management and service delivery. To ensure effective staffing, SBCs should hire the best staff that can be found and pay them as well as possible; invest in ongoing staff development; provide other incentives to motivate staff, including performance-based bonuses and interesting training opportunities; and create an environment of certainty about program operation, even if this is for a known, limited time.

In the United States and Western Europe, volunteers tend to be of limited usefulness. Although they may be effective in filling certain niches, problems in using them often outweigh the benefit (the fact that they are free). Limited time availability and inadequate or inappropriate skills are the most frequent constraints. In the Eastern European programs,

foreign volunteers are often hindered from providing one-on-one advisory services by limited knowledge of local situations and customs and inability to speak the language. Despite these constraints, volunteers can make useful contributions by assisting SBCs to develop and implement plans for institutional sustainability, develop local networks to support small business, design databases and monitoring and evaluation systems, and develop training materials.

- **Focused, Businesslike Approach to Service Delivery.** Given the limited funding and scarcity of qualified staff that most programs face, a focused, businesslike approach to service delivery is imperative. When asked about the problems they face, several SBC staff interviewed mentioned the mistake of trying to do too much at one time. This tendency stems in part from a lack of clearly defined program objectives and in part from pressure to demonstrate impact, which often is reduced simply to counting the number of clients served. This type of pressure is particularly pronounced in Eastern Europe, where institutional support for private business is still limited and there are few, if any, alternatives to the services that a given SBC provides. When programs spread themselves too thin geographically and programmatically, the quality of services drops off. Strategies for coping with high demand for a broad range of services include establishing clear objectives, improving coordination with other donor-funded initiatives, building and improving linkages with other local business support organizations, and accurately assessing the most important needs of entrepreneurs. With clearly defined objectives and an accurate assessment of the local context and needs, SBC program managers can narrow the target client group, identify appropriate services, and concentrate deployment of resources.
- **Charging Fees.** Fees are a useful mechanism for separating serious, dedicated clients from those just shopping around. Clients who invest some of their own resources are likely to place a higher value on the services they receive and to take more responsibility for ensuring that they get what they need from counseling or training. Fees also contribute to the financial self-sufficiency of an SBC. There is no evidence that clients value free services above high-quality services; in fact, those interviewed made it clear that they believe that "you get what you pay for," and indicated that they would rather pay a reasonable amount and be entitled to expect professionalism than receive inappropriate, lower-quality services for free. By charging fees, SBCs practice what they preach and, in fact, become more like the private sector entities they are helping to create than like public sector vehicles for dispensing hand-outs.
- **Collaboration with Other Institutions.** Developing working relationships with other local institutions that support small business development is a critical step in planning for sustainability. The types of organizations SBCs need to collaborate with include local government agencies, financial institutions, trade and professional associations, chambers of commerce and industry, universities, technical high schools, training institutes, consulting firms, accounting firms, law firms, and other private service providers. Developing a local institutional network strengthens the fabric of support for small business development within a given community. At the same time, it lays the groundwork for the sustainability of SBC services, by allowing selected services to be transferred to another permanent institution or by mobilizing financial support from some combination of these other institutions. An effective referral network is one of the most important sources of program leverage an SBC can achieve; with such a network in place, an SBC can safely concentrate on its areas of specialization, connecting clients with assistance from other sources as necessary.

- **Links to the Private Sector.** Some SBCs, particularly in England, have found creative ways of stretching public funds and harnessing the private sector by forging linkages between clients' small-scale firms and large-scale industries. To develop these subcontracting, mentoring, and sponsorship ties, the staffs of SBCs must be aware of local and regional economic opportunities and see ways small businesses can be integrated effectively. Involving the private sector stretches program resources and provides clients with the most hands-on, effective assistance.
- **Impact Evaluation.** Impact evaluation is important for ensuring that services are benefiting clients and that benefits are worth the investment of public and private funds. However, measuring the impact of discrete services on overall small business performance is extremely difficult. Data provided by entrepreneurs after the fact are often unreliable, and growth, when measured, is hard to attribute to the services of a particular program. Despite these problems, almost all SBCs are required to collect data that indicate the impact of the programs and help justify their continued existence. Unfortunately, there are few examples of good monitoring systems to draw on. Devising effective monitoring systems that are not a burden to staff or clients remains a challenge. In the end, monitoring systems may be more useful as management tools for assessing and modifying service delivery than as vehicles for providing conclusive evidence about program impact. Indicators such as number of repeat clients, number of clients received through referral from prior clients, and number of requests for specific services provide a measure of the usefulness of services. These indicators have more meaning when services are not free but have some fee attached to them. Market validation in the form of clients' willingness to pay may ultimately be the best test of service effectiveness.

CHAPTER ONE

INTRODUCTION

PURPOSE OF THE STUDY

With the growing attention on private sector development as an integral part of economic development assistance, the U.S. Peace Corps has become increasingly involved in supplying volunteers to assist in the promotion of small business development. This area of assistance has taken on special importance in the emerging market economies of Eastern Europe¹ and the former Soviet Union, where Peace Corps staff and volunteers have been among the first on the ground in providing direct assistance. In general, assistance efforts have taken two main thrusts. The first has been providing assistance in developing the institutional structure to support private business development, by developing or strengthening local organizations such as business associations, training institutes, and business service firms and by working with local government officials to develop the regulatory infrastructure to support small business development. The second form of assistance has been through the direct delivery of training and advisory services to individual firms.

Small business development centers (SBCs) have the potential to combine both these features.² In their broadest form, SBCs are organizations that provide training, advisory services, and other specialized assistance to small-scale entrepreneurs, while serving as a hub for information on other resources in the community. Services are usually subsidized, if not free. In developed industrial countries, SBCs exist in different forms as a way of leveling the playing field for small businesses, to allow them to participate in and contribute to the national economy. Recently, international donors have looked at these programs as models for supporting private sector development in the transition economies of Eastern Europe and the Newly Independent States (NIS). The SBC approach is also being viewed with interest in other rapidly developing countries (for example, China) as well as in more traditional practice areas (such as Africa).

The U.S. Peace Corps has been an active force in small business development since the early 1980s. In countries around the world, Peace Corps small business development volunteers have helped create the institutional structure to support small business, working with government officials, financial institutions, training institutes, and other small business support organizations, including some early SBC models in Eastern Europe. The Peace Corps recognizes the potential that SBCs hold, both as a means of promoting institutional development and as a vehicle for direct service delivery. Given the growing demand for small business development assistance, the Peace Corps is seeking an improved understanding of the most effective way of incorporating SBCs into its programming efforts, whether by becoming directly involved in the creation of small business centers or by supplying volunteers to fill specific roles in programs created by others. Either way, the Peace Corps recognizes the importance of understanding the kinds of models that exist and the principles involved in operating successful programs.

¹ For ease of expression, the phrase "Eastern Europe" is used in this report rather than the more comprehensive "Central and Eastern Europe"; however, all comments concerning Eastern Europe should also be taken to apply to the Central European programs visited.

² "SBC" will distinguish small business development centers as a generic approach from the U.S. Small Business Development Center network, which will use the acronym "SBDC."

To clarify Peace Corps programming options in support of small business development, an assessment was conducted of selected SBCs in the United States, Western Europe, and Eastern Europe. The purpose of the assessment was to distill general principles involved in the operation of effective SBCs and to learn specific combinations of principles and procedures that seem to work best for promoting small business development in transitional or developing country contexts. By examining the experiences of SBCs in industrialized countries and the first round of SBCs in developing and transition economies, the assessment clarifies the advantages and disadvantages of different SBC models, the implicit and explicit assumptions underlying different approaches, and the human and financial resources required to enable programs to operate effectively.

METHODOLOGY

The assessment was commissioned by the Peace Corps' Small Business Development Sector in the Office of Training and Programs Support members (OTAPS) and was carried out during the first half of 1993. The assessment team included two full-time staff members of OTAPS; two experts from the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, and support from Peace Corps field staff in the Czech Republic and Hungary. The team worked closely with the Small Business Development Sector Manager.

The assessment began with a review of the literature on small business development centers (listed in References). The team then identified programs in the United States, Western Europe, and Eastern Europe.³ In Eastern Europe, the focus was on countries where substantial experience has already been gained with SBCs — Poland, the Czech Republic, Slovakia, and Hungary. Within these countries, the team identified as many different kinds of SBC programs as possible, in order to compare and contrast approaches. Preliminary telephone interviews were used to screen programs for in-depth study. Based on the preliminary interviews, 30 programs were selected for more in-depth assessment (see Table 1).⁴ In selecting the sample, the team focused on nonprofit programs (as opposed to for-profit consulting firm models) that provide some combination of training and individual advisory services. Programs whose primary emphasis is credit were not selected (since credit alone is not the emphasis of most Peace Corps small business development projects). Other selection criteria included existence of a particularly innovative or effective approach to service delivery and willingness on the part of the SBC staff to meet with the team.

³ Interviews in England and Ireland concentrated on programs directly involved in supporting small business development in their own countries, whereas interviews in Belgium and Germany were held with organizations responsible for assistance efforts to promote small business development in Eastern Europe and the NIS.

⁴ Because of circumstances beyond the team's control, one of the interviews scheduled for Hungary could not be completed, resulting in a final survey sample of 29 programs.

TABLE 1

SMALL BUSINESS DEVELOPMENT CENTERS GROUPED BY LOCATION AND TYPE

UNITED STATES	WESTERN EUROPE	EASTERN EUROPE
<p>Small Business Development Centers of the Small Business Administration</p> <ul style="list-style-type: none"> • New York State <ul style="list-style-type: none"> - Main office (Albany) - Pace University (New York City) - Ulster • Oregon <ul style="list-style-type: none"> - Main office (Eugene) - Umpqua Community College • University of Georgia SBDC • University of South Carolina SBDC • Washington State University SBDC <ul style="list-style-type: none"> - Main office (Pullman) - Everett <p>Minority Business Development Centers</p> <ul style="list-style-type: none"> • Portland MBDC • Chicago Mega-Center <p>Washington State Business Assistance Center</p> <p>Snohomish County Private Industry Council (Washington)</p>	<p>England</p> <ul style="list-style-type: none"> • Durham University Business School • Greater London Business Development Center • Hertfordshire Training and Enterprise Counsel • Project Northeast <p>Ireland</p> <ul style="list-style-type: none"> • Industrial Development Authority (Dublin and Dundalk) • Shannon Free Airport Development Company • Udaras na Gaeltachta (Galway) 	<p>Poland</p> <ul style="list-style-type: none"> • Foundation for Social and Economical Initiatives • OIC (Lublin) • Polish American Business Advisory Center <ul style="list-style-type: none"> - Warsaw - Lodz <p>Czech Republic</p> <ul style="list-style-type: none"> • Business Assistance Center (Ostrava) • Business Innovation Center (Pilsen) <p>Slovakia</p> <ul style="list-style-type: none"> • Business Assistance Centers <ul style="list-style-type: none"> - Martin - Nitra <p>Hungary</p> <ul style="list-style-type: none"> • Budapest B'nai B'rith Center • Debrecen Public Access Center

A survey questionnaire and an interview guide were developed (see Annex B) for use in each interview. Assessment visits lasted two or more hours and included the interview and a tour of the facility.

To provide a cross-reference on the effectiveness of the programs, an additional questionnaire and interview guide were developed for conducting interviews with clients from each program selected for in-depth assessment. The staff of each program were asked to arrange interviews with a mix of frequent users and one-time users, to include some who had received primarily training and some who received primarily one-on-one advisory services. In fact, the sample obtained reflected the staff's pragmatic approach to lining up clients, skewed toward those whom they had the easiest time contacting and who did not mind being interviewed — typically those on good terms with the program staff and happy about the services they were receiving. For this reason, the client assessments cannot be viewed as an objective source of information on program impact. However, they do provide interesting insights and reality checks on the types of services and operational procedures that make programs useful to clients. Client responses are discussed in Chapter Three, feeding into an elaboration of the general principles of effective SBC programs.

In addition to the program assessments and client interviews, in-depth informational interviews were conducted with national agencies and associations and donor organizations directly involved in supporting small business development efforts in the United States and overseas. Insights from these organizations are presented in country overviews in Chapter Two.

CHAPTER TWO

COUNTRY OVERVIEWS

OVERVIEW OF U.S. SMALL BUSINESS DEVELOPMENT CENTER PROGRAMS

The U.S. Government's role in supporting the growth and development of private business dates back to the 1930s, when experimental programs providing capital and technical assistance for farms and small businesses were put into place. In 1956, Congress created the Small Business Administration (SBA) to serve as both a service provider and an advocate for the interests of small businesses. The principal programs of the SBA at that time were capital-based: direct loans and guarantees, usually on concessionary terms. During the War on Poverty of the 1960s, there was an accelerated political interest in encouraging the development of minority-owned enterprises. This resulted in a huge expansion of government-supported efforts to help small businesses. The SBA and the Office of Minority Business Enterprise in the Commerce Department became the principal vehicles for supporting small and minority businesses at the national level. Additional initiatives, often involving direct capital investments — many of them using funds derived from federal grants — were put into place at the local level.

In the early 1970s, political willingness to support the War on Poverty through expensive capital investment programs was diminishing. The SBA made a strategic shift at that time, opting for loan guarantees over direct lending and embracing the concept of technical assistance programs as an alternative to capital programs. This shift marked the creation of the Small Business Development Center (SBDC) approach, although, at that time, the SBDCs were operated as service delivery offices of the SBA itself.¹ With relatively minor modifications, these priorities and programs remained unchanged until the 1980s.

In 1981, the Reagan administration began reducing support substantially for virtually all domestic initiatives, including small business support. However, at about the same time, a series of studies showed that a substantial part of all job creation in the United States was taking place in companies with fewer than 200 employees. These studies provided political support for small business assistance programs, helping them survive in a period of generalized and widespread program contraction. Two new structural themes emerged within the SBA's technical assistance programs during the 1980s. First, the primary program management responsibility was shifted to state governments and a cost-sharing requirement was introduced — the SBA now funds about half of the local program costs, and state governments are required to match those funds. In addition, states were encouraged to place the centers within universities or community colleges, as a way of making use of professors and graduate students in the universities. Although not all states operate their SBDC programs in conjunction with a university or community college network, a substantial number of them do.

The 1980s also produced two negative impacts on the SEDC system. First, overall financial support was reduced. In addition, political pressures at the state and local levels forced a diffusion and fragmentation of the delivery mechanisms. In most states, centers were established at a number of sites around the state, splitting the total state budget and limiting each sites's ability to build its service delivery

¹ As indicated in Chapter One, "SBC" will distinguish small business development centers as a generic approach from the U.S. Small Business Development Center network, which will use the acronym "SBDC."

capability. In the site visits, SBDCs consistently reported that they have far greater demand for services than they are able to satisfy, given their restricted funding levels.

On a parallel track to the SBA's program, the U.S. Department of Commerce supports the Minority Business Development Center (MBDC). Although some services mirror those of the SBDCs, MBDCs differ in several ways. On the one hand, they are not restricted to serving only small-scale firms. On the other hand, they have a narrower focus in that they serve only economically disadvantaged racial or ethnic minority groups.² In addition, the program focus is rigidly defined at the national level to pursue only two objectives: obtaining financing for minority businesses and seeking contracts from government and corporate set-aside programs.

The MBDC program operates in about 50 metropolitan areas around the United States, in addition to 8 regional centers focused exclusively on Native Americans. Each center is operated by a private contractor that bids for the contract on a three-year basis. The operators are usually consulting firms, sometimes minority-owned, but not exclusively so. Performance is graded almost entirely on the number of loans and procurement contracts obtained for minority businesses.

The MBDC program incorporates an interesting cost-sharing feature. Services are priced at market rate, usually \$50 to \$75 per hour. The client actually pays only 15 to 25 percent of that price, with the rest paid by the Commerce Department as its support payment to the center. The center operators do not receive the support payment unless services are actually delivered to a client willing to pay at least a portion of the market price. This is an effort to instill some market discipline into the service delivery, while maintaining a subsidy for those whom the program is trying to serve.

In addition to these national systems, a vast array of business support programs are provided at the state and local levels by governmental and nongovernmental organizations (NGOs). In terms of the technical assistance, there is often no difference between the services provided through governmental organizations and NGOs and those provided through the SBDC program. However, the governmental organizations and NGOs are more likely to directly link their technical assistance with some form of capital infusion, usually in the form of loans.

SUPPORT FOR SMALL BUSINESS DEVELOPMENT IN ENGLAND

The primary government offices charged with promoting business development in England have traditionally been the Department of Trade and Industry (DTI) and the Employment Department. In the late 1970s, in response to a government-sponsored report that found that English small business assistance strategies lagged behind those of other developed countries, DTI set up a network of Small Firm Service Centers. These centers provided business information and referrals over the telephone, as well as individual counseling and training. All were completely government-funded and -operated, and all services were provided free of charge. A few years later, as economic recession gripped the country, responsibility for the Small Firm Service Centers was transferred to the Employment Department, as the focus among policy makers switched from enterprise development to job creation.

² These are defined as Black (African American), Hispanic, Southeast Asian immigrant, and Native American (Indian, Eskimo, and Pacific Islander).

In addition, a variety of local NGOs emerged to meet the need for small business training and assistance that many felt was not being met by the Small Firms Service Centers alone. Over time, it was found that these NGOs were able to deliver services more efficiently and with greater local involvement than the government-run Small Firm Service Centers. Since 1990, cutbacks in funding and moves to increase efficiency and decrease redundancy have led to the demise of the Small Firm Service Centers. The government now channels support for small business through a series of contracts with NGOs and private firms directly involved in the delivery of services.

In England today, there are a many small business development centers and support programs operating in a decentralized system, providing a wide range of services. SBDC-type institutions include Local Enterprise Agencies (LEAs), Training and Enterprise Councils (TECs), and University Business Schools. In addition, municipal governments, chambers of commerce, and business associations provide services in support of small business development.

A great deal of business assistance in England is provided through group training courses focusing on business management, vocational skills, and general human resource development. Other business support programs provide individual advisory services, grants, soft loans, loan guarantees, subsidies or privately obtained advisory services, apprentice schemes, mentor or patron programs with private sector sponsors, supplier linkages with large-scale industry, and assistance in obtaining government contracts. Many programs target specific groups such as the long-term unemployed, unemployed youth, or employees in depressed geographic areas. SBCs in England have developed separate programs and services for start-ups and existing businesses. Most screen clients to identify the most appropriate and cost-effective intervention for a particular client.

Many programs in England are highly dependent on government support and admit that their long-term sustainability would be threatened should government funding be reduced. Most centers are attempting to find alternative sources of funding by seeking corporate sponsorship for specific initiatives and by increasing client fees. English SBCs do receive major contributions in cash and in kind from private corporations. Such funding typically involves cosponsorship of discrete activities and programs, as opposed to general operating support. In addition to pure philanthropy, firms benefit from these efforts through good public relations and government tax breaks. Some centers subsidize the cost of their assistance by taking on market-rate contracts from national and local government, NGOs that support small business, and other private clients in institutional and local economic development.

A major change is anticipated in the structure of small business assistance efforts in England with the imminent introduction of the one-stop shop initiative. This is an effort to centralize control and reduce redundancy in the services offered by the various business assistance organizations. Government funding for SBC efforts will be consolidated into a single institution per county. Training and Enterprise Councils, Enterprise Agencies, and other organizations will be encouraged to form consortia and bid on grants that will effectively put all of their services under one roof. While this shift may reduce redundancy, it may also reduce competition, flexibility, and innovation in service delivery. Many current SBCs are apprehensive about this new system.

SUPPORT FOR SMALL BUSINESS DEVELOPMENT IN IRELAND

In Ireland, the Industrial Development Authority (IDA) is both the agency of the national government responsible for overall business development and the primary vehicle for small business assistance. Its Small Business Division provides assistance to Irish firms with fewer than 50 employees

or less than £0.5 million in sales. IDA is headquartered in Dublin and has nine regional offices. Two other programs were visited in Ireland: Udaras na Gaeltachta — the national Irish government agency focusing on the social, cultural, and economic development of the Gaelic-speaking areas of the country — and the Shannon Free Airport Development Corporation, concerned with the economic development of the area surrounding Shannon International Airport. Both have programs similar to IDA's and refer clients to IDA directly.

Irish SBCs have made the strategic decision to focus assistance on firms in those sectors with the greatest potential to develop the economy as a whole: manufacturing, export, and import substitution. None of the organizations interviewed was aware of any entities in Ireland specifically designed to assist domestically oriented retail or service businesses.

As in England, much of the assistance to small business is provided through NGO intermediaries or directly by the private sector in the form of subsidized programs. Activities and programs available in Ireland include vocational training; individual counseling; assistance in obtaining credit, grants, and other subsidized assistance; access to work space and business facilities; and business information. The Irish also attempt to link larger, typically multinational firms with smaller firms in producer-supplier relationships. Programs provide information on standards and specifications to small firms and point out to large firms the advantages of dependable local suppliers with fast turnaround. Technical assistance is provided to upgrade small firm production and allow them to meet large firm requirements. There is little funding available for general business management training, and there is general sense that relevant assistance is best provided on an individual basis rather than in a group. In both England and Ireland, programs conduct some qualitative and quantitative analysis of impact on client businesses, but, for the most part, performance of SBCs is judged in terms of numbers of courses offered, clients trained, and consultancies provided.

In addition to their domestic SBC programs, the English and the Irish governments are involved with the European Community in setting up SBCs in Eastern Europe as well as in the developing world.

SMALL BUSINESS DEVELOPMENT PROGRAMS OF THE EUROPEAN COMMUNITY

The European Community (EC) has three main agencies that support small- and medium-sized enterprise development. They are the European Business Network (EBN), the EC/PHARE program, and the program for Technical Assistance for the Commonwealth of Independent States (TACIS). All EC programs focus on sustainability of services, charging clients for all services provided and concentrating on building local community participation from the onset. The European Business Network was set up as a nonprofit organization in 1984 to promote business development in parts of Western Europe experiencing industrial decline. EBN supports small and medium enterprise development through Business Innovation Centers (BICs) that provide advisory services to new businesses involved in industry or industrial services. The BICs organize business training courses; provide one-on-one counseling, conduct project assessments; assist with access to credit; assist with local, national, and international marketing strategies; and provide access to a network of technical specialists. Most BICs also include an incubator facility to provide entrepreneurs with subsidized space. Several have seed-capital funds as well.

Most of EBN's funding is from the Commission of the European Communities; the rest is obtained from membership fees and sale of training materials. Individual BICs draw on a mixture of resources from local and regional governments and universities. Each BIC must develop a one-year plan

detailing its financing needs and is initially eligible to receive up to 75 percent of needed funds from a governmental source, but this amount is expected to decline in later years as the BIC moves toward sustainability. BICs charge for all services, including individual counseling; however, clients are not required to pay until their businesses are earning a profit.

The EC/PHARE program assists Central and Eastern European countries with the transition to a market economy. EC/PHARE provides assistance in policy and strategy development, direct financing, and technical and advisory services through a network of Business Advisory Centers (BACs). BACs offer assistance in business plan preparation, tax advice, and access to information services through links with the EC Euroinfo Center, a computerized network with information on trade and joint venture possibilities. More than 40 BACs have been established since PHARE was launched in December 1989. PHARE also funds Business Innovation Centers in Warsaw, Budapest, Prague, and Sofia. Management of the BACs is very decentralized. Most decisions are made in the host country on the basis of regional development objectives. BACs are initiated by requests from national authorities of the country in question. EC/PHARE provides up to 70 percent of the funds required for start-up of a BAC, excluding salaries and rent, which typically must be covered by the local community. An explicit goal of the program is to move the BACs toward self-sustainability within three to four years, but so far this has not been the case.

TACIS was designed in 1992 and is expected to begin in August 1993. The program is similar in scope to PHARE, except that it will not provide direct funding for credit. At present there are plans for six Business Advisory Centers to provide consulting services to new and existing small and medium enterprises. The BACs will be located in large cities, in accordance with regional development plans developed by the individual countries. There are also plans for eight communication centers, which will provide information on joint ventures and facilitate networking between other business support organizations in the NIS and the European Community. A local matching contribution will be required, either from a government agency or through local unions or associations. The goal will be for the centers to achieve self-sufficiency in two to three years. The European Community has set aside funds to support TACIS for two years, after which the program will be evaluated to determine future funding.

GERMANY'S APPROACH TO EXTERNAL SMALL BUSINESS DEVELOPMENT SUPPORT³

Germany sees its efforts in Eastern Europe and the NIS less as traditional development assistance and more as trade relations promotion. The Germans are quite aware of the potential markets and investment opportunities in the strengthened economies of their Eastern neighbors. The main thrust of their assistance efforts is to facilitate the creation of an enabling environment for private sector activity. To this end, their assistance has focused on creating and strengthening trade and industry associations as advocacy and service institutions that support private business. Recognizing that the economic future of many of the post-communist countries lies within the European Community, German assistance seeks to develop institutions that will mesh smoothly with existing Western European systems. (One of Germany's main criticisms of other donor approaches is that they often fail to question whether the systems being introduced fit the circumstances or future direction of the beneficiary country.)

³ Site visits in Germany were limited to agencies of the government engaged in supporting business development outside Germany. Domestic SBCs were not visited.

The Ministry for Economic Cooperation (BMZ) is the branch of German government charged with executing the bulk of Germany's foreign technical assistance. The Private Sector Division of BMZ supervises activities related to small enterprise, industry, the financial sector, advisory services to government, tourism, and standard certification and quality control. BMZ's strategy for Eastern Europe is to promote trade and policy reform through a focus on strengthening of chambers and small business associations. This is the approach it has used to support small and medium enterprise development in developing countries, and it is being transferred to Eastern Europe with some adaptations. The main thrust of the approach is through twinning, or pairing German chambers and associations with Eastern counterparts under the Partnership Program.

Germany has two chamber systems, one for small business crafts (Zentralverband des Deutschen Handwerkskammer, or ZDH) and one for all other types of business (Deutsche Industrie und Handelskammer). Each has branches at the regional, state, and federal levels. There are about 60 ZDH chambers throughout Germany. The membership of these chambers includes both individual firms and guilds and trade associations.⁴ The industry-specific guilds and trade associations reflect the fact that technical specialization is needed to address specific subsectoral problems. The guilds handle the technical aspects of the federally mandated vocational training program; the chambers coordinate between programs and handle policy and regulatory issues that cut across sectors. The chambers are created by law, and membership in them is compulsory.

Through the Partnership Program, regional chambers are matched with chambers, associations, or guilds in developing countries that have similar scopes of service and whose members have similar interests and needs.⁵ The main goal of the program is to support self-help efforts on the part of small and medium enterprises and to create independent organizations that are financially self-sufficient. Assistance focuses on improving the capacity of local institutions to develop vocational training programs, deliver needed services to members, lobby on behalf of members' interests, develop human resources through training and vocational or apprenticeship programs, and develop strategies to increase self-financing. BMZ pays for training, consultant time, staff visits, personnel exchanges, and hardware. Local chambers must pay their own operating costs.

The German counterpart chamber is the primary implementor of the technical assistance. This private-sector-to-private-sector approach is viewed as the most effective way of transferring practical skills directly to foreign counterparts. To receive public funds to participate in the program, regional chambers must be able to demonstrate substantial commitment of their own personnel resources to the effort. This includes staff time for management, training visits, support in locating used equipment, and identifying and supplying technical literature. Staff of local institutions are brought to Germany for training, and German counterparts are sent to the host country to provide direct assistance, identify and meet short-term technical assistance needs, and provide informational support. Local counterparts are expected to cover operating costs and in-country costs of visiting staff.

Recently, the German chamber system created a new private nonprofit foundation to coordinate implementation of the Partnership Program — the Foundation for Economic Development and Vocational Training (SEQUA). SEQUA's primary objective is to strengthen the private sector economy in Central

⁴ There are 125 different guilds and trade associations, representing groups of firms within particular industry subsectors.

⁵ The Germans also twin savings banks as part of their assistance program.

and Eastern Europe and developing countries by mobilizing the know-how of German private sector organizations and enterprises. SEQUA provides advisory services to governments on developing private sector support organizations and financial support systems; provides support to chambers, associations, training institutions, and other private sector organizations; and carries out economic and policy research. SEQUA is funded by BMZ, the Ministry for Education and Science, and the Ministry of the Interior, and coordinates closely with the Commission of the European Communities.

SMALL BUSINESS CENTERS IN EASTERN EUROPE

With the transformation of Eastern Europe from centrally planned to market-based economies, both the U.S. and EC assistance programs offered immediate assistance to support the conversion process. From the start, it was recognized that emerging businesses in this region would need basic education in the mechanisms and practices of market economics. Creating business technical assistance programs seemed a logical first step.

Poland

Poland has several factors in its favor with regard to the development of a private small business sector. First, unlike some of its neighbors, Poland had an active private sector prior to Soviet dominance and maintained elements of it throughout communist governance. Farming was always in private hands. Today, the main constraints experienced by Polish entrepreneurs are availability of finance, high taxes, and general uncertainty about the future, which makes it hard to plan. While they do require some training and orientation on performing in a market economy, basic entrepreneurial skills are more widespread than in other parts of the post-communist world. Second, as the first formerly communist country in the Eastern bloc to embark on transition, Poland had the undivided attention of the global community for a short time, ensuring a period of concentrated support. Poland also has had more time for some of the hard economic restructuring measures to take effect. Finally, the Europeans, in particular, realize the important economic and political role a revitalized Poland will play in Central Europe, and they see helping Poland as an integral part of developing their future market. Poland is slated for inclusion in the European Community by the year 2000. To that end, the Europeans are providing support to create and strengthen a private sector that meshes with the European institutional structures, regulations, and standards.

In part due to the substantial amount of political reform that has taken place at the local level, Poland is currently witnessing the rapid emergence of business, craft, and trade associations. Some donors, such as the Germans, are directly trying to encourage this trend, seeing it as the best way to set up a lasting institutional structure for supporting small enterprise. Their view is that, over time, some of these organizations will evolve into sustainable institutions with real bases of popular support and legitimacy with respect to local government, and could become logical homes for the services currently provided by the various donor-funded business development centers.

The European Community is the largest foreign donor in Poland. Through the PHARE program, the European Community has established 17 Business Assistance Centers over the past two years. PHARE provides support for start-up and operating costs, including equipment and staff training. Local communities are expected to cover staff salaries. PHARE provides staff training in Western Europe and one year of on-site advisory assistance to each BAC. Staff are trained to conduct project assessments, develop service products that suit the local market, build relationships with and provide counseling for

clients, and develop informational databases for the region. Staff also receive training in business concepts, including finance, legal issues, marketing, preparation of business plans, and establishing supplier-distributor linkages between large and small businesses.

All the BACs are encouraged to charge fees. In selecting sites for the BACs, PHARE solicited proposals from local governments; the level of local support was a key criterion for eligibility. When the program started, PHARE had hoped that 25 percent of each BAC's costs would be covered by local organizations, but, so far, it has recovered only about 10 percent of program costs. BACs focus on existing businesses rather than start-ups, providing a mixture of training, one-on-one advisory services, and, in some cases, direct credit.

The Germans are the next largest donor in Poland. As mentioned above, the emphasis in the German program is on strengthening business and trade associations and chambers. Chambers and associations are emerging in Poland in a structure already similar to the one in Germany. German technical assistance seeks to reinforce the development of these institutions through a twinning approach, in which German chambers and associations are matched with their fledgling counterparts in Poland. So far, the Germans have matched Warsaw with Düsseldorf, Posen with Kassel, Gdansk with Kiel, and Katowice with Essen. The main emphasis is on assisting these organizations to develop strategies for increasing membership and financial self-sufficiency; actual delivery of services is only a secondary objective.

The program funded by the U.S. Agency for International Development comprises more than 40 separate initiatives in support of small business; to date, there has been only very modest coordination of these efforts. In addition, the U.S. Congress appropriated funds to the Central European Small Business Enterprise Development Commission to replicate the SBDC program in three countries. Under this program, U.S.-based private contractors are responsible for implementing a program to establish SBCs in Warsaw, Gdansk, and Lodz. The contractors began by conducting needs assessments and identifying staff, who were then brought to the United States for training at the University of South Carolina SBDC. The services and processes mirror those of SBDCs in the United States, including the policy of not charging fees. There is no clear sense of how these programs will be sustainable when U.S. funding ends. Many are looking to the European Community as the funder of next resort — although PHARE programs observe different procedures with regard to requirements for local government matching and policies on charging fees.

The Polish government's own main initiative in support of small enterprise development is the Foundation for Social and Economical Initiatives (FISE). FISE has a network of 16 Local Initiative Agencies throughout the country. The program receives funding from the Ministry of Labor and is also supported by the French. FISE's quandary is that it has a broad mandate that extends beyond business advisory services to include a range of social and human resource development objectives. At the same time, its main target audience is the unemployed — those trying to start a business for the first time who are most in need of assistance. The FISE program is less well funded than comparable programs, with the result that its staff is less well trained while being expected to fill a variety of functions. Most members of its staff do not speak English, further limiting the program's access to foreign donor resources in the country.

Although the volume of donor support for Poland is considerable, there has been relatively little coordination of initiatives to date. Instead, each donor has negotiated arrangements at the local level, despite the national government's attempts to provide overall coordination of foreign donor support. The result is that it is not clear how any of these donor efforts fits into or is part of a longer-term government plan, and, therefore, many are likely to fold when donor funding runs out. Programs such as PHARE

and the German-sponsored initiatives have the best chance of survival because of the real economic stake these parties have in the sustainable development of institutional capacity and economic development in Poland. This is not just because of the volume of aid they are injecting, but also because of the form — PHARE is adopting a commercial approach by building in a local contribution from the outset and encouraging fees, and the Germans are focusing on institutional development. The U.S. program currently seems more motivated by political objectives, to the extent that the emphasis has been on speed of start-up rather than on groundwork for sustainability, and it is not clear how the program fits into Poland's longer-term economic development.

Each of these business support programs has different strengths and weaknesses. For example, because they pay for staff, the U.S. programs have been able to attract higher-caliber managers and pay them more than the PHARE or FISE programs. There is some concern that by trying to maximize geographic coverage, both PHARE and FISE have spread themselves too thin; on the other hand, they are more in tune with the need to build local support and charge fees to ensure sustainability of services. Also, PHARE requires staff to deal directly with program accounting, whereas the U.S. models have had U.S.-based contractors manage program finances. Although the U.S. approach frees staff time to deal with clients, it removes the staff from the reality of operating the center, making it harder for the programs to develop solid sustainability plans. One result of these disparate approaches is that, rather than collaborating, some of the donor programs end up in effect competing with each other. For example, in Gdansk, the EC/PHARE center and the U.S.-funded center both serve the same target market, but the U.S. program provides services for free.

There is an office in the Polish government responsible for coordinating all foreign assistance for small business development; however, there is no government policy to guide this office. The European Community has taken a formal role in coordinating 24 donor programs, and the United States also has an initiative to offer policy coordination and guidance in small business support.⁶ However, most donors do not want to give up the autonomy they currently enjoy in how to run their programs.

The Czech Republic and Slovakia

The sites chosen for interviews in the Czech Republic and Slovakia were, with one exception, all EC/PHARE program sites. Three were Business Assistance Centers and one was a Business Innovation Center. All four centers have been operating only a short time. The staff interviewed were all highly trained, aware of needs and issues, and interested in carrying out their missions. At the same time, the service programs generally appeared to be fairly superficial, and, in most instances, the institutions did not appear to have long-term staying power. Unlike in Poland, the EC strategy appears to be short-term, with no expectation of continuing support; it is not clear whether this apparent difference in commitment reflects the quality of individual staff and programs or EC policy. The stated EC policy for the Czech Republic and Slovakia is to withdraw within three years and hope that local support will sustain the organizations. The European Community provides staff training, equipment, and overhead support, but does not pay staff salaries. Staff members are trained under an arrangement with the University of Durham in England.

Services tend to concentrate on training, with individualized assistance provided on a selected basis. Training courses seem to be the most predominant form of service. Training programs range in

⁶ For the last 18 months, the GEMINI project has had a long-term advisor working with the Council of Ministers on the development of a coherent national policy to guide small business development efforts.

length from one day to one year. In most locations, funding is available from the local Labor Office to prepare displaced industrial workers for the possibility of entrepreneurship and small business operations. BAC and BIC services parallel those the European Community offers in other countries. Individualized assistance is provided in a variety of areas, including marketing, business planning, tax issues, legal issues, and finance. Through certain government initiatives, it is possible for banks to obtain loan guarantees for business loans, and the centers help package businesses for these guarantees. However, there are also widespread complaints about the slowness of response by the guarantee sources and the local banks. With the exception of the BAC in Ostrava, the centers provide most of these services at little or no cost to the recipients. EC/PHARE-funded BAC programs are encouraged to charge fees.

The centers serve several distinct groups of clients. These included individuals referred by the Labor Offices for training and entrepreneurial preparation, employees of state enterprises displaced by privatization, and private entrepreneurs starting new enterprises. In general, there seems to be an equal split between manufacturing and retail clients, with each representing about 40 percent of the total client population. For most services, the majority of the centers' clients are men, with the notable exception of accounting classes, where women constitute about 80 percent of the students. Most clients have been in business for less than two years, and at least half would be considered start-ups. Most have fewer than 5 employees, although a few (particularly the privatizing enterprises) have more than 50.

The European Community attempts to introduce a local oversight structure for each program, consisting of business, banks, and local government. These local groups help support the centers, usually by contributing space and paying for direct labor. The European Community pays for other overhead and provides equipment and training. The hope is that local interests will pick up all costs when EC funding is phased out. In fact, because of severe limitations on local resources, there is a good chance that many SBCs would not be able to provide support in the absence of EC funding.

Two of the organizations seemed to address the issue of long-term support head on. The Business Innovation Center in Pilsen has obtained a well-situated building from the local government, part of which it is leasing out to clients. Rent covers a substantial portion of program costs, providing reason to believe that this BIC will be able to sustain itself over the long term. Meanwhile, the Ostrava BAC is concentrating on generating revenue through client fees. Fees have the advantage of creating an income flow, but prevent a significant portion of the community from receiving services. To date, revenue flows from fees have been minimal.

Hungary

In Hungary, two programs were examined for this study -- an SBC located in Debrecen, modeled on the U.S. Small Business Administration's SBDC system,⁷ and an SBC located in Budapest, set up by the B'nai B'rith Foundation of England with funding from the British Know-How Fund.⁸

⁷ The Debrecen SBC was established by Public Access, Inc., a private firm based in Washington, D.C.

⁸ A third SBC was targeted for investigation, namely one of the Local Enterprise Agencies established by the government-sponsored Hungarian Foundation for Enterprise Promotion, with assistance from the European Community's PHARE Project; however, due to timing constraints, staff of this highly successful program were unavailable to meet with the team for the full time the interview required. LEAs are linked by computer to one another and to an EC business support database. LEAs can direct clients to various sources of financing provided directly by EC/PHARE (for example, a microcredit loan program and a loan guarantee program for firms that seek

The goals, objectives, and general approach of both programs are similar: to promote the development of small- and medium-scale businesses in Hungary through training, advisory services, and information. The scope and comprehensiveness with which these activities are carried out, as well as the nature of the client base, do differ somewhat. The primary issue each of these models faces is long-term financial and institutional sustainability.

Both centers were set up by outside organizations as economic development projects in response to new opportunities for private sector development brought about by recent political and economic liberalization, and both have been operating for a relatively short time. Both provide training workshops, one-on-one management counseling, and computerized access to information on a variety of business subjects, including laws and regulations, taxation, marketing, and general management. Business service facilities, such as photocopying, faxing, computers for word processing and spreadsheet development, translation assistance, and meeting room space, are also provided. Both centers are also developing regional business directories, as well as collecting data on foreign firms for input supply and marketing. Also important is the provision of assistance in linking clients with sources of financing. Both centers have developed working relationships with specific banks amenable to small firm lending.

The Debrecen Center was set up by a consortium of municipal authorities, local chambers of commerce and business associations, and universities, with a board of directors composed of representatives of Hungarian governmental and nongovernmental entities. Foreign donors have provided funds for start-up, staff training, and operating costs, and the consortium has provided the actual facilities, often with extensive renovations. The SBC works with start-ups and existing businesses with fewer than 60 employees. Most client firms have fewer than 10 employees, and many are sole proprietorships in retail and services. The B'nai B'rith Center works with slightly larger clients, with a bias toward existing businesses in manufacturing.

A key issue surrounding SBCs in Hungary is their long-term economic sustainability. Both programs charge nominal fees to offset the training workshops, and also charge for photocopying, faxing, or access to foreign databases. Nonetheless, both remain highly dependent on donor funding to cover operating costs. The Debrecen SBC expects U.S. support to last until 1994, at which time revenues generated from fee income and contributions from the Government of Hungary and international donors are expected to support the program. Like any other demonstration project, the centers hope to establish track records of effective assistance to entrepreneurs and, thereby, build their financial support base. Neither of the SBCs in Hungary expects to cover its costs solely from fees at any time in the near future, given their target clientele. Both recognize the perils of single-donor dependency and recognize that developing diversified funding sources will be an indispensable prerequisite for achieving institutional sustainability.⁹

market rate loans from commercial banks), and a limited number of grants are available to very small businesses. Additional programs being developed by LEAs include small business subcontracting promotion with larger, often foreign-owned firms; business clubs; internships with successful firms; and a monthly show on local television spotlighting the activities of successful entrepreneurs.

⁹ Two Local Enterprise Agencies have approached this challenge by organizing themselves as nonprofit foundations with a separate for-profit consulting arm. The nonprofit side provides subsidized assistance to small businesses using EC/PHARE funding, and the consulting arm charges market rates to larger businesses and local governments, primarily for identifying joint venture partners and attracting foreign investment. The profits of the consulting venture cross-subsidize programs targeted to small business.

CHAPTER THREE

ANALYSIS OF SBC STRUCTURES, SERVICES, AND OPERATIONS

The interviews conducted with SBCs document the range of approaches they employ. The following sections parallel the categories of the Interview Guide (see Annex B). Each section contains a summary chart highlighting key findings in that category for each SBC, followed by a discussion of the trends and implications for program design and management. Each section begins with discussion of the U.S. and Western European approaches and proceeds to the Eastern European programs, thereby noting the manner in which the transfer of technologies and skills into Eastern Europe is taking place.

Analysis of the program responses provides a rich source of examples for organizations, such as the U.S. Peace Corps, that are interested in exploring approaches to private sector development centered around SBCs. The analysis also provides a basis for distilling some general principles of effective SBC management that apply across contexts, as well as guidelines for an appropriate SBC development strategy for Central and Eastern Europe, the Newly Independent States, and the developing countries of Asia, Africa, and Latin America in which the Peace Corps has traditionally worked.

PROGRAM GOALS AND OBJECTIVES

Centers in the United States tend to have a much more socioeconomically defined mission than those in Western and Eastern Europe. Many of the U.S. centers and programs have evolved out of the War on Poverty's national agenda, reflected by implicit (and in some cases explicit) targeting of disadvantaged business owners. Different centers and programs define different disadvantaged groups, including racial minorities, women, inner-city dwellers, rural dwellers, or microentrepreneurs, but, in all of these cases, the targeting reflects underlying objectives of the War on Poverty. One of the most frequently stated objectives is new job creation, prompting centers to concentrate efforts on generation of employment for disadvantaged groups. In some instances, centers are allowed to serve nondisadvantaged businesses if they can demonstrate that jobs are created for disadvantaged populations.

In England and Ireland, the general philosophy appears to be that any small business is an appropriate target for assistance, and that any assistance that can be provided ultimately adds net value to society. Although there is considerable ethnic diversity in England, programs have not targeted racial and ethnic groups but, instead, have been focused along class lines, targeting youth and blue-collar workers in declining industrial areas. SBCs have designed programs to encourage younger people from these locations to start new enterprises as a way of breaking out of their industrial class limitations. They have also focused on assisting large, capital-intensive industry to diversify in ways that create opportunities for small-scale entrepreneurs.

In Eastern Europe, the new SBCs tend not to have any specific criteria for targeting services. The issue of whether an entrepreneur is disadvantaged is moot, in a situation in which the goal is to promote emergence of a private sector and facilitate the transition to a market economy. The one limiting criterion imposed by outside donors is that most centers are prevented from serving state-owned enterprises, even when these are in the process of privatizing, although some programs will provide post-privatization services to smaller spin-off firms. Most donors have provided separate funding for

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assistance to the state enterprise sector, and seek to limit the services of small business centers to newly emerging small private businesses.

INSTITUTIONAL STRUCTURE

Organizational Form and Origin

In the United States, all of the programs visited are funded to a large extent by local, state, or national government. In most instances, the programs operate as nonprofit or governmental entities. In the case of the SBDC network, some of the centers existed prior to the availability of national funding, having been started by using a mixture of state or local government funds and private sector funds. Other SBDCs were formed as a result of the state and federal matching arrangements introduced in the 1980s. Minority Business Development Centers were created by and receive funding from the Department of Commerce. In England, most of the support for small business is delivered by private nonprofit organizations. While these tend to rely on government funds, they also demonstrate more extensive and enduring links to the private sector than do the U.S. programs, and they have an identity and a mission that go beyond a particular government program. In Ireland, the centers are created and funded by the government. In Eastern Europe, most but not all of the programs are initiated by foreign donors.

Program Settings

One of the more popular sites for locating SBCs, particularly in the United States, is within universities or community colleges. This location is encouraged by the Small Business Administration as a way of tapping into university- and college-based resources. Some centers are located on campus; others are in a community setting. Experience has shown, however, that there is often little real input from university staff, particularly when the programs are housed at large universities where faculty and staff are under pressure to conduct research, publish, and gain tenure. Some SBDCs, notably in the Oregon program, have found that centers housed in community colleges have more success in drawing on the staff, who have less pressure on them, tend to be more practically oriented, and are more inclined to provide their services to small business development programs. Apart from staff utilization, there appear to be other benefits to locating within a university. Universities can provide an administrative system for handling a mixture of public and private funds. They often provide important in-kind contributions (that count towards federal matching requirements, in the case of the SBDCs), such as access to library and computer facilities. The university setting may also shield the SBDC from political pressures inherent in the governmental funding process.

Some SBCs have been housed in local chambers of commerce. In some cases, conflicts have emerged between the interests of the chambers' membership and the broader objectives of SBDC programs, leading some SBCs to avoid this option. In other cases, the partnership has been quite effective. Most commonly, the SBDCs maintain a separate identity while developing collaborative relations with local chambers through mutual referrals and joint training sessions.

In England and Ireland, the university-based approach figures less prominently. There have been instances of programs opening in conjunction with university business schools, such as the highly prominent program at Durham University, but these have not been part of a systematic attempt to tap into academic resources. A university program of the Durham University Business School has achieved a measure of outreach to the small business sector through specialized training programs, while serving as

a magnet for private sector and donor contributions and a resource for domestic and international small enterprise consulting. This is a very different type of arrangement than in the United States, where centers have been attached as more or less successfully integrated annexes to university programs.

Many of the English programs to support small businesses are set up as private nonprofit organizations, occupying commercial premises while relying quite heavily on government funding, so that government is effectively covering the cost of the space even though the programs are not housed in government buildings. In Ireland, all three of the programs interviewed were housed in government space and staffed by government employees.

Given that most SBCs receive some degree and type of government funding, whether local or national, it is surprising that more centers are not housed in government premises. In fact, there usually seems to be a deliberate effort to distance the government from these private sector support initiatives, even where government funding is substantial. This is to allow programs to escape the image (and the reality) of public sector bureaucracy and inefficiency and allow more streamlined service delivery. Particularly in Eastern European countries, if a program is associated too closely with the government, it is likely to lack technical credibility and be seen as a holdover of the old system. Almost all the programs interviewed in Eastern Europe had gone to great lengths to establish operations in "commercial" premises — although, as most property is still officially owned by the government, this is largely a matter of appearances. Government "donations" of commercial space constitute one of the primary forms of in-kind contributions in Eastern Europe.

SBCs tend to be located in regional or national capitals or major industrial centers, in downtown locations that put them in close proximity to the largest possible number of potential clients. In some cases, sites are selected for the convenience they offer to a particular target audience, such as specific minority groups, or workers displaced from a particular industry. Additional factors in site selection include access to public transportation, intercity transportation (for programs with a regional focus), or adequate parking space. In some cases, locations are chosen for clear political and economic reasons, such as locating facilities in regions that have been particularly economically disadvantaged or (in the case of Eastern Europe) particularly oppressed.

In the case of programs with multiple branches, criteria for selecting locations vary. Some strive for maximum geographic coverage. For example, many SBDCs attempt to create a network in which no client has to travel more than one hour to receive service. Other programs pick locations based on the presence of local institutions interested in sponsoring an office. For example, the EC/PHARE program requires a local contribution as a key criterion for selecting program sites. Ideally, the decision on where to base branches is based on prior economic and demographic analysis, balanced against the willingness of local interests to contribute to program support.

Variations in Center Operation

In the United States and Western Europe, many SBCs are part of national networks, although individual centers tend to operate autonomously with few effective linkages between them. For the most part, the SBDC "network" is a network more in the passive sense of coverage than in any active sense of collaboration between centers. The network facilitates standardized reporting to the SBA and, to a limited extent, some sharing of materials. Beyond this, there is little sharing of experiences or approaches. In part, this reflects the predominantly local orientation of most centers. However, there is also a sense of competition between SBDCs — to be ranked highest, to be selected to administer special programs, to have materials certified by SBA, and so forth. This competitive spirit results from each

state program's ongoing struggle to justify its existence and secure renewed funding, and prevents the network as a whole from taking advantage of potential payoffs from closer ties. In some cases, an entire network is controlled by one office; in others, program sites are independent or semi-independent but linked to a central site for accounting and reporting. Within the SBDC network, both types are found. For example, the Georgia program attributes a large part of its success to the fact that the lead office has exercised substantial control over the entire state program, whereas the program in New York is characterized by greater autonomy among centers. In Eastern Europe, many of the programs are one-of-a-kind services funded by foreign donors, run more like demonstration projects, and are not part of any network.

Minority Business Development Centers are administered through contracts with management consulting firms, with contract renewal based on performance benchmarks. Most of the programs in Eastern Europe resemble this model in that they tend to be run as projects funded by foreign donors that usually retain control of all key accounting functions. However, while this approach may yield efficiency in the United States, it can have negative consequences in Eastern Europe. Most Eastern European SBCs can count on only limited donor funding, yet — to the extent that programs are administered externally — local staff gain only a limited ability to understand and manage the program's financial operations.

In general, the more autonomy a program has, the greater scope it has to adapt services to local needs. At the same time, greater autonomy calls for a higher caliber of staff capable of meeting the management and technical challenges of program operations. This trade-off is well illustrated by the experience of FISE in Poland. Established as a national government initiative with an ambitious network of offices in 16 locations, the program is having difficulty attracting and training sufficient numbers of qualified staff. As a result, the main office is being forced to assume greater control of the program, resulting in an excessively bureaucratic structure. FISE wants to reduce the number of offices, improve the quality of staff, and encourage offices to be more independent. Greater independence is expected to result in a better feel for local clients' needs, better contacts to local institutions, and increased possibilities for mobilizing local government funds. FISE then wants to link these independent entities into a federation to take advantage of opportunities for sharing information and coordinating technical assistance.

SERVICES AND RESOURCES

The general objective of all SBCs interviewed is to provide services in support of the creation and development of small businesses. Variations between SBCs result from differences in mandates imposed by principal funders, differences in operational procedures, absolute levels of support received, and each center's own view of its long-term strategic positioning.

Long-Term Outlook and Impact on Services

SBCs' long-term strategic views have significant bearing on the nature of their services. In the United States, although centers have existed in one form or another for almost 25 years, their political (and therefore their funding) status is still precarious. Each year, federal programs are subject to approval by Congress, and each year the centers are threatened with cutbacks and even elimination. As a result, there has not been much drive to undertake long-term strategic planning or program development, with some exceptions. For example, the Oregon SBDC has recognized the need to generate revenue from services. They have established mechanisms for ongoing client feedback and impact

evaluation and have used this information to create training products for which there is great demand and which pay for themselves through registration fees.

SBCs in England and Ireland are highly integrated into the political fabric of the country and are an essential component in the broader set of financial and technical services provided to both small businesses and workers. This establishment of a long-term position within the social structure has permitted these centers to become better established and to have a more stable set of services.

In Eastern Europe, the entire effort to assist small business development is quite new. Programs are almost exclusively donor-supported, if not donor-driven. There has been little long-term program development. The service programs are just now coming into existence and tend to be limited in scope and depth. Services are limited on the one hand by the availability of adequately trained staff and, on the other hand, by the ability of the beneficiary market to absorb a more intensive service package.

Primary Services Provided

All SBCs provide assistance with business planning. However, there are two distinct views on the best methodology for providing this assistance: one-on-one counseling, or group training and workshops. This debate reflects the fact that SBCs are not market-driven but funder-driven and that supporting resources are in most instances quite limited. To justify their existence, centers must produce the greatest impact possible with limited funds. However, some measure impact in terms of total numbers of businesses assisted, and others measure it in terms of qualitative improvements in the businesses assisted, even if the number of situations is relatively small. If clients were expected to pay the cost of services, they would soon make it very clear which services, or combination of services, best meet their needs. As it is, there is virtually no market validation of services in any of the SBCs, eliminating that indicator as a measure of the effectiveness of service.

For example, the New York State SBDC network places 80 percent of its resources into one-on-one counseling. Training workshops are viewed as a method of marketing the more intensive services, and tend to be of limited scope and duration. SBDCs in Georgia and South Carolina also tend to emphasize one-on-one counseling for existing businesses, offering training primarily to start-up businesses. These programs view training as a screening device that feeds selected clients into specialized counseling. Allocating services in this way represents an attempt to introduce cost-effectiveness to service delivery. One center noted that the shift within many SBDCs to a greater emphasis on counseling coincides with reduced political emphasis on attracting large numbers of clients into the program. It also coincides with a shift in emphasis away from start-up businesses toward existing businesses, perhaps in recognition that not everyone should become an entrepreneur and that strengthening existing businesses may be a more cost-effective approach to job creation.

At the other extreme, the Oregon SBDC network has an extensive array of training packages structured in different tiers for beginning and more advanced businesses. Oregon places training on equal footing with counseling and has structured its training program to include some individual counseling — and actually generates substantial amounts of revenue for the program as a whole.

The Minority Business Development Centers in the United States focus almost exclusively on two activities: helping minority businesses obtain financing and helping them obtain contracts through various set-aside programs. Most of their assistance focuses on preparation of business plans, bid documents, and other related materials. MBDCs do not provide training, because they do not receive any credit for

training in the eyes of the U.S. Department of Commerce. MBDCs are closely monitored by the Department of Commerce, and deviation from the primary mission is not encouraged.

The centers visited in England and Ireland tend to be large, well-supported organizations offering a broad range of services. For example, the Durham University Business School offers a wide array of training courses. These include elementary courses on entrepreneurship awareness, short courses for existing businesses, graduate M.B.A. programs, international training for staff of EC/PHARE-funded programs, and training of NGOs to provide counseling services. However, the Durham center provides no individual counseling outside its training packages. One noteworthy feature of the English approach is a subsidy program through which the government pays part of the cost of commercial business development consultancies. Several of the organizations visited encourage clients to take advantage of this program to augment their own technical assistance programs. England also has several government-based development finance initiatives. Some administer grant programs that subsidize consulting services by private consultants. England also has a program for advancing capital for business start-ups in lieu of unemployment compensation payments, and the technical assistance centers are able to access these programs directly on behalf of clients. English SBCs employ these various forms of government support to build a comprehensive program of training, counseling, and finance.

SBCs in Eastern Europe are so new that no clear pattern of service delivery has emerged. Most tend to conduct short courses on the basics of market economics, legal issues, taxation, financing, and the like. In a few cases, short courses are linked into a substantive program extending over a longer period of time. Counseling appears to be similarly superficial, with typical consultations lasting one or two hours and covering very basic subjects. At present, few of the centers have the capacity to provide more than just these basic services.

Secondary Services Provided

In addition to the core services of training and counseling, centers expand in several different ways. Some of the programs in England and Ireland serve as administrative points for government-assisted finance programs. Others include incubators facilities. Incubators seem to be more popular in Europe than in the United States, perhaps reflecting the higher premium on commercial space. Some SBCs in the United States and England have developed specialties such as international trade assistance, information systems and computer applications, specialized finance and venture capital assistance, franchising, and assistance to specific industries, such as construction. Many SBDCs assist clients to obtain procurement contracts from government and private sources; others help clients participate in the Small Business Innovation Research program, through which small businesses can obtain grants from the Defense Department for innovative product research. In England and Ireland, some SBCs play an active role in linking large- and small-scale companies in producer-supplier relationships.

CLIENT PROFILES

Although most SBCs maintain fairly extensive records on their clients, different programs compile these data in different ways, so it is difficult to draw accurate comparisons across programs.¹ Therefore, the data presented in this section are estimates that reflect the best available information supplemented by the insights of those being interviewed.

The nature of an SBC's clientele is the result of several interdependent factors:

- Characteristics and needs of the local population served;
- Goals, objectives, and mandate of the SBC's funders;
- Goals, objectives, mandate, and interest of the SBC's staff; and
- Procedures regarding eligibility, screening, and targeting of clients.

Although great variability exists among the client populations of the SBCs studied, some general observations may be made. Clients of SBCs in the United States tend to be found overwhelmingly in the service and retail sectors. Firms tend to be very small; the vast majority have fewer than five employees, and many are single owner-operator firms. In centers for which data are available, 50 percent of clients are in a prebusiness planning or early start-up phase. If individuals seeking general business information on a one-time basis are included, prebusiness and start-up clients probably account for an even larger percentage of the total number of businesses assisted — although staff spend most of their time with existing firms. Eight of the nine SBDCs reported that at least 40 percent of their clients are women.

Not all SBCs interviewed in the United States focused their attention on the very small and the very new. Those with a larger number of clients engaged in an existing business activity (for example, the Oregon State network) have more developed screening procedures and stringent eligibility criteria for receipt of intensive (and expensive) one-on-one counseling.

SBCs in England work with a more diverse client base than in the United States. Clients range from smaller-sized firms with fewer than five employees in the retail and service sectors to larger firms in manufacturing and construction. The wide range of government-subsidized services provided through SBCs, combined with active participation of large-scale private sector firms, attracts a wider range of new and existing enterprises. In Ireland, the government's strategic targeting criteria mean that nearly all clients are small-scale manufacturers or international service firms and that many are ongoing enterprises with five or more employees. Few clients are women, reflecting the fact that relatively few women are engaged in manufacturing in Ireland.

SBCs in Eastern Europe had very little hard data on clients, so the data presented here are somewhat speculative. Centers report that approximately two-thirds of all clients are from the retail and service sectors, and one-third from manufacturing. Almost all client firms have fewer than ten

¹ Although the questionnaire proposed a specific format for collecting data on client profiles, SBCs were not always able to fit the data into the categories provided. Also, there were discrepancies between interviewers and respondents in some categories, for example whether "one employee" indicated the owner plus one employee, or the owner alone.

employees, and most have fewer than five. To some degree, this is the result of an arbitrary programmatic split introduced by the outside donors. The privatizing state enterprises, which tend to be the larger entities, are served by a different set of structures. Although most of the SBCs interviewed provide prebusiness assistance or work with start-ups, a few centers report that about 30 percent of the firms served have been in existence at least one year. Because of historical restrictions on private enterprise activity, few small-scale private businesses have been in existence much longer than that. At SBCs where the primary service is individualized business planning, most of the clients are men; where services emphasize training, many more women participate.

CLIENT ELIGIBILITY CRITERIA

The nature of an SBC's client base is determined by its overall mission and how that mission is defined in terms of program services and targeting. In the United States, the SBDCs target their services to firms that meet the SBA's definition of a small business. Since services are usually provided at no cost, many SBCs also use means testing to discourage people who have the ability to pay for management assistance privately. Most SBCs do not have an upper limit on the number of counseling hours a firm can receive, but all try to avoid becoming a private consultancy to the firm. Counseling staff are told to recommend clients to private counselors when their clients begin to overuse or become dependent on them. Fees are often charged for initial training, not only to help recover costs, but to help screen out those that are not serious about going into business.

MBDCs limit services to firms owned by racial and ethnic minorities. Services are also rationed through an arrangement that requires the client to pay for a portion of the service, with a greater payment required from larger firms.

Some SBCs screen and channel clients according to experience and capability. Clients in the early stages of starting a business are directed to group training activities or to written publications, while more intensive (and expensive) one-on-one assistance is reserved for advanced businesses. Clients may be required to complete certain prerequisites, such as a preliminary training course or a business plan, before receiving one-on-one counseling. In this way, SBCs avoid turning people away while directing clients to the most cost-effective package of services, meeting both the clients' needs and the financial goals of the center.

As in the United States, many SBCs in England have separate programs and services geared to start-ups and existing businesses. All employ a screening process to identify the most appropriate cost-effective intervention. An initial assessment of client needs is made by a project officer, and clients are referred to appropriate financial grant or management assistance programs where services are provided by NGOs or private consultants. Many of those interviewed expressed a preference for working with clients with previous, demonstrated technical or business experience. Currently, some of the Training and Enterprise Councils are beginning to target businesses in existence 18 months or more as the ones most likely to make best use of the centers' services and create the most new jobs. Some involved with the TECs would like to see the Local Enterprise Agencies assume more of a role in providing pre-venture and start-up assistance.

Irish SBCs have made the strategic decision to focus assistance on firms involved in manufacturing, export, or import substitution. There appear to be no entities that assist domestically oriented retail or service businesses in Ireland. Also, there is much less emphasis on encouraging large

numbers of individuals to start businesses, so services tend to focus on larger enterprises. Ireland's Udaras na Gaeltachta uses additional cultural and linguistic criteria to target services to these groups.

In Eastern Europe, the main criterion for receiving assistance from an SBC is that the firm be privately owned. Some SBCs also assist in privatization, although, for the most part, these firms are seen as needing different kinds of assistance and are served through different programs. Size and means criteria are less strict in a formal sense than in the United States, although, in practice, services tend to go to very small, new firms. Like their counterparts in the West, many Eastern European SBCs prefer working with businesses that have already been established. One center specifically said that it does not work with start-ups. Many also use program-specific eligibility criteria.

In addition to general eligibility criteria, some SBCs target distinct groups within the population for outreach or special services. Examples of special targeting include:

- The Farm Business Management Program for production or processing ventures (Oregon SBDC system);
- Special efforts to promote particular sectors, such as tourism, high technology, secondary wood products, and specialty foods (Washington and Oregon SBDCs);
- Family-owned businesses with 10-20 employees (the Irish Industrial Development Authority).

PROGRAM PROMOTION

Most of the SBCs surveyed employ similar approaches in promoting their services.

- Referrals from other institutions, such as local banks, government agencies, chambers of commerce, schools, and the like;
- Referrals from former clients;
- Public service advertisements in the local press or on television or radio; and
- Brochures and flyers.

Some of the SBCs in the United States use their beginning-level training courses as a way of marketing more intensive technical assistance services. Few SBCs place paid advertisements, and those that do use only a small amount of funds for this purpose.

All of the U.S. centers report that they need to do very little promotion because demand for their services already outstrips their ability to deliver. Since services are provided at virtually no cost, centers must rely almost completely on government support, which severely constrains their ability to expand services. Most indicate that they are reluctant to advertise at all because this would simply expand the waiting list for their services. Many report waits of six weeks in scheduling appointments. Another concern expressed by several SBDCs is that it would be inappropriate to pay for advertising, as this would put the centers in direct competition with private sector providers — not an objective of these taxpayer-funded programs.

It is more difficult to gauge the demand and supply characteristics for the centers in Eastern Europe. These SBCs are very new and provide only limited services. Nonetheless, most report that there is brisk demand for their services — demand they cannot satisfy, given limitations in funding and staff. Therefore, marketing is not a great concern for these organizations, either. In England, there seems to be more of a balance between demand for services and the programs' ability to deliver services. Most centers report that they have active demand for their services, but that there are not the long waits reported by U.S. centers.

STAFFING

Technical Staff

Staffing for SBCs in the United States and Eastern Europe tends to be fairly limited, and centers in England and Ireland tend to have relatively large staffs. Most of the U.S. SBDCs have three to five full-time technical staff, plus an additional one or two support staff. The Chicago MBDC has the largest staff of all the programs visited in the United States, with a professional staff of 15. Almost half the centers have as few as two full-time staff. Most extend their capability through the use of paid outside consultants. Most of the centers in the United States do not provide systematic, ongoing training for their staff. In part, this appears attributable to the fairly high staff turnover in the U.S. centers, caused by a combination of relatively low salaries and the uncertainty of future program survival. Furthermore, many of the state networks have chosen to fragment their programs into a large number of project sites. As a result, even where the statewide system does receive a reasonable level of support, by the time this is distributed among the branch offices, the funds cannot cover more than one or two persons.

By comparison, the English centers seem to be a much more accepted part of the public system of support for small enterprise. The level of funding is much larger than in the U.S. centers, and availability of future funding appears to be more predictable (although the exact distribution of funding between programs is subject to change). As a result, the English centers have been able to engage in more long-term strategic planning and have been able to build a stable professional staff structure. Most of the centers visited report the size of technical staff to be between 20 and 100 persons. Only one of the seven report a staff of fewer than 10 persons.

In Eastern Europe, staff size tends to mirror the U.S. pattern. Most sites have two or three full-time staff and extend their technical capability through the use of outside consultants. The largest program visited was the Opportunities Industrialization Center in Lublin, with a full-time technical staff of seven. The programs in Eastern Europe are all new, and most are still working with their original staff, who, in many cases, have received donor-funded training abroad. Even with these crash courses, the staff of many of these programs are finding themselves severely stretched in terms of their ability to provide effective technical assistance, so that most programs continue to rely heavily on foreign consultants. It is also unclear what will happen when these programs experience their first wave of staff turnover. Incentives for keeping trained staff in place remain to be established in most programs, reflecting the absence of long-term institutional planning.

Use of Volunteers

Most SBCs in the United States make regular use of volunteers. Some indicate that efforts to use volunteers in the past have not succeeded because volunteers were not reliable on a long-term basis.

Those that do use volunteers report success with M.B.A. students working through centers housed in their business schools and with professional specialists such as lawyers and accountants brought in to deliver specialized training sessions. In general, those centers that focus on one-on-one counseling make less use of volunteers than those engaged in training.

About half the SBCs in England and Ireland make effective use of volunteers, often as mentors to small firms. These programs link managers from larger companies with counterparts in smaller businesses as a way of upgrading the management skills of the small business owners.

Most of the Eastern European SBCs do not use volunteers on a regular basis. There are few local specialists who possess the kinds of specialized knowledge the centers seek to provide, while foreign volunteers, such as Peace Corps volunteers, have been limited by the complexity of the language from engaging directly in training or one-on-one counseling. As the programs become more established and begin focusing on their internal institutional development issues, a renewed interest is likely to emerge for foreign volunteers who can provide assistance in organizational strengthening. To the extent that this assistance is directed to English-speaking program staff, language will be less of a barrier. The kinds of tasks volunteers could perform include assisting SBCs to develop and implement plans for institutional sustainability, developing local networks to support small business, designing databases and monitoring and evaluation systems, and developing training materials.

PROGRAM FINANCING

Sources of Program Funding

SBCs in the United States, England, and Ireland rely predominantly on national government funding. In the United States, the SBDCs receive part of their funding in the form of a 50 percent match from state or local government and/or from a participating university or community college. In fact, SBDCs linked with community colleges, such as those in Oregon, receive over half their support from the college, suggesting that SBCs do have a strong capacity to generate local support where they are perceived as really serving the community. It is difficult to assess the exact degree of reliance of the SBDCs on federal funds, as some programs monetize and include the value of in-kind contributions from state and local government as their side of the required match. For example, the majority of the state match in South Carolina is met by the monetized in-kind contribution of the university in the form of office space, computers, library access, and some of the dean's time. Other centers do receive monetary contributions from the state or local government that may exceed federal matching requirements. The role of direct private sector contributions is fairly minimal in the U.S. centers studied.

SBCs in England and Ireland are funded by using a more mixed approach. At one extreme is the Greater London Business Center, which receives 100 percent of its funds from the national government. At the other end is the Shannon Free Airport Development Company, which covers 75 percent of its costs through rents raised from the leasing of commercial space. Other English SBCs receive substantial contributions from corporate sponsors and private foundations, reflecting a strong philanthropic view, as well as current incentives such as the Corporate Community Involvement Act. Project Northeast is an NGO that receives government funds, bids on private sector contracts to generate commercial income, and charges fees for its services on a sliding-scale basis. With this mix of revenues, the program is financially self-sufficient.

In looking at the funding of Eastern European SBCs, the nature of these efforts as projects rather than as institutions becomes clear. With the exception of FISE, none of the SBCs receives a significant national government contribution, and most rely heavily, if not exclusively, on foreign donor support. These negligible levels of national support reflect the scarcity of public funds as well as continuing uncertainty on the part of government concerning the method of supporting business development. The high level of donor funding also reflects the strong international commitment to supporting private sector development in these transitional economies.

Interestingly, the Czech and Slovak programs show evidence of greater local contributions, both from local government and from membership fees from private sector associations that have helped found several centers. This latter approach indicates the important role that local institutions can play in an SBC's financial sustainability. Also, although the Czech and Slovak centers do receive some donor funding, EC/PHARE (unlike the U.S. programs) will not pay salaries, so there is less danger of shoring up operations that are not viable. EC/PHARE support never exceeds one-half the program costs, and a local government match is mandatory. (In effect, this is a very similar approach to that taken by the SBDC program in the United States — a feature that so far has not been embodied in the U.S. foreign assistance models.)

A final variant worth mentioning is the Ostrava BAC, which was explicitly established as a private for-profit business and proposes to cover all of its operating costs out of fees. At present, the program receives some support from EC/PHARE, but only for equipment and staff training. To date, the program is not covering its costs and is being subsidized by the founding firms. Although the center's existence is in jeopardy, it stands as a bold venture in an environment where most have established their programs (and their reliance) on donor funds.

Spending Flexibility versus Funder Mandates

Programs that rely on public sector funds are generally expected to comply with government spending guidelines. For the most part, funds are earmarked rather loosely, in that programs are designed to reach certain target groups and funds are expected to be spent accordingly. Typical target groups include racial minorities, women, veterans, the disabled, and welfare recipients, as well as small businesses in general. In other cases, programs are designed to promote specific sectors, such as technology-oriented businesses, manufacturing, or tourism, and then centers are expected to direct resources in these directions. In some cases, funds are earmarked to support specific functions. For example, funds under the Defense Logistics Act are earmarked to assist minority and small businesses in competing for federal contracts. Programs may also receive supplemental funds from local government and community organizations for the express purpose of providing support to specific groups. For example, the Pace University SBDC receives funds from the Harlem Outreach Center to target low-income African Americans; from the New York City Housing Authority to provide entrepreneurial training for people that live in the projects; and from the Jewish Outreach Program and Chinatown developers to support their respective target groups.

A similar phenomenon is noted in those English SBCs that receive private contributions, where each of the private sponsors provides funds to support a specific program. For example, in Project Northeast, Shell U.K. sponsors the Livewire youth self-employment program, and the Newcastle City Council paid to refurbish an incubator facility.

Donor-funded programs in Eastern Europe tend to be managed as projects rather than operate as independent institutions. For example, for the programs funded by the U.S. Congress in Warsaw, Lodz,

and Debrecen, a U.S.-based contractor administers the contract and handles most of the financial transactions and accounting directly. These programs are highly accountable for all uses of funds, operating within the parameters of line item budgets that allow 10 percent flexibility between line items. This type of arrangement reduces local staff responsibility for managing program finances, making it more difficult for the staff to develop a feel for the financial management of the center and less likely that it will achieve financial self-sufficiency. On the other hand, those SBCs that receive funds from a number of different donors are often required to track and report each funding stream separately. This can make for complex accounting, which, although time-consuming and tedious, familiarizes the staff with the financial management of the program and puts them in a better position to appreciate and undertake the steps involved in achieving financial self-sufficiency.

Principal Program Costs

Personnel is the main cost for most SBCs. In the United States, 80 to 95 percent of total program costs are for staff. Staff represent the main cost in English programs as well, although to a slightly lesser extent than in the United States. For many SBCs, particularly in the United States, travel is another substantial cost, especially for those programs that reach into rural areas or place a heavy emphasis on site visits. Among the Eastern European programs, obtaining and renovating space represents a major program cost, sometimes exceeding the cost of salaries, underscoring the difficulty of obtaining property and the low cost of labor, as well as the importance of space as an in-kind local contribution. Although this major program cost is absorbed by local governments in some cases, it is unclear that Eastern European SBCs can count on this contribution indefinitely. If and when this situation changes, SBCs could find themselves suddenly having to pay full commercial rates for their facilities. For example, the U.S.-funded center in Debrecen is occupying space valued at US\$30,000 per year, currently provided free of charge by the city government. Center staff are aware that this provision of space may cease at any time, yet there are no contingent plans or resources to cover such an eventuality.

In-Kind and Community Support

In-kind contributions from local government or the local private community can play a very important role in supporting an SBC. The forms in-kind contribution can take include space, ranging from a few rooms to a whole building; access to computer facilities and other equipment; volunteer time of staff, administrative support, materials, software, free promotion, and free services (such as telephone installation); coverage of hotel and translator costs; and so forth. These contributions are important both because of their material contribution to the program and because of the community support that they represent. Where strong community support is present, the program is more likely to be attuned to community needs and connected to local institutions, both essential prerequisites for mobilizing continued local financial support.

Whereas most U.S.-based programs receive in-kind support from a broad array of sources, this contribution diminishes somewhat in England and Ireland and is almost wholly absent in the Eastern European context, except for contributions of space by local governments. A typical form of in-kind contribution in the United States is when a university or community college provides space, access to its business library and computer facilities, or faculty time. Other programs mobilize support from local chambers of commerce, individual businesspersons, and state and local governments. Newspapers often provide free advertising. Banks can be an important source of assistance, sponsoring seminars or workshops or, as in the case of the Eugene SBDC, contributing financial planning software. In England, many centers receive a substantial contribution from the private sector under the Corporate Community

Involvement program. Although most of this support is in cash, some is in kind, in the form of seconded staff, printing costs, and other services. Generally, a specific large firm will cosponsor a particular project activity, making any contributions necessary to support that activity.

To some extent, whether or not programs receive in-kind contributions is a result of how actively they network and seek this support. Few organizations will just offer it. This highlights the importance of selecting a site where there is strong community support, evidenced by community and local government willingness to make a material contribution. In other cases, centers actually serve as a catalyst for creating local networks of support for small business development.

Another point to keep in mind is that, although some of these contributions may be pure community good will, in other cases donating institutions expect something in return. In Georgia, for example, the SBDC stopped accepting space from the local chamber of commerce and local government because these parties were making demands that threatened to undermine program independence. The SBDC could afford to do without the support and preferred to give it up in order to maintain more control over the program. This is an important lesson for Eastern European SBCs, where on the one hand, the programs need local government support, but, on the other hand, most centers would prefer not to be too closely identified with government, given skepticism about government officials' self-interest and limited business credentials. Programs that are forced to accept substantial local government contributions must take pains to maintain their independence and avoid becoming a tool for serving political ambitions.

Client Fees

Fees do not play a major role in the funding of the U.S. centers. In some cases, this is because of policy. For example, the SBDCs are not allowed to charge for one-on-one advisory services, although they may charge fees to cover the direct costs of training. Even within those parameters, there are differences in the way centers have approached the setting of fees. Some still prefer not to charge for training at all, in order not to prejudice clients against training in favor of counseling (which is free). Others feel that charging for services at all takes scarce capital away from those who need it most to invest in their small business. They reason that if small-scale entrepreneurs could afford to pay for services, they would go to private consulting firms. They reason further that, in effect, clients have already "paid" for the services to the extent that the programs are funded by tax dollars. The Washington State BAC is prohibited from charging for any services.

However, others SBCs believe that charging for fees separates the serious clients from the dilettantes and makes clients attach a higher value to the training they receive. Most clients are entrepreneurial enough to believe that "you get what you pay for," leading them to believe that a \$20 course is more valuable than a \$10 course and a free course is probably worth nothing at all. Some centers also recognize that fees can contribute to the financial self-sufficiency of the program. The most common approach among the SBDCs is to try to charge enough for training to cover the direct costs of training events. Even so, fees rarely cover more than 2 to 5 percent of total program costs. The Oregon program stands out for the way it has turned training into one of the cornerstones of its program. The Eugene SBDC trains more than 14,000 clients per year — about 6 percent of the total training done by SBDCs throughout the United States. The Eugene SBDC has structured its program so that clients pay a lump sum, from \$175 to \$400, for a package of training courses that includes some one-on-one counseling, allowing the SBDC not only to recover the direct costs of training but also to offset additional program costs. Furthermore, the sponsoring community college is eligible for more federal funding the more training it helps provide, and these funds are plowed back into the SBDC program. The Eugene

SBDC estimates that 15 percent of total program costs are covered by fees and 40 percent come from the community college contribution.

The English programs show more variety and complexity in their approach to taking fees, reflecting, in part, the broader client base they serve. For example, Project Northeast and the Hertfordshire and Durham programs charge fees for services based on client ability to pay. Typically, assistance to start-up enterprises is either heavily subsidized or free, while managers of existing businesses may pay up to half of the cost of an event. Staff of other business organizations might be expected to pay 50 percent or more for the cost of training-of-trainer workshops, while private firms are charged 100 percent for services. The London program, on the other hand, does not charge for services, although there is a move afoot from the member Training and Enterprise Councils to begin charging for services after three free sessions. The Shannon Free Airport Development Company charges clients 50 to 75 percent of the cost of certain training and technical assistance programs.

The Eastern European programs are split on the issue of fees. On the one hand, it is generally recognized that the target clientele has, if anything, even less ability to pay for services than their counterparts in the United States and Western Europe. At the same time, the program staff are keenly aware of the need to find sources of income that will allow the programs to exist beyond the duration of foreign donor funding. Another factor governing the programs' decision on whether or not to accept fees is the institutional structure and governing laws under which the centers have been set up. Some are registered in a way that precludes them from charging for services. For example, the Warsaw and Lodz programs are registered as nonprofit foundations and are not allowed to engage in any commercial ventures. To engage in any economic activity (such as accepting fees), they will need to apply for a special license, which, in turn, will involve more complex accounting and tax requirements. Changing their legal status is therefore another hurdle these programs will need to overcome to gain more stable financial footing.

Programs in Eastern Europe also diverge along ideological lines on this issue. Whereas the program in Warsaw is planning on changing its status in order to be allowed to charge fees in the future, the center in Lodz distinguishes itself from the competition by not charging fees. The center does not wish to charge even nominal amounts for services, believing that banks and local government will be more inclined to support it if services are provided free. Meanwhile, the FISE centers, which receive the majority of their funding from the Polish government, are determinedly trying to develop a plan for financial self-sufficiency and have no hesitations about charging fees, although, at this point, they are not able to set fees at a level that covers the cost of services. Currently about 10 to 15 percent of program costs are covered through fees.

In Slovakia, the Ostrava BAC has established itself as a for-profit business and charges fees for all services. As a for-profit, the BAC is eligible for only minimal donor support — some funds for equipment and staff training — so it must plan on covering all costs through fees. To date, the BAC has not been able to generate this level of fees, so operations are subsidized by its founders. The Pilsen SBC charges fees for most of its services based on ability to pay and covers 33 percent of program costs in this way. The center includes an incubator and offers access to business equipment and services, for which it charges full costs plus a fee.

Not surprisingly, the more a program relies on donor funding, the less likely it is to charge for services — either because of donor mandates or because it can afford the luxury of offering free services to a needy target group. The less a program is able to or chooses to rely on donor funding, the more aggressive are its efforts to generate fee income. The critical question is: What impact do these alternate approaches have on the quality and delivery of services and program sustainability? In view of the short

time these programs have been in existence, it is too soon to tell. It is hard to predict which of the donor-funded centers will still be in operation in recognizable form a year or two from now. It is also too soon to tell whether the centers attempting to establish themselves on a commercial basis will be able to stay afloat in their present form or whether they will need to change their programs, seek donor or local government funding, or close down.

Plans for Sustainability

It is important to distinguish between financial self-sufficiency and sustainability. Financial self-sufficiency is something that very few programs supporting small business development ever really achieve in the strict sense of the term. In part, this is because the target population they are trying to serve has a limited ability to pay and the individualized services that most centers offer are expensive to deliver. Perhaps for these reasons, few SBCs ever really strive for financial self-sufficiency (although some of the English programs use this term to mean "making ends meet," and consider themselves financially self-sufficient even when a majority of their program costs are covered by government funding). However, almost all SBCs strive for institutional sustainability, with more or less success. In effect, this usually translates into some way of ensuring continued support through public funds or through some mix of public and private funds.

In the United States, few, if any, SBCs would exist in the absence of federal funding. The SBDCs are designed as private nonprofit operations that supposedly display greater efficiency and more awareness of local needs than the public sector in delivering services to a critical sector of the economy. The matching mechanism ensures that there is some measure of state or local support, while the close ties to universities are intended to ensure that those resources are also tapped. There is no sense that the SBDCs are supposed to be trying to wean themselves from federal funds, although, certainly, the more state and local funds they mobilize, the more they can expand and improve the program. Presently, the SBDCs are not allowed to charge for counseling services, so their ability to become financially self-sufficient is virtually nil. Some, such as the Eugene center, try to raise funds directly from the private sector. However, even the most progressive centers do not believe it will be possible to become self-sufficient while serving the needs of the targeted clients. Basically, achieving financial self-sufficiency is neither a goal nor an issue for the SBDC program (as opposed to achieving greater cost-effectiveness with program resources, which is an issue). As some put it, if the funding dried up, the SBDCs would go away.

MBDCs are required to recover 15 percent of their costs through fees, but are not allowed to increase fees beyond that level, given their mandate of providing subsidized assistance to minorities. They are sustainable as long as the federal government decides that the program constitutes an effective means for assisting the target population, but would not be able to exist in the absence of federal funding.

The English experience is more mixed with regard to financial self-sufficiency and sustainability. Most programs tend to rely somewhat less on government funds and demonstrate more success in attracting direct private sector corporate contributions. Given this type of mixture, SBCs view themselves as financially self-sufficient to the extent that they provide an acceptable level of services within their existing level of resources. For example, the Durham University Business School, which relies on government funding for 60 percent of its program costs, considers itself self-sufficient. Project Northeast is self-sufficient based on a mixture of revenue from public sources, private donations, and commercial fees charged for consultancy services. Revenues cover operational costs and help subsidize services to small business. The London program, which is completely government-funded, showed some concern over its financial vulnerability and plans to introduce a fee structure.

In short, the English programs seem to demonstrate a higher degree of certainty about the government funding they receive, but simultaneously implement strategies to mobilize a fairly substantial private sector contribution. They also tend to structure their programs according to discrete project activities, which enables them to adopt a more ad hoc approach to certain services, delivering them to specific client groups if and when a corporate sponsor is identified. This is a sensible approach that should be explored further — having a very lean basic machine, with the capacity to scale up in order to focus on specific projects when a sponsor is identified.

The SBCs in Eastern Europe have a very different starting point. Few receive funds from their own governments. In most cases, there are no networks of institutions to support small business — there are few voluntary membership associations or chambers serving private business, and universities are themselves underfunded and tend not to have business programs with any practical focus. In view of the political and economic importance of creating a private small business sector, foreign donors have stepped in and funded several different kinds of initiatives. Most of the resultant SBCs are run as discrete projects, ill connected to any local structures. For these programs, achieving financial self-sufficiency means finding a new foreign donor to pick up the program costs when initial donor funds run out. Few programs are tackling the knotty problem of mobilizing local government and community support, which is really a process of institutional development. Instead, staff are being trained and encouraged to master the art of managing a budget and delivering services, while little attention is devoted to securing the basis of their continued operation — the most critical task of all.

Eastern European programs display more concern about sustainability than do their U.S. and English counterparts, although few have a clear strategy for ensuring their institutional sustainability. For example, Opportunities Industrialization Center plans to begin charging for services once it has established a track record, and will attempt to mobilize funding from local sources, but expects ultimately to rely on future funding from the European Community. Warsaw plans to sell data from its foreign investment promotion database, and hopes to take a fee for matching entrepreneurs with investors, although it recognizes that these revenues will be insufficient to cover program costs. The U.S.-funded program in Lodz is trying to line up support from EC/PHARE. The Ostrava BAC is trying to establish itself as a for-profit firm, and realizes that it will need to sell a lot of services. Budapest would like to defray program costs by drawing on the services of Peace Corps volunteers, introducing a structure for charging fees for services, and soliciting funding from international donors for specific projects. The centers in Martin, Pilsen, Debrecen, and Nitra all want to increase client fees and obtain more funding from their respective local communities and federal governments.

Addressing the issue of program sustainability stands as a major challenge to development efforts focused around small business centers. If such initiatives are to have any lasting impact, they will need to go beyond immediate service delivery and spend more time focusing on creating and strengthening local infrastructure for lasting support to the small business sector — of which a network of SBCs might be part.

INSTITUTIONAL COLLABORATION

SBCs in the United States have fairly well-developed ties to a broad range of government and private sector institutions. Banks are among the foremost institutions that most SBCs seek to collaborate with. This reflects that fact that most centers in the United States are not involved in the direct provision of financial services, although finance is clearly one of the predominant needs of their clientele. The nature of the collaboration with banks takes many forms. SBCs may assist clients in deciding which bank

to go to, banks may refer potential loan recipients to SBCs for assistance in preparing business plans and for other preliminary training, or banks may sponsor or even conduct training seminars for entrepreneurs.

In addition to banks, most SBCs have well-developed ties to other federal and state government programs, as well as to universities and community colleges. Links to associations and chambers are more random and casual, perhaps reflecting the limited technical role of these institutions in the United States. Indeed, most chambers are happy to refer their members to SBDCs for technical assistance and training. Some offer to provide space in return, but many SBDCs are wary of accepting, as they fear becoming ensnared in local political interests and losing program independence. The Washington State BAC, which engages in little direct provision of services, refers clients to a wide range of local and state programs, including SBDCs, State Economic Development Councils, the Women and Minority Business Assistance Program, the Small Business Ombudsman Program, the Child Care Advantages Program, and other useful services.

One of the most prominent features of the English SBCs is that, to a far greater extent than those studied in the United States, they have gone directly to the private sector and mobilized support from large corporations and foundations. Much of this support takes the form of mentoring or linkages and supplier relationships between large-scale and small-scale industry. In terms of relationships with financial institutions, some of the centers do refer clients to banks, but there seems to be less of an effort to target banks as key partners in support of small business development. (This may be because some of the programs are themselves directly involved in providing credit, or because access to credit is less of a constraint in England.) In terms of chambers and associations, links to these organizations appear rather weak, consisting mostly of referrals and information sharing. On the other hand, links to other local and national government organizations are well developed and include direct involvement in training, in addition to financial support (although clients indicated they were not always well informed about these other resources available). Finally, links with universities are less developed, perhaps reflecting the greater split in the English educational system between academic and vocational training. However, where universities are involved, as in the case of the Durham University Business School, the contribution has been substantial, encompassing significant technical input in the form of economic research as well as in training and consulting.

The Eastern European programs attempt to establish linkages wherever they can. Most receive the bulk of their funding from international donors. The staff of these programs are also the direct recipients of a substantial amount of training and technical assistance — a feature that further marks the programs as development projects and sets them apart from their institutional counterparts in the United States and Western Europe. Most donors request some form of government match, which requires programs to establish some degree of linkage with local government agencies and programs. Linkages with universities are poorly developed, reflecting the fact that most of these institutions are themselves underfunded and lack the kinds of staff and programs that would represent real resources to programs assisting private entrepreneurs.

Access to capital is one of the primary constraints facing most would-be entrepreneurs in Eastern Europe, leading most programs to concentrate on establishing favorable relationships with banks. Even so, given the state of the overall financial sector in these countries, there is little that programs can do to improve their clients' chances of obtaining loans. One of the main services that centers provide is assistance with the preparation of loan applications. Unfortunately, even feasible projects are often turned down, with little reason given, leaving clients disillusioned and SBCs discredited. Some SBCs are attempting more creative relationships, such as investment mobilization schemes (for example, FISE) or conducting training programs to familiarize bankers with techniques for lending to small-scale entrepreneurs (for example, Pilsen).

Links to chambers and associations figure prominently among Eastern European SBCs. Many of these organizations are holdovers from the Soviet period, during which they distributed information and training that reinforced operation of the planned economy and served as vehicles for trade between republics. All state enterprises automatically belonged to some chamber or association. Although the form and status of these organizations are in flux in each country, the organizations are emerging as one part of the landscape that wants to be involved in private small business development, although at present most lack the wherewithal to do so. Nonetheless, donor-funded programs are looking to these institutions as partners, if not guarantors, of any sustainable SBC program. All the Eastern European programs have some links to chambers or associations. Although most links take the form of promotion and referral, four provide funding, one provides space, and one accounts for 65 percent of the program funds.

MONITORING AND IMPACT ASSESSMENT

In addition to routine financial recordkeeping, many SBCs have in place a system for ongoing monitoring of services provided. Some also seek to evaluate the impact services have had on client firms. The extent of monitoring and evaluation is determined primarily by funder requirements rather than by management needs.² Most SBCs monitor the following variables:

- Client profile (including client gender, age, race, ethnicity, education, size and type of enterprise, and previous business experience);
- Total number of individual firms being assisted;
- Client satisfaction with center services; and
- Demand for and provision of services (including number of people trained, number counseled, or number who made use of a particular service).

Client Demand for Services

All SBCs reported keeping track of services provided to clients. Almost all are equipped to monitor the number of clients requesting different kinds of services, although many report only on clients who had a substantial amount of contact with the center. SBA's required reporting is geared to clients who have worked at least six hours with an SBDC. Statistics on one-time users or hotline callers are almost not recorded in more depth than simply the number of inquirers and the content of inquiries.

Information on client demand is collected through intake forms as a routine part of registration. Client demand is also monitored through ongoing review of the work and recommendations of SBC staff. Some SBCs conduct additional needs assessments of clients in their service area by mail. The Hertfordshire TEC sends out a survey twice per year to gauge employers' outlook on the local economy, business activities, and perceived needs in employer and employee training, and refines its program based in part on this survey.

² In one program, a corporate funder requires the SBC to report on the number of times the sponsor's logo appears in the SBC materials.

Client Satisfaction

According to SBC staff, the best measure of client satisfaction is the number of repeat clients. Data on client satisfaction are most commonly collected at the midpoint or completion of a training activity, or at regular intervals during ongoing counseling. Some SBCs survey clients six months or more after service is completed, believing these data are useful in determining the real-world applicability of the assistance. Many SBCs keep track only of repeat, ongoing clients, believing that it is logistically too difficult and expensive to keep track of former clients. Most analysis of client satisfaction data is done in house, although some multisite SBDC programs in the United States have a central evaluation point to ensure objective analysis.

The most common data collection methods are written surveys, telephone interviews, and focus groups with selected clients. Many SBCs use a mix of all three, using written and telephone surveys to get broad general information from clients and non-clients and telephone surveys and focus groups to provide depth on specific issues. The Hertfordshire Training and Enterprise Council conducts an annual survey of the county's client and non-client business sector on needs, awareness, and perceptions of the TEC. They also use consumer panels formed of frequent users to recommend developments and improvements to TEC programs.

Indicators for Monitoring Impact

Evaluation of SBC impact is a delicate and difficult subject. Conclusive evaluation is expensive and time-consuming, taking resources away from services to clients. Monitoring can only be as good as the entrepreneurs' willingness and ability to provide accurate data. Some do not want to acknowledge that they ever required assistance, others do not want to reveal sensitive information, and some simply provide inaccurate information. At the same time, even where positive impact is measured, it is difficult to attribute these results to the services provided by a particular SBC. Despite these constraints, most SBCs want some indication of the usefulness of their services, and funders want proof that programs are spending funds wisely and achieving their objectives. The most common measurements of impact are:

- Increases in gross sales of client businesses;
- Full-time and part-time jobs created or stabilized;
- Changes in net profits of assisted firms;
- Survival rates of new firms;
- Number and value of government contracts won (where procurement assistance is provided);
- Number of clients removed from welfare or unemployment (where this particular group is targeted);
- Amount of new business financing secured;
- Extent to which businesses meet their own goals; and
- Number of clients who graduate to private sector management assistance.

SBCs also measure program success in terms of the number of other institutions seeking them out for collaboration and the amount of funding leveraged from public and private sources.

SBCs in Eastern Europe are just now setting up systems that will allow them to collect information on client impact. Like their counterparts in the West, they plan to track improvements in income (both sales and profits) and increases in number of employees, as well some qualitative, subjective information.

Methods of Monitoring Impact

SBCs in both the United States and Western Europe obtain most of their impact data from repeat, long-term clients. Data are obtained through surveys of these clients when they return to the center for additional assistance. Some SBCs conduct telephone and written surveys, also directed to their current client roster. In the United States, the Association of SBDCs conducts an in-depth assessment of service impact on business performance for each SBDC every three years. These assessments are used to lobby the U.S. Congress for additional funding.

Some programs use a cost-benefit approach in justifying their value — that is, calculating performance and payback in terms of program funds spent per job created, or funds spent per tax dollar returned to the state via increased incomes. The University of South Carolina SBDC's data show that, for each dollar spent on technical assistance, the SBDC's clients pay four additional dollars in taxes. The University of Georgia SBDC compares data it collects annually on client businesses to a control group of non-assisted firms. In Ireland, the Shannon Free Airport Development Company measures employment levels and survival rates of assisted firms and compares these with national averages.

Reporting Requirements

The amount and frequency of reporting differs between SBCs in the United States and in Western Europe. SBCs in the United States felt that too much reporting is required by funders, placing an enormous administrative burden on the staff and keeping them from developing programs and delivering services. Weekly, monthly, quarterly, semiannual, and annual reports, with increasing amounts of activity and client profile information, are often required by local, state, and federal authorities. Funders generally are not flexible in their reporting requirements, all wanting data in their own formats, so it is not possible to give the same report to everyone.

In contrast, the English government requires relatively little monitoring and evaluation data from the SBCs it supports. Each SBC reports to the Department of Industry every six months on the types of enterprises assisted, type and amount of assistance provided, outcome, and resultant employment levels. The director of one English center, familiar with the SBDCs in the United States, feels that U.S. authorities require too much reporting, with the focus being on accountability to Congress and not on results, whereas, in England, the government has put more effort into planning its assistance strategies and therefore requires less monitoring.

SBC reporting systems in Eastern Europe parallel those of the donor country model. The Debrecen SBC, established with funding from the U.S. Congress, must submit weekly, monthly, and quarterly reports on client profile, activities conducted, and financial expenditures. Additional quarterly reports are sent to the Board of Directors of the center. The SBC in Lodz, funded through the same mechanism, also is required to complete daily, weekly, and monthly reports on finances, clients, and

services. By contrast, the EC-funded SBCs in the Czech Republic and Slovakia appear to have no formal reporting requirements, although there are some organizational pre-conditions which must be attained before the European Community will release its funding to a local organization.

LESSONS LEARNED

In the final section of the interview, each program was asked to list its greatest strengths, its major challenges, and any changes introduced in program operations or services. These questions all focus on the same issue — learning which factors SBCs view as central to the effectiveness of their programs. Despite the different contexts in which the diverse programs operate, there was a surprising amount of convergence around several key factors.

Greatest Strengths

The two factors most frequently cited across all SBCs as critical for success are high-quality staff and appreciation of entrepreneurs' needs. The U.S. and Eastern European programs also mentioned the importance of networking with other organizations, and the English SBCs mentioned the importance of focused service delivery. Additional factors mentioned as critical for success include establishing clear objectives, obtaining local government support (this from programs in Eastern Europe), establishing a clear plan for institutional sustainability, charging fees, being housed in a strong institution, ensuring strong leadership, and establishing a favorable track record early.

Main Problems

The main problem cited by the U.S. SBCs is volatility of funding. Almost all of them mentioned this in one form or another. Most of them exist under constant threat of having funding cut off and must launch a major legislative effort to secure additional funding each year. Funding levels of some programs, such as the Washington State Private Industry Council, change every year, based upon unemployment rates. All programs noted that funding uncertainty made it very difficult to plan, reach the number of clients desired, provide a wide range of services, and attract and retain competent staff. Another problem noted by U.S. SBCs is that, although staff size remains constant or decreases, the reporting requirements placed on the program by the government are increasing, causing staff to spend more time on data collection and reporting and less time on client services. Although this problem is somewhat offset by increasing computerization of most U.S. centers, the squeeze on staff resources remains.

Programs in England cited as their major problem the ongoing recession in England, which is reducing overall demand for goods and services as well as reducing clients' ability to pay for SBC services. Related to this are concerns about changes in government policy affecting business assistance programs. One specific concern is the government's proposed push toward consolidation of business support services into county-wide one-stop shops. Many English SBCs do not see their services as duplicating those of other programs in their counties. At the same time, they are uncertain about how to work together, and each is worried about being cut. In anticipation of impending consolidation, the London-based Training and Enterprise Councils have banded together to form the Greater London Business Development Center as a private nonprofit entity, and are now trying to resolve the conflicting and underdeveloped agendas of nine separate TECs.

In the case of the Industrial Development Authority in Ireland, the main problem cited by some staff was the fact that the organization is too bureaucratic. Clients must obtain approval for participation in IDA programs from an IDA Board Member. This is a time-consuming process and takes the decision about whether to provide assistance out of the hands of the actual service providers, occasionally putting them in situations where they must refuse to serve clients whom they have assisted in the past.

Responses from the Eastern European programs reveal some of the more pragmatic problems these new SBCs are encountering. Most cited their largest problem as helping their clients obtain access to credit. To the extent that SBCs are unable to facilitate this process, all of their subsequent efforts are undermined, if not discredited. While small-scale entrepreneurs in the United States may find it difficult to obtain credit, technical assistance from an SBC and a sound business plan usually lead to successful loan applications. In Eastern Europe, even with a sound business plan, entrepreneurs are far from assured of obtaining credit. Banks have no experience or incentive to lend to private firms, high interest rates and rigid collateral requirements limit access to credit, loan application processes take up to nine months, and little justification is given when applications are rejected.

Other problems mentioned in Eastern Europe included limited program resources, reliance on a sole source of external funding, and lack of interest or ability on the part of local government in providing financial support. In the case of the Ostrava BAC, a private for-profit entity, the founders do not understand the focus and requirements of the program and expect a return on their investment in too short a time. The SBC in Budapest started by B'nai B'rith of England is having problems deciding on an appropriate fee structure and requires outside technical assistance to address this issue, underscoring its character as a donor-funded, donor-reliant project. The FISE program in Poland suffers from being spread too thin, trying to provide services in business development, association strengthening, and community development in 16 locations around the country. Most of the staff lack needed expertise and are highly reliant on the head office, resulting in an excessively bureaucratic structure with little networking or institution building at the local level.

Changes in Procedures and Services

Most of the changes reported in operational procedures can be seen as a response to uncertain or reduced funding in the face of increasing demand for services. The most prominent change in services in U.S. programs is the shift in emphasis from start-up firms to existing small businesses. Most SBCs cite client feedback as the reason for this reorientation. The change in client emphasis also seems linked to a growing realization that, when employment creation is the primary objective, providing assistance to existing firms may result in more new jobs more quickly than widespread training to prospective start-ups. For some programs, such as the Georgia SBDC, this shift in emphasis is associated with a shift to greater concentration on one-on-one counseling, which, in turn, is increasing demand for specialized staff with hands-on business experience. Although the Oregon program continues to rely heavily on training, it has packaged training into 10-course sessions, which the entrepreneur must pay for all at once — a format that tends to be more appealing to established businesses than to start-ups.

A few programs, such as the Pace University SBDC in New York, feeling the funding pinch, have gone in the other direction and resorted more to training, in an attempt to stretch program resources over more clients. Others are responding to funding and staff cuts by providing more services that require clients to do the work themselves, such as creating information libraries and access to databases. A related change is the introduction of computers into SBC management. Computers have allowed some centers to expand services even though funding and staff size have remained constant. In particular, computers have streamlined SBCs' accounting, tracking, and reporting functions. Many of the state

SBDC programs use electronic mail to connect branch offices with the lead center. In some cases, computers have allowed centers to cut administrative staff further economizing on operational costs.

Program changes in England and Ireland reflect the tough economy and squeeze being put on government contributions. The Durham University Business School has increased collaboration with the private sector and with other educational institutes, as a means of diversifying funding sources and meeting specialized client needs. The Greater London Business Development Center similarly represents an attempt to consolidate programs of nine Training and Enterprise Councils, in anticipation of the government's push toward consolidation of small business development programs. The Hertfordshire SBC is increasing efforts to deliver services targeted toward clients' needs, through increased use of advisory boards, client focus groups, and regional business surveys. It has also hired marketing representatives to better represent the services available to clients. Some centers are rationalizing their approach to training by shortening the length of courses, offering them on a pre-arranged rather than a regular basis, and focusing content on the specific needs of particular client groups. The main change in Ireland's Udaras na Gaeltachta has been toward increased local control of the program, as the headquarters were moved out of the capital and the number of popularly elected board members increased. Regional offices are now able to control their own programs and budgets. The Shannon Free Airport Development Company has moved from capital to noncapital grants and assistance, as its awareness of the need for nonfinancial support has increased and funds have become more scarce. It has also shifted from grants to direct equity participation. On the whole, the trend in England and Ireland is also toward working with established businesses, reflecting the fact that private sector sponsors, who account for a substantial portion of program funding, are more interested in working with existing firms.

In the case of the Eastern Europe programs, most are still in the process of establishing their basic operational procedures and systems. Although they are new, many are already proving to be quite adept at responding to client feedback. For example, the Budapest SBC began providing assistance with credit applications when it realized how great the demand was for this service. Also, although it initially offered seminars on exporting, it learned from questionnaires filled out by seminar participants that there was more need for courses on basic business topics, such as management and sales. In response to client demands, the Warsaw program developed a database on used equipment and sources of finance.

Recommended Changes

The primary change recommended by SBCs in the United States was to allow centers more control over their programs. For example, the Pace SBDC indicated it would like greater clarity about the program mission or more autonomy to chart its own course. The Oregon SBDC would prefer fewer goals mandated by the SBA and the Oregon Economic Development Department in terms of numbers of workshops that must be held and clients that must be served. The Portland MBDC would like to increase the maximum number of hours the center is allowed to work with each client. These comments reflect the U.S. programs' high reliance on uncertain government funding and their continuous need to justify the programs against externally set benchmarks, resulting in procedures of questionable value to clients.

The change most often mentioned by programs in England and Ireland was the desire to increase funding while reducing dependence on government grants. The Greater London Business Development Center would like to operate more commercially than its predecessor Training and Enterprise Councils and develop stronger ties to private sector sponsors. Project Northeast would like to develop a database to facilitate linkages between clients and international trade opportunities. Shannon Free Airport Development Company would like the flexibility to serve clients outside manufacturing and export, the sectors currently mandated by government. These are all examples of attempts to increase program self-

sufficiency by strengthening ties to the private sector, developing a market-oriented approach to service delivery, and providing services that meet client needs as evidenced by willingness to pay.

The programs in Eastern Europe express a more diverse set of desired changes, mostly focusing on strategies for expansion in one form or another. Some want to expand their networks to other locations; others want to identify additional sources of financing, build local government support, expand the menu of services, or receive technical volunteers. This push toward program growth is understandable in view of the tremendous unmet demand for such services in these emerging market economies. However, few of these programs are in a position to think seriously about expansion — at a point when even their current status is in jeopardy. The most striking characteristic about the majority of donor-funded SBC initiatives in Eastern Europe is the relatively low priority given to long-term institutional development over immediate service delivery.

CHAPTER FOUR

FEEDBACK FROM CLIENTS

To improve understanding of the effectiveness of different approaches to service delivery, the team conducted interviews with a mix of clients from each program. The interviews were intended to substantiate the programs' own claims to effectiveness and to shed light on which procedures and services most influence entrepreneurs' use of a given facility. In fact, the team was unable to obtain a sufficiently systematic client sample to make any conclusive statements about the effectiveness of particular programs. Still, the client interviews do provide a useful snapshot of the nature, requirements, and expectations of clients being served. They also reveal there are as many different kinds of small-scale entrepreneurs as there are small businesses. While clients do have some common problems, their exact needs and priorities vary considerably according to their goals, objectives, and social and economic settings.

HOW CLIENTS HEAR ABOUT THE PROGRAMS

Clients in the United States tend to hear about the programs from a variety of sources, including other institutions they might have visited such as banks, business associations, and county economic development centers. Some heard about the programs while enrolled in another training program; others heard in university classes, or saw the program advertised in a community college catalog. Word of mouth, particularly from other small business owners, was also important, as were local newspapers. A few said they received a brochure "out of the blue." Given that, as a matter of policy, the SBDCs do not spend money on promotion, this is the pattern one would generally expect.

For the programs in England and Ireland, referrals by other institutions seem to play less of a role in making clients aware of the programs, reflecting a certain degree of competition between institutional programs. Instead, most clients said they either saw the program advertised in the newspaper or heard about it by word of mouth.

In Eastern Europe, although local media, banks, and government offices such as the regional labor office are important sources of referral, there is also strikingly more reliance on personal connections to gain access to accurate information about program opportunities. For example, clients were friends of the mayor, lived next door to the center, or knew the program director. This may reflect the fact that private economic activity is not yet widespread, making connections important in terms of prompting entrepreneurs to approach newly established business support organizations. (It is equally likely that the apparent importance of personal connections reflects the strategy used by program staff to line up clients for the study team.)

TYPES OF SERVICES CLIENTS EXPECT TO RECEIVE

For the most part, clients are seeking advice or training, although some admit they did not know what to expect when they first approached the SBC. In the United States, England, and Ireland, quite a few clients approached SBCs hoping to receive financing, either directly or as a result of working with the center. While this expectation is fulfilled in some programs in England and Ireland that are involved

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in direct delivery of credit, in the United States it has occasioned disillusionment among clients who often see other services as a means of obtaining credit and give the entire program a negative assessment if a loan is not forthcoming. Another reason for approaching SBCs, frequently cited by clients in the United States, is to network. In England and Ireland, where there were many programs feature incubator facilities, a number of clients stated quite frankly that the main support they are seeking is access to inexpensive space.

In Eastern Europe, clients' primary reasons for approaching SBCs reflect the start-up character of most businesses and of the private sector itself. Clients want help in incorporating their businesses and dealing with the complexities of the legal and tax environment. Many are seeking assistance in finding a partner, preferably a foreign joint venture, and others want information on how to tap into foreign markets. Clients are also seeking credit, although, at least among those interviewed, there seems to be a fairly clear understanding that the SBCs themselves could at best facilitate this process and are not involved in the direct delivery of funds. To that end, most clients reported wanting help in preparing a business plan. Client responses also confirm a tendency noted by program staff — namely, that clients are less inclined to approach the center to receive general training. In the first flush of entrepreneurship, many believe that they have the basic skills and simply require specific inputs and targeted assistance to bring their ideas to fruition.

TYPES OF SERVICES CLIENTS FIND MOST USEFUL

One of the factors mentioned by a surprising number of clients in the United States as being the most useful "service" was encouragement — having someone give them objective advice and opinions. A variation on this response was the value of the reality check — having counselors make it clear exactly how difficult it would be to go into business, or, in fact, advising them not to go into business, giving entrepreneurs an opportunity to reassess their plans and think twice about investing their life savings. Quite a few also mentioned assistance in obtaining funds through referrals to banks, preparation of business plans, or actually being accompanied to the bank by a counselor to present the plan. Some clients noted that the only reason they came to the SBC was because the bank they had approached for a loan advised them to do so.

Other services mentioned as particularly useful include assistance in lining up distributors, on-site counseling, assistance with marketing plans, and easy access to technical advice by locating in an incubator. One respondent noted that he had come to double-check advice he had received from a commercial consulting service (and in fact noted that he found the advice from the SBDC to be superior). Clients tend to value counselors with hands-on experience. In England, clients like counselors who are supportive without being intrusive, suggesting a more self-reliant entrepreneur who places less emphasis on follow-up than does his or her American counterpart.

Clients of SBCs in Eastern Europe place more of a premium on specific services such as information on how to apply for loan, find a buyer or potential investment partner, or participate in trade fairs. Clients value assistance that is practical and not bureaucratic. Although some clients indicate that they are seeking training, most do not seem to want to spend a lot of time in courses and would prefer to focus on acquiring specific skills quickly in specialized short courses.

The value clients attach to different kinds of services reflects the differing profiles of the average small-scale entrepreneur in the United States, England, Ireland, and Eastern Europe. Responses from clients in Eastern Europe reinforce the general impression that, far from being a disadvantaged class,

those taking the lead on going into private business are among the brightest and the best. Many of them belong to the former elite and are highly educated people, the ones most likely to have the connections and resources required to take the plunge. They are skeptical about much of the advice they receive, place more stock in Western advisors, and expect results. In order for the SBCs in Eastern Europe to establish credibility, they must recognize and meet the needs and expectations of this demanding clientele. This, in turn, calls for a high, professional caliber of staff and consultants selected to implement programs.

ASPECTS OF PROGRAMS THAT CLIENTS WOULD LIKE TO CHANGE

Clients most pleased with their programs tended to think that the main things requiring improvement were outreach and promotion efforts. Other clients mentioned changing the program's emphasis to coincide with their particular needs, such as improving access to expertise in finance or marketing. Centers can respond to this challenge either by offering more specialized services themselves, which may have staffing implications, or by improving referrals to other individuals and institutions that can offer these services. Some clients thought the SBCs should play a more active role in helping them obtain credit. Some wanted longer classes. Some wanted improved access to rosters of private consultants. One of the more creative responses offered by several clients was that they would like to see entrepreneurs grouped by type of business, so that training and advisory services could focus on common needs and entrepreneurs could network. Such an approach could prove cost-efficient as well, by enabling SBCs to hire a single specialist to address at one time a problem faced by several companies.

One of the main themes that emerged from clients in England and Ireland was that they would like to see more assistance targeted to start-ups. This suggests there has been more emphasis on working with established firms, reflecting the fact that English SBCs depend more directly on private sector support, which tends to take the form of corporate links and mentoring relationships between large-scale firms and established small businesses. A related theme sounded by clients of the Irish programs is that they would like to see more emphasis on developing small businesses oriented to the domestic market, as opposed to assistance primarily for export-oriented firms. Clients also said they would like more information on types and sources of other services available through government and the private sector, confirming that there is room for improvement in the coordination and networking between small business support institutions in England and Ireland.

The Eastern European clients were the most critical, vocal, and specific in articulating the changes they would like to see in small business centers. Some focused on changes in services, including better information libraries, more frequent opportunities to meet one-on-one with advisors, more specialized and concentrated training courses, and better visual aids and case studies. Others mentioned improved access to services such as photocopying, word processing, and faxing, underscoring the scarcity and importance of these basic business services (which could constitute an important source of revenue for cash-strapped programs). Other constructive suggestions included having SBCs provide lists of training course participants to improve networking, and offering courses that group clients by type of business, as a means of identifying and addressing common problems. Not surprisingly, some clients mentioned that SBCs need to establish better relations with local banks and other funding sources, speed up the loan application process, and provide clients with more help in obtaining access to credit.

Quite a few Eastern European clients brought up issues related to professionalism. For example, some noted that they were uncomfortable with the fact that the SBC used trainers or advisors with a potential conflict of interest resulting from the fact that they were running their own private businesses

at the same time. Others felt that program staff were not sufficiently organized or prepared. One client said he did not like being told not to complain, as the service was free. Clients made it clear that they would rather pay for services and be entitled to expect high quality. Others said they wished the programs would charge fees so that they would not need to feel guilty about frequent requests for services.

Responses from the Eastern European clients suggest that entrepreneurs in this difficult setting have extensive needs and high expectations. In most cases, the SBC is the only game in town — there are no institutions providing affordable alternatives to the center's services. Clients either obtain what they need from the existing center, or do not obtain it at all. This situation has produced a fairly high degree of frustration as demanding, impatient clients are forced to rely on new centers still struggling to develop their programs and services.

Several additional points emerge from analysis of the client responses. It is clear that one of the main factors determining the usefulness and impact of services is the extent of the client's own initiative in "working the system." The benefit clients obtain from an SBC is proportional to the personal effort and resources they are willing to invest. Recognition of this fact is prompting some SBCs to introduce fees, both to separate dedicated clients from the less serious and to ensure that clients value the service.

A final point that emerges is that not all small businesses want to grow. Some are quite content to stay small and realize a modest level of income. They do not want to increase their commitment, risk, and exposure through further growth. Programs must recognize this fact, both to target firms that will allow them to meet program objectives, and to deliver services appropriate to entrepreneurs' desires and needs.

CHAPTER FIVE

PRINCIPLES OF EFFECTIVE SBC MANAGEMENT

In distilling principles of effective SBC management from this broad range of programs, it is important to note a fundamental difference between SBC programs in developed industrial countries and those recently established in Eastern Europe. The former have emerged over time from relationships between existing institutions, including local governments, chambers and associations, schools and training institutions, financial institutions, and private providers of accounting, legal, and other business advisory services. Business development centers in this setting offer services, within a policy and regulatory environment that essentially supports private small business development, to firms that are basically integrated into more or less healthy market economies. The role of SBCs in this context is to provide support to a sector that has difficulty in obtaining access to certain resources and to level the playing field with big business, thereby strengthening the economic potential of the small business sector.

In developing and transitional economies, the situation is fundamentally different from that in developed countries for both small-scale entrepreneurs and the programs being set up to serve them. Typically, there is a limited structure of institutional support, a limited understanding of the principles of market economics, and, in many cases, no functioning market economy — so, even when the principles are known or learned, they seldom seem to apply. To date, most SBCs in Eastern Europe have been set up as donor-funded projects, heavily reliant on foreign funding and weakly connected to other local institutions. These SBCs are part of an effort to create a private business sector where it has not existed before, in economies that for the most part are still not operating according to market principles, in which production factors such as land and capital are in short supply or are subject to controlled access, and where policies to support small business are almost wholly lacking.

Whereas SBCs in the United States and England can focus on improving program management and service delivery, SBCs in developing or transitional economies need to focus more on strengthening institutional capacity so that services can outlast initial donor funding. At the same time, the impact of these programs is much more vulnerable to external factors, such as national economic, political, and financial sector reform. In these cases, the dual challenge is to provide meaningful assistance to clients when the overall environment is not supportive of business development, and, at the same time, to build a coalition of local support so that the program can survive and expand beyond the known duration of donor support. SBCs operating in this type of environment must take an especially pragmatic approach to determine realistically what they can accomplish within the timeframe and resources available in terms of delivering services and laying the groundwork for institutional sustainability, if that is in fact a goal.

CROSS-CUTTING PRINCIPLES

The SBCs interviewed provided a valuable source of information on the strengths and limitations of different approaches to supporting small business development. Each approach reflects different objectives and requires a different level of resources. To some extent, responses reflect each program's own objectives and unique political, economic, and cultural environment. At the same time, in comparing the experiences of these programs, certain findings appear again and again, suggesting that there are some principles of effective SBC management that cut across programs.

Clear Definition of Objectives

Perhaps the most important principle of effective SBC program development is early definition of a clear mission and objectives. The primary objectives of a program determine the number and quality of managers and staff required, the mix of services that should be offered, and the procedures that should be adapted for implementing the program. It is not possible to say that one particular approach, properly executed, is inherently better than another. To a large extent, the appropriateness of an approach depends upon the primary objectives of the principal funding source, as well as on the context.

Key questions that define an SBC program mission include:

- What is the program trying to accomplish?
- Is the primary goal employment creation, export promotion, or leveling of social and regional inequalities?
- Who are the primary clients?
- How long is the program expected to operate? and
- Is creation of permanent institutional capacity, where none has existed before, a primary objective?

The extent to which an SBC emphasizes institutional development versus immediate service delivery shapes many of the other key parameters that define the program. SBCs can be classified along a continuum related to their primary objective in this regard.

Models of Service Delivery

At one end of the continuum are SBC initiatives that concentrate on service delivery. The main emphasis of these initiatives is to inject immediate expertise into the development of the sector, in the hope of generating sufficient momentum to keep things going on their own. They are less concerned with building sustainable institutional capacity and support networks. Services are usually highly subsidized and are subject to external guidelines, imposed by the funder, that constrain program flexibility. Most are prevented from charging fees, which virtually ensures that programs will not pursue strategies for achieving financial independence. Programs based on this model can either operate out of an existing institution or create a specialized facility. The advantage of operating out of an existing facility is that resources and effort need not be diverted to establishing an operational base but can be concentrated on service delivery. On the other hand, establishing a separate facility allows efforts to be dedicated to the services in question. Many of the SBC initiatives found in Eastern Europe follow this pattern, particularly those modeled on U.S. programs.

Models with Dual Objectives

In addition to strengthening the delivery of immediate services, these programs also place some priority on developing the longer-term institutional capacity to continue delivering services when the principal funding source is removed or cut back. For a dual-objective approach to work, both sets of

objectives must be explicit and have clearly defined levels of human and financial resources assigned to them. This can be accomplished in one of two ways:

- **Transferring capacity for delivery of improved services to existing institutions.** In this case, although a separate facility may initially be established to deliver services, sustainability is achieved by finding alternate permanent homes for proven services. This can be accomplished by developing collaborative ties to local institutions with similar mandates and objectives, providing training to their staffs, and defining options for future financing of services, including appropriate fee structures. This outcome is often very difficult to achieve, as the initial project must convince outside organizations that they are stakeholders and have something to gain by providing these services, although there is usually little short-term financial leverage for inducing participation; or
- **Creating a new entity to continue service delivery.** To be successful under this scenario (that is, delivering services and creating a new permanent institution), it is essential to begin with a **clear business plan** for the new institution. Many of these initiatives start out amply funded and use up most of their funds before they begin to think about a plan for their own future financial sustainability. Another critical ingredient for the success of this approach is establishment of a **well-trained advisory board** that includes representatives of the private sector and other local institutions whose collaboration is indispensable for achieving sustainability and delivering effective services (that is, financial institutions). The board must ensure that there is a **well-defined strategy for achieving sustainability**, including clear objectives, clearly defined target groups and services, an appropriate fee structure, and a good fundraising plan. In most cases, institutions designed to serve small business need to be established as nonprofits, as there is no evidence that it is possible to develop completely self-sufficient for-profit firms to serve this sector — the clients in question can rarely afford to pay the full cost of service delivery.¹

Although a major element of such an SBC's financial plan may consist of securing national or international government support, sustainability is likely to be greatest where steps are taken to build a **support base in the private sector**. This support can take the form of linkages between large- and small-scale industry, establishment of supplier and subcontracting relationships, mentoring arrangements, and other sponsorship programs. SBC programs of this type run into problems when they are not sufficiently private sector-oriented themselves, causing them to remain highly dependent on donor or government funds and to focus their attention on securing new funds from these sources, rather than to seek creative arrangements with the private sector.

¹ Only three of the programs surveyed claimed to cover more than 15 percent of their costs through fees. One of them is the Chicago MBDC, which is federally mandated to do so, and one of them is the Ostrava BAC, which indicated the level it is supposed to be covering through fees (90 percent), although, in fact, revenues are currently minimal and the BAC's founders are subsidizing program operation.

If institutional development is not taken as a serious objective from the start, it is probably better not to try to do it at all, as half-hearted efforts merely become a drain on resources that could be spent on service delivery, and create disillusionment among staff and clients.²

Institutional Development Models

At the other end of the continuum lie programs that focus on institutional development.³ These programs acknowledge that permanent institutional capacity is required to provide effective services to the small business sector. Institutional development initiatives require government support (or, at least, permission) and usually some level of government finance, whether by national, regional, state, or local agencies. Although the goal of these efforts is to improve the availability of services, the immediate purpose is to create an institutional vehicle. An example of a deliberate effort to develop this institutional framework is provided by the German approach to small business support (see Chapter Two). The essence of the approach is to combine a stable level of government funding with a strong contribution from members through dues and registration and licensing fees (association membership is mandatory for all firms in Germany). Most services are then provided free of charge. In addition to sustainability of services, this approach creates a capacity for representing the constraints and needs of members at the policy level — a critical service that individual SBC programs are for the most part unable to provide.

German development assistance in Eastern Europe has taken the same approach, fostering the development of a similar institutional structure and then strengthening the capacity of such organizations to deliver advisory and technical services to members. For this approach to be effective, local organizations must demonstrate commitment to serving a small-scale private sector clientele and must be sufficiently free from political manipulation to allow such institutional development and service delivery to occur. Although the institutional development approach may not provide quick, visible results at the level of individual firms, it can ultimately provide the most sustainable means of delivering broad-based services to the small business sector.

² Programs in Eastern Europe funded under the Central European Small Business Enterprise Development Commission provide a good illustration of the dual-objective model. The mandate of the overall program is to develop self-sustaining systems to provide management and technical support for private small business development in Poland, Hungary, the Czech Republic, and Slovakia. Somewhat ironically, the model chosen for this program was the U.S. SBDC program, which not only relies heavily on federal funding back home but continues to come under attack from those who question the cost-effectiveness and ultimate impact of the services. For the programs in Eastern Europe, local staff were identified and brought to the University of South Carolina SBDC for six weeks of intensive training on how to operate a business in a market economy and how to manage a small business development center. Although the training was professionally and enthusiastically executed, no resources were available to support further staff training in the field. Moreover, at least in the case of the Polish programs, insufficient emphasis was placed on developing a strategy for continued sustainability beyond the duration of U.S. funding, which is scheduled to last approximately two years per local organization. As a result, it is highly uncertain whether any of the programs funded by the Commission will continue to exist when U.S. funding is removed.

³ The term "institutional development," as used here, has two different, albeit related, meanings. In the narrow sense, it refers to the strengthening of a particular institution, such as an SBC. In the larger sense, it refers to development of the broader institutional framework of support for small business within the community. Clearly, institutional development in the narrower sense contributes to institutional development in the broad sense. In terms of SBC programs, both forms of institutional development are pertinent: a focus on the development of the institution itself, and the manner in which SBCs contribute to development of broader institutional support structures.

Assessment of Context and Needs

Understanding the larger context in which small businesses operate should be the first step in tailoring programs to support the sector. This includes awareness of the policy and regulatory environment in which small enterprise operates, opportunities for small business development in the larger economic picture, cultural and other social characteristics of the client group toward which services are being directed, and awareness of the specific services entrepreneurs require. An initial pitfall to avoid is the creation of supply-driven programs featuring packages of services that may not be appropriate to the circumstances in question. Such programs are unlikely ever to achieve financial self-sufficiency, and the services they provide are likely to miss the mark, resulting in limited impact.

Ideally, assessment of the environment in which small businesses operate should include identification of niches where small business can have a competitive advantage, and the nature of the systemic (as opposed to firm-specific) constraints hindering such growth. For example, in Eastern Europe, many of the problems confronting small-scale business are completely beyond the ability of an individual entrepreneur or SBC to correct, such as distorted input supply and distribution systems, or fundamental problems in the financial sector. In these cases, advisory assistance needs to go beyond preparation of a theoretically acceptable business plan, to include guidance on overcoming technical and financial bottlenecks. The staff of many of the Eastern European programs seem to have been trained to assume a market economy. Generalized, packaged approaches, of limited value even in the United States, are usually wholly insufficient in the complex and shifting environments that most Eastern European small businesses operate in.

Clearly, few SBCs have the luxury or the staff to conduct in-depth, ongoing research on all factors that affect the small business sector. However, at least one model in England, the Durham University Business School, has demonstrated the ways ties to a university can be used to yield the kind of economic analysis that can inform training and advisory services. Despite all their links to universities, this is a direction and opportunity that few of the U.S. SBC programs have explored. Similarly, Project Northeast, also in England, views its mission as supporting small business in the context of the present structure of industrial development in England, recognizing that large firms are moving toward smaller staffs, increased use of subcontractors, and higher skill requirements among employees. Project Northeast tailors its assistance to conform to this reality by seeking large-scale sponsors for particular support programs, fostering subcontract and mentoring relationships between large- and small-scale businesses, and tailoring training programs to the specialized needs of large- and small-scale firms.

Being more in tune with the economic and political context does not have to be an excessively expensive proposition. Several tools exist for conducting rapid analyses of constraints and opportunities. For example, the subsector analysis techniques developed under the GEMINI project are readily available to SBCs, as are programs for training staff in their use. Such techniques would be of particular advantage in supporting small business development efforts in Eastern Europe where existing economic data are less available and reliable and more subject to rapid change. By incorporating elements of a subsector approach, SBCs could also make more efficient use of scarce resources by grouping clients with common needs for specialized services. The Peace Corps has already expressed interest in the subsector

diagnostic approach; the potential benefits of placing Peace Corps volunteers trained in subsector analysis in Eastern European SBCs could be considerable.⁴

Finally, to tailor effective services, it is necessary to understand something about the prospective clients themselves — their levels of education and skills, their business development objectives (for example, survival, stability, or growth), and the specific kinds of technical, managerial, financial, and legal assistance they require to meet those objectives. For example, in Eastern Europe, far from being marginalized members of society, many of those attempting the move into private business are among the former elite, highly educated and well connected, with little patience for inappropriate, unprofessional materials and services.

Few SBCs will be able to provide the full range of services clients require; however, the most effective programs will recognize the clients' full set of needs and will have in place collaborative relationships with other organizations to which clients can be referred.

Strong Leadership

Achieving the kind of long-term view required for sound management of an SBC requires continuous and committed program leadership. The managers of the program must have a stake in its continued operation, a clear understanding of the program mission, a vision of its future development, and responsibility and authority for shaping program services and procedures. If institutional permanence is an objective, then management is responsible for taking the steps to try and make this happen. This includes organizing advisory councils; developing, implementing, and monitoring progress toward achievement of financial self-sufficiency, however defined; forging links with other local organizations that can provide institutional and financial support; developing and implementing plans for staff training and evaluation; monitoring demand for services; and evaluating and modifying service delivery.

Clear Financial Plan

A clear financial plan is another critical element of a successful SBC. Once the primary objectives and basic approach have been clarified, a plan should be developed and implemented that reflects these objectives. In the case of time-limited fully funded SBCs, the emphasis may be on developing systems and procedures that make the most cost-efficient use of project resources, ensuring that services are delivered to the targeted groups. In the case of programs that include a long-term institutional development objective, a plan should be prepared that indicates the course to follow in securing long-term financial support, including plans for fundraising. To the extent that the plan includes

⁴ Another example, in the United States, is provided by the Prince George's County Economic Development Program (not included in the current survey), which analyzes the local economy to identify underserved business markets with relatively low start-up costs and higher-than-average growth prospects. The program identified prime prospects in gourmet food, photo finishing, dental labs, and lawn maintenance, while maid services, pet kennels, and exercise equipment stores were found to be overrepresented in the local economy. In addition to advice from the county program, which is offered free on a first-come first-served basis, clients are required to enroll in a business management course offered in cooperation with Bowie State College, for which they pay \$200. The final product of the course is a viable business plan. The program is fully funded by the county. See Bill Hogan, "Model Program Helps Start-Ups," D&B Reports from Washington, November-December 1987.

revenues from fees, an appropriate fee structure should be developed and introduced. The financial plan must be linked to accurate monitoring and management of operational and program expenses.

QUALIFIED AND COMMITTED STAFF

Most SBCs point to their staffs as both their biggest asset and their biggest potential liability. The quality and commitment of program staff can make or break the best-conceived program. The kinds of attributes most valued included dedication, hands-on entrepreneurial experience, effective counseling and communication skills, and sensitivity and objectivity. Staff who are torn by other commitments (such as teaching or publishing demands, or outside business interests), are not available on a regular basis, are excessively academic, or are blind to their clients' real needs and preferences can easily drive away clients and tarnish a program's reputation.

However, good staff are hard to come by. Although volunteers may be effective in filling certain niches, the constraints in using them often outweigh the benefit (the fact that they are free). Many are available when it suits their needs rather than the entrepreneurs' needs. Others may not have the desired levels of skills or represent the image and approach the program is trying to project. In the case of the Eastern European programs, foreign volunteers are often hindered from being more effective by their lack of knowledge of the local situation and customs and their inability to speak the language.

Even paid staff are hard to find and hard to keep. Most programs are not in a position to offer competitive salaries, given the low levels of funding and the uncertain conditions under which many operate. This factor, combined with burn-out from the often demanding nature of the assistance, promotes high turnover among the staff, a serious impediment to effective program management and service delivery.

Steps mentioned in the interviews for ensuring effective staffing include hiring the best staff that can be found and paying them as well as possible; investing heavily in ongoing staff development; providing other incentives to motivate staff, including performance-based bonuses and interesting training opportunities; and creating an environment of certainty about program operation, even if this is for a known, limited time.

FOCUSED, BUSINESSLIKE APPROACH TO SERVICE DELIVERY

Given the limited funding and scarcity of qualified staff that most programs face, adopting a focused, businesslike approach to service delivery is imperative. When asked about the problems they face, several SBCs interviewed mentioned the mistake of trying to do too much at one time. The tendency to try to do too much at once stems in part from pressure to demonstrate impact, which unfortunately is often reduced to simply counting the number of clients served. In part, the lack of focus also reflects the absence of clearly defined program objectives. Some programs are under political pressure to extend service over as wide an area as possible, causing them to dilute the quality of services available to all. The SBDC programs of some states in the United States provide an example of this dilemma. Other programs either seek or are expected to deliver a broad range of services, ranging from start-up training and motivational counseling to venture capital mobilization and export marketing assistance. Similarly, some SBCs are expected to turn no clients away but to provide services to almost any type or kind of micro-, small-, or medium-scale enterprise.

This type of pressure is particularly pronounced in Eastern Europe, where institutional support for private business is still in its fledgling stage and there are few, if any, alternatives to the services that a given SBC provides. This creates a strong pressure for the SBC to try to offer everything that is needed — training, individual counseling, marketing assistance, clerical and communication support, space, and credit. Unfortunately, the extent of entrepreneurs' needs is inversely proportional to the level of resources and expertise available. Programs must resist the temptation of trying to do everything. The availability of generous (albeit short-lived) funding from international donors heightens the tendency to set up overambitious programs that cannot be sustained when donor funds contract.

Invariably, when programs spread themselves too thin geographically or technically, the quality of services drops off. Alternative strategies for coping with high demand for a broad range of services include establishing clear objectives, improving coordination among other donor-funded initiatives, building and improving linkages with other local business support organizations, and accurately assessing most important needs of entrepreneurs. With clearly defined objectives and an accurate assessment of the local context and needs, SBC program managers can narrow the target client group, identify appropriate services, and concentrate deployment of resources.

Each SBC must decide how much emphasis to place on training versus individual counseling. The most appropriate mix depends on the objectives of the program and has implications for the number and quality of staff required. Training offers the prospect of touching a wider population with fewer resources, but at a more superficial level. One-to-one counseling can be more effective for the recipient, but impact on the larger population is more limited. The best compromise appears to be the use of training programs as the first point of contact with the client, after which clients are sorted and screened for more individualized assistance.

Other frequently cited characteristics of effective service delivery include:

- Provision of integrated assistance that covers training, advisory assistance, and referrals to other institutions that can meet specialized needs;
- Hotlines that provide single-point access to a wide range of information and services;
- Programs that provide clients with an opportunity to network with other small-scale entrepreneurs with common problems;
- Services that teach clients how to perform a skill or solve a problem, rather than doing it for them, and that require clients to take responsibility for their own business management decisions;
- Programs that take the service to the client; and
- Programs that include regular follow-up for some reasonable period.

CHARGING FEES

Fees are a useful mechanism for separating serious, dedicated clients from those just shopping around. Clients who invest some of their own resources are likely to place a higher value on the services they receive and take more responsibility for ensuring that they get what they need from the counseling

or training. Finally — and not least important — fees can contribute to the financial self-sufficiency of an SBC.

There is no evidence that clients value free services above high-quality services; in fact, those interviewed made it clear that they believe that "you get what you pay for," and indicated that they would rather pay a reasonable amount and be entitled to expect professionalism than receive inappropriate, unprofessional services for free. By charging some type of fee for services, SBCs practice what they preach and, in fact, become more like the private sector entities they are helping to create than like public sector vehicles for dispensing hand-outs.

COLLABORATION WITH OTHER INSTITUTIONS

A critical step in planning for sustainability is to develop working relationships with other local institutions that support small business development. In fact, creating such a network and putting clients in touch with it may sometimes be the most valuable service an SBC program can provide. The types of organizations that SBCs need to collaborate with include local government agencies and programs, financial institutions, trade and professional associations, chambers of commerce and industry, universities, technical high schools, training institutes, consulting firms, accounting firms, and law firms — in fact, any organizations that can support the efforts of the SBC and help meet clients' needs. Developing an effective referral network is one of the most important sources of program leverage an SBC can achieve. With such a network in place, an SBC can safely concentrate on its areas of specialization, connecting clients with assistance from other sources as necessary.

Developing a local institutional network strengthens the fabric of support for small business development within a given community. At the same time, it lays the groundwork for the sustainability of the SBC services, either by allowing selected services to be transferred to another permanent institution or by mobilizing financial support from some combination of these other institutions.

LINKS TO THE PRIVATE SECTOR

It is somewhat ironic that few of the SBC programs designed to promote entrepreneurship display much entrepreneurship themselves. Many are content to subsist on public funds made available to them, dispensing services until the funds are gone. However, some have adopted the enterprising spirit they seek to instill in clients, and have found creative ways of stretching public funds by harnessing the private sector. This goes beyond utilizing in-kind university resources (though these may also be valuable contributions), to forging linkages between clients' small-scale firms and large-scale industries. To develop these kinds of subcontracting, mentoring, and sponsorship ties, the staff of SBCs must themselves be in touch with local and regional economic opportunities and must have some sense of the ways small businesses can be integrated effectively. In Eastern Europe and the Newly Independent States, where large-scale enterprises are state-owned and cannot be counted upon for assistance, linkages to foreign-based firms may be able to play a similar role. SBCs can provide a valuable service by creating such linkages between large-scale foreign firms and groups of local small-scale firms. Programs that are successful in building these relationships can expand service delivery to targeted client groups when private sector sponsors are identified, maintaining a lean, streamlined core operation at other times. Besides stretching program resources, involving the private sector provides clients with the most hands-on, effective services, and further validates the program in the eyes of government funders. While

increasing private sector contributions could lead to a reduction in total government contributions, the certainty of such contributions might be increased, allowing an SBC both a more stable basis for planning and greater program flexibility through a reduction in government requirements.

EFFECTIVE MEASUREMENT OF IMPACT

Measuring impact is important for two main reasons: first, for ensuring that services are in fact helping the client in a way that involves cost-effective use of program resources; and, second, for demonstrating to donors that the benefits produced through service delivery are worth the investment of public and private funds. At the same time, it is extremely difficult to measure the impact of discrete services on overall small business performance. Data provided by entrepreneurs after the fact are often unreliable, and, even when actual growth is measured, the problem of attribution remains. In the United States, impact studies using complex econometric models to compare tax revenue generated to tax dollars spent have failed to yield a conclusive verdict on the efficacy of the SBDC network. Despite these problems, almost all SBCs are required to collect data that indicate the impact of their programs and help justify their continued existence.

Unfortunately, there are few examples of good monitoring systems to draw on. At best, SBCs have devised computerized systems for processing client intake and follow-up data, minimizing demands on staff time. However, the relevance of the indicators used, the frequency and method of follow-up, and the analysis and utilization of results all have room for improvement. Devising effective monitoring systems that are not a burden to staff or clients remains a challenge.

In the end, good monitoring systems may be more useful as management tools for assessing and modifying service delivery than as vehicles for providing conclusive evidence about total program impact. By selecting some straightforward proxy indicators, such as number of repeat clients, number of clients received through referral from other clients, or level of request for specific services, programs may obtain some measure of the usefulness of the services provided. Of course, these indicators will have more meaning if services are not free but have some fee attached to them. Market validation by the client may ultimately be the best test of service effectiveness.

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ANNEX A

**SUMMARY OF DATA FOR THE
SBCs SELECTED FOR IN-DEPTH STUDY**

TABLE A-1
 INSTITUTIONAL STRUCTURE OF PROGRAMS

Region	Program	Nat. Govt. Initiative	State/Local Govt. Initiative	Private Sector Initiative	Donor Initiative	Univ. Space	Govt. Space	Commercial Space
United States	Albany SBDC	•				•		
	Pace SBDC	•				•		
	Ulster SBDC	•				•		
	Eugene SBDC		•			•		
	Umpqua SBDC		•					•
	U of GA SBDC		•			•		
	U of SC SBDC	•				•		
	WSU SBDC	•				•		
	Portland MBDC	•						•
	Chicago MBDC	•						•
	Washington BAC		•					•
	Washington PIC	•						•
England and Ireland	Durham Univ.			•		•		
	London Bus. Ctr. ^a			•				•
	Hertfordshire	•						•
	Project Northeast			•				•
	IDA	•				—	•	—
	SFADCO	•					•	
	Udaras na Gaeltachta	•				—	•	—
Poland	FISE	•						•
	OIC	•						•
	Warsaw SBDC				•			•
	Lodz SBDC				•			•
Czech Republic	Ostrava BAC			•				•
	Pilsen BIC		•					• ^b
Slovakia	Martin BAC		•					•
	Nitra BAC		•			•		•
Hungary	Budapest Ctr. ^c				•			•
	Debrecen SBDC				•		•	

— Data not available

^a Founded as private company by nine London Training and Enterprise Councils in 1993; program currently 100 percent funded by national government

^b Downtown location, building donated by city government

^c Founded by B'nai B'rith Foundation, with money from the British Know-How Fund

TABLE A-2

PRIMARY SERVICES PROVIDED BY DEVELOPMENT CENTERS

Program	Training services		Counseling and Individual Assistance (Principal Types)	Other Services/ Special programs
	Short Courses	Expanded Courses		
Albany SBDC	Limited	None	Business Plan Loan Assistance	Referral to Incubator
Pace SBDC	Limited	None	Business Plan Loan Assistance Market Research	On-line Info library
Ulster SBDC	Limited	None	Business Plan Loan Assistance	Information
Eugene SBDC	Extensive	Extensive	Business Plan Loan Assistance Market Research	Info Library Farm Mgmt
Umpqua SBDC	Extensive	Extensive	Business Plan Loan Assistance Market Assistance	Info Library
U of GA SBDC	Extensive	None	Business Plan Loan Assistance Marketing International Trade	Info Library Incubator
U of SC SBDC	Extensive	Limited	Business Plan Loan Assistance Marketing	Energy Conservation Applied Research
WSU SBDC, Pullman	None	None	Business Plan Loan Assistance	Referrals to: Training Tech Transfer Food Process Technology Intl. Trade
Portland MBDC	Limited	None	Business Plan Loan Assistance Marketing assistance Contract Procurement assistance Minority Business Certification	Info Library
Chicago MBDC	Limited	None	Business Plan Loan Assistance Contract Assistance Minority Business Certification	Int Trade Construction Franchise Info Systems Capital Development
Washington BAC	None	None	None	Referrals Business Hotline Info
Washington PIC	Extensive	Extensive	Feasibility Analysis Marketing	Micro-credit
Durham Univ.	Extensive	Extensive	Limited counseling as part of training programs	International unit trains in other countries
London	None	None	Referrals Limited counseling	
Hertfordshire	Extensive	Extensive	Mgmt Assistance Direct financial support Bank Referrals International trade assistance Business Information	Extensive non-business programs for community

TABLE A-2 — Continued

Program	Training services		Counseling and Individual Assistance (Principal Types)	Other Services/ Special programs
	Short Courses	Expanded Courses		
Project Northeast	Extensive	Extensive	Mgmt Assistance Direct financial support International Trade assistance Business Information	Incubator workspace ; Youth enterprise
IDA	None	None	Direct financial support and referrals to banks Incubator workspace	Referrals to other programs Business Info
SFADCO	Some	Some	Direct financial support and referrals to banks Incubator and industrial parks	Assistance with contract linkages. Info Library
Udaras na Gaeltachta	Some	Some	Direct financial support and referrals to banks Incubator workspaces	Assistance with contract linkages Info library
FISE	Some	Some	Business Plans Marketing assistance Referrals for financing	
OIC	Some	Some	Advice on business start-up Creating small loan fund and incubator (not yet in place) Computer training	
Warsaw SBDC	Some	Some	Limited individual assistance with business plans, finance, marketing. Help with business registration	Info Library
Lodz SBDC	Some	Some	Business Planning Referrals for Financing Info on business registration/startup	Use of computer facilities
Ostrava BAC	Extensive	Extensive	Business Planning and Mgmt Assistance Referrals for Financing	
Pilsen BIC	Limited	None	Business Planning and Mgmt Assistance	Incubator facility Office equipment use
Martin BAC	Limited	None	Basic information on registrations, taxes, marketing	Use of office equipment.
Nitra BAC	Limited	Limited	Basic information on registrations, taxes, starting a business, market, finance	On-line business info service.
Budapest Ctr.	Some	Some	Basic assistance with business startup Marketing Cashflow/management Finance	Business info Use of office equipment
Debrecen SBDC	Some	Some	Legal/tax info Social security info Business Planning Finance/investments	Use of office equipment

TABLE A-3

PROFILES OF CLIENTS AND FIRMS^a

Program	Sector				Age of Firm	Number of Employees	Percent-age of Women Clients
	Service	Retail	Mfg.	Other			
Albany SBDC	43%	32%			50% Pre-Business 30% > 2 Years	30% =0-1 60% =2-5	44%
Pace SBDC	50%			20%	-	80% =0-1	50%
Ulster SBDC	50%	25%			50% > 2 Years 30% Start-Up	50% =2-5 20% =0-1	40%
Eugene SBDC	43%	19%	19%	19%	60% > 2 Years 18% Start-Ups 13% Pre-Business	40% =2-5 30% =6-10	45%
Umpqua SBDC	45%	35%			40% Pre-Business, Remainder evenly distributed	Even distribu- tion, but none over 50	40%
U of GA SBDC	-				-	-	-
U of SC SBDC	54%	24%			80% Pre-Business and Start-Ups	Majority under 20 employees	< 50%
WSU SBDC	38%		24%		66% Pre-Business	36% =0-1	40%
Portland MBDC	-				-	-	-
Chicago MBDC	-				-	-	-
Washington BAC					50% Start-Ups	95% =1-5	35%
Washington PIC			75%		95% Pre-Business	> 95% =2-5	75%
Durham Univ.	-				-	-	< 10%
London Bus. Ctr.	58%	17%			50% Pre-Business and Start-Ups	50-75% = 0-1	-
Hertforshire	-				-	-	-
Project Northeast	-				> 50% Start-Ups	90% =1-10	< 50%
IDA			99%		70% > 2 Years	70% =2-10	< 10%
SFADCO	20%		80%		30% Pre-Business 30% Start-Ups	60% =2-10 40% =11-50	-
Udarasna Gaeltachta	20%		80%		40% > 2 Years Remainder evenly distributed	76% =2-10	-
FISE	-				-	-	-
OIC	-				50% Pre-Business 50% Start-Up	50% =0-1 50% =2-10	10%
Warsaw SBDC	30%		40%		50% > 2 Years 40% Pre-Business	35% =0-1 35% =2-5	30%
Lodz SBDC	20%	60%			40% Pre-Business 25% Start-Up 30% 1-2 Years	32% =0-1 20% =2-5 30% =6-10	50%

^a Numbers are estimates based on interpretation of best available data combined with impressions of program staff

TABLE A-3 -- Continued

Program	Sector				Age of Firm	Number of Employees	Percent-age of Women Clients
	Service	Retail	Mfg.	Other			
Ostrava BAC		35 %	35 %		70% 1-2 Years ^b 80-90% Pre-Bus. ^c	40% = 2-5 20% = 0-1 20% = 6-10 ^d	70% & 20% ^e
Pilsen BIC	40%		35%		50% Start-Up 30% Pre-Business	30% = 0-1 30% = 2-5	< 5%
Martin BAC	25%	30%		25%	60% Pre-Business & Start-up 30% > 2 Years	60% = 0-1 35% = 2-5	20%
Nitra BAC	-				-	-	-
Budapest Ctr.	45%		45%		45% > 2 Years 35% 1-2 Years	35% = 2-5 30% = 6-10	35%
Debrecen SBDC	-				-	-	15%

- Data not available

^b For those receiving counseling only

^c For those receiving a basic training course

^d Note: 50 percent of the Ostrava BAC's clients are state-owned firms undergoing privatization. These figures represent the 50 percent of currently privatized clients

^e In training classes and counseling, respectively

TABLE A-4

STAFFING PATTERN FOR DEVELOPMENT CENTERS

Program	FT Paid Staff		PT Paid Staff		Contract Consultant	Volunteer
	TECH	ADMIN	TECH	ADMIN	ALL TYPES	ALL TYPES
Albany SBDC	-	-	-	-	-	-
Face SBDC	5	1	6	1	2 - 3	0
Ulster SBDC	3	1	2	0	11	P
Eugene SBDC	5	3	0	0	PNQ	P
Umpqua SBDC	1	1	0	0	3	0
U of GA SBDC	2	1	5	2	PNQ	0
USC SBDC	3	2	0	0	4	0
WSU SBDC**	1	0	0	2	3 - 4	0
Portland MBDC	3	-	-	-	-	-
Chicago MBDC	15	7	0	0	5	0
Washington BAC	1				3	0
Washington PIC	2	1	0	0	0	P
Durham Univ.	24	16	-	-	40	P
London Bus. Ctr.	10	6	-	-	30	P
Hertfordshire	80 TOTAL STAFF				PNQ	P
Project Northeast	20	PNQ	0	0	5	P
IDA***	2	2	0	0	0	P
SFADCO	100*	100*	-	-	-	0
Udaras Gaeltachta	80*	20*	-	-	PNQ	0
FISE	2-3	-	-	-	-	-
OIC	7	2	3	0	NONE	0
Warsaw SBDC	2	1	0	0	21	0
Lodz SBDC	2	1	0	0	4	P
Ostrava BAC	6	2	0	0	14	0
Pilsen BIC	3	1	1	2	16	0
Martin BAC	3	2	0	0	3	0
Nitra BAC	4	1	0	0	10	0
Budapest Ctr.	2	2	0	0	4	N
Debrecen SBDC	2	1	0	0	5-7	0

KEY: P = POSITIVE EXPERIENCE ** Pullman only
 N = NEGATIVE EXPERIENCE *** Dundalk only
 Q = PRESENT, NOT QUANTIFIED
 0 = NO VOLUNTEERS
 - = DATA NOT AVAILABLE
 * = includes staff in non-small business programs

TABLE A-5

PROGRAM FINANCE (in percentages)

Program	Nat'l Gov	State Gov	Local Gov	Univ, CC	Int'l Donor	Fees	Other	In-Kind Contrib.	Sustain. Plan
Albany SBDC	40	20	12	20			8	•	
Pace SBDC	95						5 ^a	•	
Ulster SBDC	75			25				•	
Eugene SBDC	22	22		40		15	1	•	•
Umpqua SBDC	25	25		40		10		•	
U of GA SBDC	44	56				*		•	
USC SBDC	63	37				*		•	
WSU SBDC	50	46		4					
Portland MBDC	85					15			
Chicago MBDC	62					32			
Washington BAC		100							
Washington PIC	65	20				*	15 ^b	•	•
Durham Univ.	60		10			*	30 ^c	•	•
London Bus. Ctr.	100								•
Hertfordshire	- ^d	-	-	-	-	*	-	•	-
Project Northeast	382 ^e					*	62 ^f	•	•
IDA	-	-	-	-	-	-	-	-	-
SFADCO	25					*	75 ^g		•
Udaras Gaeltachta	90				10				
FISE	50 ^h				40	10			•
OIC					100				•
Warsaw SBDC					100			•	•
Lodz SBDC					100				•
Ostrava BAC					10	90 ⁱ			•
Pilsen BIC			17		50	33		•	•
Martin BAC					35	5	60 ^j		•
Nitra BIC		35	15 ^k		50				•
Budapest Ctr.					100				•
Debrecen SBDC					98	2		•	•

* Less than 2 percent

- Data not available

^a Special programs funded by local community groups^b Private individuals and foundations^c Private donors, corporations^d Program primarily funded by national government, with some funding from private sector and the European Community; exact percentages unknown^e Represents combined national and local government contributions^f 47 percent income earned from commercial consulting activities, government contracts bid on; 15 percent from private donations^g Rent from commercially leased space^h The majority of FISE's funding comes from the national government. The remainder comes from a variety of international donors, primarily French bilateral assistance, but also some support from EC/PHARE.ⁱ As a private for-profit business, the Ostrava BAC is eligible for only limited donor support, and will need to rely on fees to cover virtually all operational costs. In fact, the center is very new and is not generating sufficient fee income at this time; rather, operations are being subsidized by its founders.^j Center was founded by Association of Judiciary and is supported by membership fees^k Part of this amount represents contributions by Association of Judiciary

b/c

TABLE A-6

INSTITUTIONAL COLLABORATION

Program	Assocs. and Chambers	Training and Educational Institutes	Financial Institutes	Natl. Govt. Orgs.	State Govt. Orgs.	Local Govt. Orgs.	Other
Albany SBDC	P,T	St,S,F	R,S,F	F	T,F	F	
Pace SBDC	R	T,S,F	R,F	T,F	R	R	
Ulster SBDC	R,S	T,F	R	I,F	R,T		
Eugene SBDC	R,I,P	A,St,S,F	P,T	F	F		
Umpqua SBDC	I,P	St,S,F	R	F	F		
U of GA SBDC	I,P,T	St,S	R,T	I,F	F		
USC SBDC	R,I,P,S	A,St,S	R,T	I,F	F,T		
WSU SBDC	R	I,T,St,S,F	R	I,A,F	F		
Portland MBDC		R,T	R	I,F	I	I	
Chicago MBDC	R		R	F			
Washington BAC	R	R	R		R,F	R	T,A ^a
Washington PIC			R	F	F		R,I,A ^b
Durham Univ.		A,St,S	R,A	R,F		A,F	R,P,A,F ^c
London Bus. Ctr.	I,P	A	R	F		A	R ^d
Hertfordshire	R,I	R,I		R,I,F		R,I,P	A ^e
Proj. Northeast			R	F		R,T,F	T,A,F ^f
IDA	R,I	R,I,T	R	T,S,F	S	T,S,F	R,A ^g
SFADCO	R,I	R,T	R	R,F	R,I	R,I	R,F ^h
Udaras Gaeltachta	R,I	R,I,T	R	R,T,F		R,T	R,T,A,F ⁱ
FISE	R,S	A	R,A	F		R,S	T,A,F ^j

^a Economic Development Councils

^b Local SBDCs, public libraries, private lawyers

^c Clients referred to private sector lawyers and other specialists; DUBS collaborates with EC/PHARE, British Overseas Development Administration, British Know-How Fund, World Bank to provide technical assistance on micro- and small-scale enterprise development in Eastern Europe; provide training to staff of other business development NGOs; extensive contacts with private sector corporations as sponsors

^d Referrals to private lawyers; collaboration with EC on European Business Information database

^e Private sector secondees

^f Technical assistance to local business development NGOs; extensive cooperation with private sector corporations; links to British Overseas Development Administration

^g Private sector mentoring program; large-scale enterprise linkage program

^h Industrial property rents; large-scale enterprise linkage program

ⁱ Referrals to business development NGOs; EC-supported training

^j Some links to Peace Corps; receive some French bilateral assistance (funds and staff training), some collaboration with EC/PHARE programs

TABLE A-6 — Continued

Program	Assocs. and Chambers	Training and Educational Institutes	Financial Institutes	Natl. Govt. Orgs.	State Govt. Orgs.	Local Govt. Orgs.	Other
OIC	R,I,P,T	T,A,St	R			R,I	I,P,T ¹
Warsaw SBDC	F	St	R	R,I	R,I	R,F	I,F ¹
Lodz SBDC	R,I,P	I,St	R	T,F		R,I,P	A,F ^m
Ostrava BAC	R	R,A,St	R			T	
Pilsen BIC	R,P,T,F	T	R,P,A	R,I,F		R,S,F	T,F ⁿ
Martin BAC	R,P,F		R				A,F ^o
Nitra BAC	P,F	A	R	R	R,F	R,T,F	A,F ^p
Budapest Ctr.	R,I,T,P	T,R,I,P	T,I,R	I,P,T		R,P	T,F ^q
Debrecen SBDC	R,I	I	R	I		R,I,S	F ^r

Key: R = Referral; I = Information; P = Promotion; T = Training;
A = Advisory Assistance; St = Staff; S = Space; F = Funding

¹ Links to local media; financial support from USAID through Opportunities Industrialization Centers; staff training paid for by British Know-How Fund; Peace Corps Small Business Development volunteer

¹ All funding from U.S. Congress; Polish Embassies in U.S. help find investors; USAID project on Institutional Reform developing database of financial resources; Economical Fund of Solidarity Foundation to advocate small business interest

^m Collaboration with Volunteers in Overseas Cooperative Assistance on specific projects; all funding from U.S. Congress

^p Funding for start-up, equipment, and staff training from EC/PHARE

^o Partial program funding from EC/PHARE

^p Support from EC/PHARE

^q All funding from the British Know-How Fund; collaborate with other SBDCs in the region

^r All funding from U.S. Congress

TABLE A-7

CRITICAL FACTORS FOR SUCCESS

Program	Hire best staff	In touch w/client needs	Network w/other institut.	Focus services	Gov't support	Charge fees	Fin. sust.	Other
Albany SBDC						•		
Pace SBDC								• ^a
Ulster SBDC	•		•			•		
Eugene SBDC	•	•						• ^b
Umpqua SBDC	•	•						• ^c
U of GA SBDC	-	-	-	-	-	-	-	-
USC SBDC		•	•					• ^d
WSU SBDC	•							• ^e
Portland MBDC								• ^f
Chicago MBDC	-	-	-	-	-	-	-	-
Washington BAC	•			•				• ^g
Washington PIC		•	•				•	
Durham Univ.	•						•	• ^h
London Bus. Ctr.						•	•	• ⁱ
Hertfordshire		•		•				
Project Northeast		•	•	•				
IDA	-	-	-	-	-	-	-	-
SFADCO		•			•			
Udara Gaeltachta	-	-	-	-	-	-	-	-
FISE				•				
OIC	•				•			
Warsaw SBDC	•							
Lodz SBDC		•	•		•			

^a Clear objectives

^b House in strong institution

^c House in strong institution

^d Pick winners early; establish track record

^e Maintain program autonomy

^f Attitude of program staff

^g Establish simple, straightforward systems

^h Maintain program autonomy

ⁱ Clear program objectives

TABLE A-7 — Continued

Program	Hire best staff	In touch w/client needs	Network w/other institut.	Focus services	Gov't support	Charge fees	Fin. sust.	Other
Ostrava BAC	-	-	-	-	-	-	-	-
Pilsen BIC	•		•					
Martin BAC	-	-	-	-	-	-	-	-
Nitra BAC					•			
Budapest Ctr.	•		•	•				• ¹
Debrecen SBDC		•						

- Data not available

¹ Strong program director

ANNEX B

**SMALL BUSINESS DEVELOPMENT CENTER
QUESTIONNAIRE AND INTERVIEW GUIDELINES**

**SMALL BUSINESS DEVELOPMENT CENTER
QUESTIONNAIRE**

A. PROGRAM OVERVIEW

1. What are the program's goals and objectives?

2. What organization started the program?

3. What organization is running it now?

4. Is this program part of a larger program? What program?

B. INSTITUTIONAL STRUCTURE

5. Where is the program housed? Why were this arrangement and location selected?

6. How many branches or affiliate offices are there? Where are they located? How were these locations selected?

12

C. SERVICES AND RESOURCES

7. Which of the following types of services and resources does the program provide?

Service	Description	Time spent on typical client	Indiv. or Group	Fee?	% cost covered by fee
Training					
Individual counselling					
Business Information					
Marketing assistance					
Legal Assistance					
Assistance obtaining credit					
Assistance obtaining other forms of financing					
Business Incubator					
Business service facilities					
Project diagnostic					
Other					

8. How did you decide what services to offer? Which service would you say is most in demand?

9. Has the mix of services changed over time? In response to what factors?

D. CLIENT PROFILES

10. Please estimate what percentage of your clients fall into the following categories:

Women	---
Sector	
Manufacturing	---
Retail	---
Services	---
Transportation	---
Other	---
Age of Firm	
Pre-business	---
Start-up (less than 1 year)	---
1 to 2	---
More than 2 years	---
Number of Employees	
1	---
2 to 5	---
6 to 10	---
11 to 50	---
over 50	---

11. Overall, approximately how many clients have you served over the last year?

12. Does the program have eligibility criteria? What are they?

13. Are there special groups that you target? Why? How?

E. PROGRAM PROMOTION

- 14. How do you promote the program?

- 15. Do you publish a newsletter? How often? How do you disseminate it?

- 16. What have you found to be the most cost-effective method of program promotion?

- 17. Do you believe there is more demand for program services than you are currently equipped to meet?

F. STAFFING

- 18. What is the composition of your program staff?

Type of Staff	How Many	FT/PT	Function/Services Provided	Qualifications	Paid?
Technical staff					
Support Staff					
Outside advisors					
University students					

- 19. How do you identify and recruit technical specialists?

- 20. How would you judge the effectiveness of volunteer staff versus paid professionals?

21. Do you provide staff training? What kinds?

G. PROGRAM FINANCING

22. How is the program funded? What percentage of program funds come from what source?

- Federal/National Government
- State Government
- University
- Local Government
- Local Community
- International donors : _____
- Other sources: _____

23. Are any of the funds earmarked for specific purposes?

24. Do you receive any forms of non-financial in-kind program support? What types? From whom?

25. What are the primary program costs?

26. What is your policy on charging for client services?

27. What percentage of total program costs is covered by fees?

28. Does the program have sources of revenue besides grant funding and client fees? Which?

29. Does the program have a plan with regard to achieving operational self-sufficiency? If so, what?

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H. INSTITUTIONAL COLLABORATION

30. What other organizations do you collaborate with?

Organization	Name of Organization	Type of support
Business Associations		
Chamber of Commerce		
Training/Educational Institute		
Financial Institution		
National government organization		
State government organization		
Local government organization		
Other		

I. MONITORING AND IMPACT ASSESSMENT

31. What aspects of your program do you monitor?

32. Do you monitor the number of clients requesting different kinds of services?

33. Do you monitor client satisfaction? How?

34. Do you monitor the impact of program services on client businesses? If so, what methods do you use?

35. What indicators do you use to measure impact on the business?

36. Does the program have particular reporting requirements? If so, what data must be submitted? To whom?

J. LESSONS LEARNED

37. What do you think are the greatest strengths of this program, and how have these contributed to program success?

38. What are the main problems experienced by this program?

39. Has the program undergone significant change since inception? What has changed?

- In terms of operational procedures? What factors were responsible?

- In terms of program content? What factors were responsible?

- In terms of client focus? What factors were responsible?

40. What specific changes would you make, if any, to improve the program?

41. If you were asked to give advice to someone starting up a small business development center, what advice would you give?

**INTERVIEW GUIDELINES
FOR SMALL BUSINESS DEVELOPMENT CENTER PROGRAM ASSESSMENTS**

The attached questionnaire should be used to structure interviews with each small business development center program selected for assessment under the current study. The questionnaire has been designed to capture a fairly detailed set of standard information on each program. At the same time, it is clear that substantial diversity is likely to exist, particularly between centers operating in the U.S. and those operating in Eastern Europe. This interview guide provides the necessary clarifications for each section of the questionnaire, to ensure that the researchers conducting the assessments recognize the full range of possible responses and probe accordingly during the interview.

A. PROGRAM OVERVIEW

1. **What are the program's goals and objectives?** Here we wish to understand how the program fits into the larger economic development objectives of the region/country in question.
2. **What organization started the program?** Self-explanatory.
3. **What organization is running it now?** Self-explanatory.
4. **Is this program part of a larger program? What program?** Here we wish to learn whether the center is part of a larger umbrella program being carried out at the national, regional, or international level.

B. INSTITUTIONAL STRUCTURE

5. **Where is the program housed? Why were this arrangement and location selected?** Is the program based in a university, a government office, or a free-standing privately rented facility? What factors entered into the decision to locate the facility in this way?
6. **How many branches or affiliate offices are there? Where are they located?** Here we wish to learn whether the program is being run out of satellite offices in other parts of the state or country, which locations have been selected to receive services, and why these locations were selected. Factors to be probed include evidence of demand for services, proximity to major population centers or industrial zones, political factors.

C. SERVICES AND RESOURCES

7. **Which of the following types of services and resources does the program provide?** The accompanying matrix lists ten categories of business service. In completing the matrix, the researcher should ask the person being interviewed to describe their version of that service. For each category, the researcher should prompt as necessary to determine as precisely as possible the nature and range of activities encompassed under the general heading (see below). The researcher should also ask 1) how much time is typically devoted to delivery of that service for the typical client; 2) whether it is delivered on an

individual basis (enter "I"), on a group basis (enter "G"), or in both forms (enter "B"), as well as which is most customary (enter "B/I" or "B/G"); 3) whether the service is provided free or at some charge, and if so what charge per unit (i.e., \$/hour or \$/course); and 4) finally, the researcher should attempt to assess to what extent the service in question is subsidized, by asking what proportion of the real cost of the service is covered by the fee.

Prompts for each category of service are as follows:

Training: In general, we consider training to be offered on a group basis, usually in a workshop or seminar format. We wish to know what kinds of general business courses are offered (i.e., business plan development, accounting, management, financial planning, marketing). Does any of the training focus on the technical side of the business? Are there courses for groups of entrepreneurs from the same industry or line of business? Does the training result in any credentials or certificates? Is any of the training conducted off-site (i.e., on-the-job, third-country)?

Individual counselling: What topics are covered during individual counselling sessions (i.e., development of business plans, personnel planning, marketing plans, promotional strategies, preparation of loan requests, tax issues)? Do sessions include technical advice related to the industry (i.e., input and supply channels, production technologies and procedures, packaging, quality control)? Is any of the counselling provided off-site (i.e., does the counselor visit the business?).

Business information: What types of information are provided (directories of suppliers and products; availability of other institutional resources such as educational and training institutes, other community, state, or national programs; lists of prospective investors (foreign and domestic) or joint venture partners; information on potential sources of financial assistance. The researcher should ascertain in what form this information is available to clients (i.e., self-service library, computer data-base, over the telephone).

Marketing assistance: Does the center help clients develop marketing plans? Identify actual markets (domestic and export)? Coordinate and sponsor trade shows, exhibitions. Develop product or service catalogs?

Legal assistance: Does the center provide assistance in registering the business, dealing with zoning requirements, obtaining licenses and permits, solving contractual disputes?

Assistance obtaining credit: Is the program involved in the direct provision of credit? How does the center assist clients in obtaining credit (i.e., packaging loan requests, introducing clients to the banks, pre-qualifying clients, guaranteeing the loans). Are there particular banks that the center collaborates with?

Assistance obtaining other forms of financing: Does the center assist clients in identifying investment partners, mobilizing venture capital? How?

Business incubator: Does the program include a business incubator? Do they provide space, secretarial support, technical support, legal support, to incubator residents? (NOTE: Business incubators are not the main focus of the current assessment; therefore, while the researcher should attempt to get a general overview of the program, extensive questioning on the details of this aspect of the program should be avoided.) The

researcher should ask whether the program has any indirect links to nearby business incubators and, if so, the nature of the linkage.

Business service facilities: Does the center provide clients with access to basic business facilities such as typing or computer word-processing, fax, telephone, xeroxing. How limited or unlimited is this access?

Project Diagnostic: Does the program assist clients in identifying viable business opportunities? Evaluate proposals for overall economic feasibility? What techniques does the program staff use to perform this diagnostic (i.e., first-hand market research and/or industry studies; review of information/statistics available from secondary sources.)

Activities that the center engages in that are not picked up under one of the above categories should be entered in the row marked "Other".

8. **How did you decide what services to offer? Which service would you say is most in demand?** Here we are interested in understanding what factors went into the center's decision regarding scope of services to be provided. Were the decisions based on donor funding requirements? political considerations? needs assessment? A combination?
9. **Has the mix of services changed over time? In response to what factors?** Here we wish to learn whether there is any on-going assessment on the part of the center of the demand for services, the effectiveness of services, or the ability to provide certain services effectively, and whether this awareness is incorporated into a procedure for on-going program modification. What services have been added or deleted? How and why did they decide to make those changes? Who was responsible for the decision to make the changes?

D. CLIENT PROFILES

10. **Please estimate what percentage of your clients fall into the following categories:** To the extent that this has not already been answered above, here we would like them to estimate the percentage of clients that fall into each of the categories that we are interested in. The purpose of this question is to obtain a general picture of the program's client composition.
11. **Overall, approximately how many clients have you served to date?** Fairly self-explanatory, although the researcher should probe to determine whether the number provided represents total number of clients or instances of service provision (i.e., the number of training session attendees is likely to include repeat clients).
12. **Does the program have eligibility criteria? What are they?** Is there a firm-size threshold, sector bias, poverty measure, or other attribute that determines access to service, or special terms of service (i.e., fee waivers)?
13. **Are there special groups that you target? Why? How?** Self-explanatory.

E. PROGRAM PROMOTION

14. **How do you promote the program?** What media are used? Television? Radio? Bulletin boards (where?) Written materials (what types?) Word-of-mouth? Other?
15. **Do you publish a newsletter? How often? How do you disseminate it?** Self-explanatory. Please ask for samples.
16. **What have you found to be the most cost-effective method of program promotion?** Self-explanatory.
17. **Do you believe there is more demand for program services than you are currently equipped to meet?** What are the limitations on their ability to provide further services? Is this true across all service areas or for certain particular services, i.e., individual counselling? What would be required to eliminate these constraints? How many more clients could be served as a result?

F. STAFFING

18. **What is the composition of your staff?** In this question we are trying to find out the number and type of staff, whether they are full-time or part-time, their qualifications, the types of functions that different categories of staff are used for, and whether or not they are paid for their work. For purposes of the questionnaire, part-time should be considered as 32 hours per week or less. The purpose of the question is to learn to what extent the program is maximizing the efficient use of different types of resources for different purposes. The four categories listed in the matrix are defined as follows:

Technical staff: Individuals responsible for management of the center, program design, or direct service delivery.

Support staff: Individuals responsible for providing routine administrative support required for program operation (secretaries, receptionists, data entry).

Outside advisors: Individuals not permanently associated with the center, who provide selected technical services to program clients on an as-needed basis. The researcher should attempt to determine what proportion are from the local area as opposed to foreign advisors.

University students: Self-explanatory. Differentiate between students from local university and those with specialized degrees brought in from elsewhere as direct service providers.

19. **How do you identify and recruit technical specialists?** What network does the center have for finding and mobilizing required specialists? Do they turn to other organizations for assistance in identifying and obtaining such personnel?
20. **How would you judge the effectiveness of volunteer staff versus paid professionals?** Here we are interested in the center's objective assessment of any differences in the quality of service obtained from paid versus volunteer technical specialists, (i.e., are they getting the same caliber of people?) as well their views on clients' perceptions of

desirability of local versus outside specialists (i.e., weighing the broader perspective of outside advisors against their more limited knowledge of local conditions).

21. **Do you provide staff training? What kinds? Who receives it? Who provides it? Who pays for it? How often?**

G. PROGRAM FINANCING

22. **How is the program funded? What percentage of funds come from what source? Where does the money come from? We are less interested in absolute amounts than source, nature, purpose, and duration of funding. If it appears appropriate, attempt to find out total current annual budget. Try to come up with 100 percent. For international donors, identify the country and funding source.**
23. **Are any of the funds ear-marked for specific purposes? Is some targeted for special groups? Only for operational costs? Only in the form of service subsidies?**
24. **Do you receive any forms of non-financial in-kind program support? What types? From whom? Do other organizations provide space, staff, materials, access to facilities?**
25. **What are the primary program costs? Again, we are less interested in absolute amounts than in learning whether and how the program monitors costs of different aspects of the program. Are operational costs of overall program management and support staff differentiated from costs of service delivery? What proportion of program funds go toward training versus individual counselling? What proportion go toward the cost of facilities? Materials?**
26. **What is your policy on charging for client services? Who pays? For what services? What exceptions are made, if any? Who established the policy (i.e., is it an internal management decision, or dictated by funders of the program?)**
27. **What percentage of total program costs is covered by fees? Here we are interested in assessing the approximate degree of program self-sufficiency, recognizing that few will attain complete self-sufficiency while serving the target population in question.**
28. **Does the program have sources of revenue besides grant funding and client fees? Does the program sell services or materials to other organizations (i.e., chambers, associations, private training institutes). Is it involved in the direct production or sale of any products? Does it hold an equity share in any client businesses or other non-client commercial ventures?**
29. **Does the program have a plan with regard to achieving operational self-sufficiency? If so, what is the plan? Here we are interested in the center's assessment of availability of outside funding in the future, where they expect to obtain funds in the future, and what proportion of their costs they are aiming to cover through fees.**

H. INSTITUTIONAL COLLABORATION

30. **What other organizations do you collaborate with?** Using the matrix, fill in the name of any organizations with which the center collaborates, and indicate the forms that this collaboration takes, i.e., client referrals, sharing or exchange of personnel, use of facilities (libraries, computers), fee waivers, priority assistance, etc.

I. MONITORING AND IMPACT ASSESSMENT

31. **What aspects of your program do you monitor?** Introductory question. Probes to follow. We want to learn what they keep track of and how.
32. **Do you monitor the number of clients requesting different kinds of services?** (i.e., how many receive counselling, in what areas, how many attend workshops and seminars?)
33. **Do you monitor client satisfaction?** What method is used? What indicators are used? What scale is used? How often or regularly do they monitor this?
34. **Do you monitor the impact of program services on client businesses?** If so, what methods do you use? What is the procedure used to monitor impact? Automatic follow-up with all clients? How soon? How long? Follow-up if and when clients return for further services? Mailed questionnaires? Telephone interviews? Personal interviews?
35. **What indicators do you use to measure impact on the business?** What do they measure? Change in number of employees? Change in sales? Change in revenue? Change in fixed assets? Changes in profitability?
36. **Does the program have particular reporting requirements?** If so, what data must be submitted? To whom? Are reports required by donors? Local government? National government? Are reports publicly available? What figures must be reported?

J. LESSONS LEARNED

37. **What do you think are the greatest strengths of this program, and how have these contributed to program success?** Strong management? Local government support? National support? Community support? Strong demand on the part of entrepreneurs? The economy (worsening? improving?) Strong technical advisors?
38. **What are the main problems experienced by your program?** Limited availability of outside funding? Limited ability of clients to pay for services? Quality of staff? Difficulties in helping clients secure funding?
39. **Has the program undergone significant change since inception? What has changed? In terms of operational procedures? Program content? Client focus? What factors were responsible?** This is an important question. We are interested in the ability of the organization to capture insights from on-going program experience and translate these into improved service delivery. We want to know whether eligibility criteria or fee structures have been introduced/changed, with what results; whether the scope of services or the content of training and counselling sessions has been modified, and why;

whether the program has shifted its emphasis from one set of clients to another, and if so, why.

40. **What specific changes would you make, if any, to improve the program?** Self-explanatory. Ask about changes in procedure as well as content.
41. **If you were asked to give advice to someone starting up a small business development center, what advice would you give?** Self-explanatory.

ANNEX C
CLIENT IMPACT ASSESSMENT, PROCEDURES, AND GUIDELINES

Description of the Service (content)	Time Allotted	Individual or Group	Cost	Satisfaction (Scale 1-5)

4. Did you receive services related to the technical aspects of your business? What services?

5. Of all the services you received from the program, which was the most useful? In what way?

6. Did the service(s) lead to improvements in your business? How?

7. Is there anything you would change in the current business center program?
 - in terms of types of services?

 - in terms of operations/procedures?

8. Will you use this service again and/or recommend it to others?

9. Have you used the services of other business support programs? Which ones? How does it compare with this program?

PROCEDURE FOR SETTING UP CLIENT IMPACT ASSESSMENTS

To assess how well existing small business centers are meeting entrepreneurs' needs, the present study will include in-person or telephone interviews with selected program clients. An attempt will also be made to identify comparable entrepreneurs who are not clients of small business centers, to understand the factors determining entrepreneurs' perceptions of the program and decisions on whether or not to use available services.

The assessment is not intended to be a statistically accurate evaluation of the program impact of particular centers. Rather, it is intended to supply information that will help gauge the relevance of different types of services and modes/costs of service delivery, versus entrepreneurs' needs.

Upon finalization of the overseas and domestic itineraries, the team will identify those programs for which client impact assessments will be carried out. The emphasis will be on collecting impact information on different types of programs rather than comparing the performance of similar programs (i.e., we are less interested in comparing impact information on two PHARE programs than on comparing impact of a PHARE program and a British-funded Know-How program).

The centers selected for impact assessment should be alerted as soon as possible of our intent to interview clients, in order to allow the staff time to identify clients and organize visits. By way of illustrating the kind of impact assessment we have in mind (to make it non-threatening to program staff), staff should be presented with a copy of the client impact questionnaire.

We will aim to interview at least three clients from selected programs. We will ask the staff to arrange meetings for us with a representative cross-section of program clients. In particular, we would like the sample to include clients who have used the program frequently as well as one-time users. Among the frequent users, we would like to interview clients who have received substantial amounts of one-on-one counselling as well as clients who have received more general kinds of group training. Beyond these primary differentiations, we are interested in meeting both male and female entrepreneurs, representing a range of sectors and firm sizes.

Where convenient opportunities arise to interview clients of programs not originally selected for impact assessment, interviews should be conducted, using the same questionnaire.

Upon making contact with the clients, the interviewer should read the introductory statement, and explain the amount of time the interview is expected to take. If possible, the interviewer should attempt to obtain contact information in the event there is a need to follow up on any of the responses.

INTRODUCTION TO CLIENT IMPACT ASSESSMENT QUESTIONNAIRE

Hello, my name is and I work for (...organization...)

We are here in (...location...) on behalf of the United States Agency for International Development and the U.S. Peace Corps, trying to learn about the impact that small business development centers are having on the local business community. The U.S. Government is interested in supporting the development of similar programs in Eastern Europe and the former Soviet Union, so we would like to find out from you what your experience has been receiving services from (...program...), as well as any comments or suggestions you may have concerning how these types of programs could be improved.

We have some questions that we'd like to ask you. The interview should take no more than 30 minutes.

CLIENT IMPACT ASSESSMENT GUIDELINES

The objective of the client impact assessments is to learn how well existing small business centers are meeting entrepreneurs' needs. The assessment is not intended to be a statistically accurate valuation of the program impact of particular centers. Rather, it is intended to supply information that will help gauge the relevance of different types of services and modes/costs of service delivery, versus entrepreneurs' needs.

By way of introduction, the researcher should begin by explaining in a general fashion the purpose of the overall study (see attached sample introduction).

On the Firm:

1. **What is the nature of your business?** What type of activity (or activities) is the firm involved in? What sector? What product is being produced? For what market?
2. **When was the business established?** Self-explanatory.
3. **How many employees do you have?** Here we are interested in firm size. The interviewer should also try to get a general idea about the kinds of employees, i.e., full-time or part-time, how many women, level of skill or training.
4. **Are you the owner? If not, what is your role in the firm? (Also, note gender).** We wish to know whether or not we are talking to the proprietor, in order to know how to evaluate the responses. We might use this question to probe into the management structure of the firm, i.e., are there any other managers or key decision-makers. (Frequently, men are the formal owners, but women are the managers of day-to-day operations. This can have implications on who is targeted for, and receiving, training and technical assistance.)
5. **What are the main problems your business faces?** We need to be careful not to supply the answers here. After the entrepreneur has answered fully, the researcher should probe as to the importance of factors not mentioned. These should include credit, investment capital, access to inputs, access to markets, transportation, technology constraints, and business management skills.

On the Service:

1. **How did you hear about this program?** Self-explanatory.
2. **What kinds of services did you hope to receive?** What we are trying to get at in this question and the next question is whether or not clients perceive accurately the types of services available through the program in question, and to what extent a mismatch between perceived services and actual services is responsible for utilization of services, satisfaction with services, and effectiveness of services.

3. **Did you receive those services?** If the client answers yes, proceed to the matrix and complete as described below. Probe for additional services received beyond those initially indicated by the client. If the client answers no, attempt to find out why s/he did not receive those services -- were they not offered, were they different than expected, did they cost too much, was the service not convenient, etc. The interviewer should then ask whether the client received services other than those originally desired, and if so, complete the matrix.

In completing the matrix, the interviewer should obtain as complete a description of the service as possible, including the amount of time/number of visits involved; whether the service was obtained on an individual basis or as part of a group; whether the client paid for the service, and if so, how much, did s/he think this was expensive or a fair price; and how satisfied the client was with that particular service (on a scale of 1-5, with 1 being very dissatisfied and 5 being very satisfied).

4. **Did you receive services related to the technical aspects of your business? What services?** Here we are interested in learning whether the client requested and received technical services specific to the business in addition to general business assistance. We would like to know whether this type of assistance is perceived as valuable, would be in demand, would be of more utility than general business assistance (see next question).
5. **Of all the services you received from the program, which was the most useful? In what way?** We would like to know on which services the client places the highest premium, and which are perceived as less relevant to immediate needs. This should constitute important feedback to centers in terms of focusing their services and determining appropriate fee structures.
6. **Did the service(s) lead to improvements in your business? How?** Probe as to what indicators are being used (i.e., increased sales, growth in personnel) as well as what specific service they attribute the improvement to (i.e., new market identified and accessed, improved accounting system leading to better financial management).
7. **Is there anything you would change in the current business center program, in terms of types of services? In terms of operations or procedures?** Here we are trying to get them to identify what changes would be required to make the center more useful and accessible. We are interested in their feedback on scope of services, cost of services, hours of operation, access to counsellors, etc.
8. **Will you use this service again and/or recommend it to others?** Self-explanatory.
9. **Have you used the services of other business support programs? Which ones? How does it compare with this program?** The purpose of this question is to identify other programs, show the client's awareness of alternate resources, and get some general information on how the program being assessed compares in the client's mind with similar kinds of available services, emphasizing the differences between programs.

ANNEX D
LIST OF SBDCs INTERVIEWED

LIST OF SBDCs INTERVIEWED

New York State SBDC, Albany
Pace University SBDC, New York
Ulster SBDC, New York
Oregon SBDC, Eugene
Umpqua Community College, Oregon
University of Georgia SBDC
University of South Carolina SBDC
Washington State University SBDC
Portland Minority Business Development Center
Chicago Mega Center
Washington State Business Assistance Center
Private Industry Council of Snohomish County
Durham University Business School Small Business Centre, England
The Greater London Business Center
Hertfordshire Training and Enterprise Council, England
Project Northeast, England
Industrial Development Authority of Ireland
Shannon Free Airport Development Company, Ireland
Udaras na Gaeltachta, Ireland
Foundation for Social and Economic Initiatives, Poland
Opportunities Industrialization Center, Lublin, Poland
Polish-American Small Business Advisory Center, Warsaw, Poland
Polish-American Small Business Advisory Center, Lodz, Poland
Business Assistance Center, Ostrava, Czech Republic
Business Innovation Center, Pilsen, Czech Republic
Business Assistance Center, Martin, Slovakia
Business Assistance Center, Nitra, Slovakia
B'nai B'rith Center, Budapest, Hungary
Public Access Center, Debrecen, Hungary

ANNEX E
SMALL BUSINESS DEVELOPMENT CENTER CONTACT LIST

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SMALL BUSINESS DEVELOPMENT CENTER CONTACT LIST

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