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Management Education and Training

Review of Experience

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Reviews of Experience

In 1989, the Education and Human Resources (EHR) Division of A.I.D.'s Bureau for Latin America and the Caribbean (LAC) commissioned a series of four evaluations in education and human resource development: basic education, vocational education and training, management education and training, and participant training.

These studies present lessons learned about the design, implementation, and evaluation of donor-assisted projects. Each study examines the relevant literature as well as actual site visits of programs or projects in the LAC region. The studies focus on the experience of the U.S. Agency for International Development over the past fifteen years. In addition, the work of other donor organizations is considered.

These studies are research and reference documents that lead to practical applications in project design, implementation, and evaluation. Part I of this series presents the *Reviews of Experience*, and Part II, the *Practical Applications* for each subsector.

These studies were carried out by the Academy for Educational Development (AED) through the LAC Bureau's Education and Human Resources Technical Services Project. The team for the studies included the following representatives of the EHR Division, AED, and its subcontractors:

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This review of management education and training, as with the other reviews of A.I.D. experience in this series, was challenging because of the diversity and breadth of experience in the field. Without the assistance of knowledgeable and clear-thinking experts, the review could not have been done. I would particularly like to thank Dr. William Renforth, whose conceptual framework and insightful analysis of key issues and broad knowledge of management education institutions throughout the region are central to the study. Of the many other people who have been generous with their time and insights, I would like to thank Larry Cooley (who may well set the standard for clarity of thought), Allan Broehl, Cindy Clapp-Wincek, Ray Chesterfield, and Beverly Jones. As the editor, Frances Hays reviewed each draft; her comments always covered a range of issues from substance to presentation and invariably improved the text. Sandra Amis was also helpful in tracking down documents, finding and analyzing training data, and providing superb overall support. Eleanor Abrams was helpful in editing the document.

The Education and Human Resources Division of the A.I.D. Bureau for Latin America and the Caribbean sponsored this series of studies on human resource development and was very helpful in providing encouragement and direction to the study. Joseph Carney and Leopoldo Garza helped to place this study in a broader perspective of human resource needs in the region. Gary Russell did triple duty as project manager, technical reviewer and backstop, and field reviewer in Barbados and Honduras. His conscientious review of the work and insightful comments greatly improved this study.

Human resource development (HRD) has been recognized as a crucial element for economic development since the 1950s. The Education and Human Resources Division of the Bureau for Latin America and the Caribbean (LAC) of the U.S. Agency of International Development (A.I.D.) sponsored a set of four studies to review A.I.D. experience in four HRD fields: basic education, vocational education, participant training, and management development. This study reviews management development, which includes management education, management training, and public administration training.

The study covers five general areas: program achievements and impact, contextual issues, institutional development and sustainability, the design and evaluation of donor investments, and the donor-training institution relationship. The intent is to assess the overall experience, identify some important lessons that have been learned about the process, and provide discussion of issues in a way that is useful for managers responsible for conducting management development projects. The projects are reviewed in terms of their continuing ability to stimulate change in organizational behavior and, ultimately, in societal production. This perspective transcends the project-level objectives of training a specific number of managers.

The broad field of management development encompasses academic education as well as practical training and addresses generic management skills (planning, control, coordination, personnel, organization, and strategic focus) as well as function-oriented management skills in marketing, production, accounting, inventory, finance, or other operational areas. A broad range of training mechanisms, such as academic education; short-term training; on-the-job training; technical assistance; consulting; and preservice, in-service, and in-plant training is available. These training programs must be refined to meet the needs of different employers, including government, large business, small business, and entrepreneurs. Some conclusions of this report are briefly summarized below.

Contributions of A.I.D. to Management Development

Management development has been an integral part of U.S. foreign assistance since the early 1950s. Every A.I.D. project has included some form of management development, whether through technical assistance, scholarships, training courses, or institutional strengthening. This investment has left a significant legacy.

A.I.D. has either established or supported many of the prestigious educational and training centers in the developing world. The list of A.I.D.-supported organizations includes world class institutions for graduate business management, such as the Central American Institute of Business Administration (*Instituto Centro Americano de Administración de Empresas/ INCAE*) and the Graduate School of Business Administration (*Escuela Superior de Administración de Negocios para Graduados/ESAN*) in Latin America, over 45 institutes of public administration throughout the world, dozens of university programs in management, and small management training organizations in dozens of countries.

Over the years, the management education and training programs in Latin America and the Caribbean have graduated tens of thousands of people who are now in important positions in business and government throughout the region. Thousands more have received scholarships or on-the-job training from technical advisors. This corps of trained managers constitutes a significant asset for the region.

Most A.I.D.-supported management training activities have been successful in terms of providing high-quality programs that meet the needs of clients in both business and government. Project evaluations consistently find that trainees and employers are satisfied with the training. The continuing high demand for most programs reflects employers' appreciation of the usefulness and relevance of the training. The quality of training services is generally high where the training is closely integrated with research and consultants.

Management Development in LAC Countries

Capable management in government and business will be crucial in the coming years as Latin American and Caribbean nations adjust to changes in national and global conditions. After decades of political strife and economic stagnation, the region has begun to stabilize under democratic governments and peace. Many countries are implementing domestic economic reforms and are moving toward greater regional economic integration through free-trade arrangements and common markets. In many countries, the pervasive role of the public sector in economic management and ownership is being reduced in favor of the private sector. The LAC region will need skilled managers with the vision and skills to help companies—and countries—successfully adapt to these sweeping political and economic changes. Equally important, as these policy changes take effect, some constraints to effective management may be removed. The impact of management training may well be greater in countries with stable politics and growing economies.

Consistent with the needs of the LAC countries, improved management will also continue to be important for achieving the A.I.D. strategic objectives. Regardless of the direction that U.S. foreign assistance takes in the future, education, specifically management education, will form the foundation for success. Whether the primary focus is on trade and investment, policy reform, basic human needs, or strengthening of democratic institutions, each country will need to meet its management training needs. Therefore, establishing or strengthening local training capacity is an appropriate element in any development strategy.

Three distinguishing management education strategy elements promote sustainable development: an emphasis on developing financially viable local training capacity, a resolution of policy and other structural constraints to effective management, and a recognition of the local market structure for training.

Design and Implementation of Donor Projects

Project objectives should be precise and clearly recognize the tradeoffs between impact and institution building. Most project managers must choose between achieving a measurable degree of immediate impact on an organization or industry and developing a sustainable institutional capacity to supply high-quality training. Project managers must identify one or the other as the priority objective.

When achieving a measurable degree of immediate impact on an organization or industry, project activities will be oriented toward developing comprehensive, high-quality training packages for a target organization(s) to achieve specified operational improvements. Management attention is focused on the training product and impact rather than on the financial sustainability of the training program or the training provider. The most direct and measurable approach to this is project-related training, which may combine technical assistance, on-the-job training, local short-term training and seminars, U.S. scholarships to graduate programs, and nontraining investments. This integrates training with structural and financial assistance to achieve a specific set of organizational objectives. With a clear focus on measurable objectives, this approach has the potential to accomplish specific improvements in management performance. However, human resources in any organization are a wasting asset—people leave, retire, and die, and skills become obsolete. Therefore, any management improvement for existing managers is inevitably short term and will continue to be dependent on donor financing of training unless the local infrastructure exists to continue to train existing and future managers.

When developing a sustainable institutional capacity to supply high-quality training is emphasized, project resources are devoted to strengthening the capability of a training organization to develop and market new products. The measure of success for any training program is not the ultimate impact on an industry, but rather the quality of the training combined with the financial feasibility of selling this training program. The standard for viability is what the market will bear. In this case, developing a portfolio of training products capable of generating adequate revenue for the firm will be emphasized. This emphasis will usually require developing a broad base of clients and a more diffuse range of training products. The quality and intensiveness of any given training program will be dictated as much by market demand as by training considerations.

These two aspects of training—impact on the clients and market value of the training—are related. The market value of training is created precisely because of the impact on the client. However, some markets are simply too small or fragmented to support the institutional capacity to develop and deliver such training programs. In general, an objective of achieving impact on an industry is justified in terms of overall economic benefits, whereas institutional sustainability to provide training is dependent on the financial feasibility of selling services in the market.

Donor investments should avoid creating dependence. Effective investment in management development is a challenge for both training institutions and donor organizations. While donor investments can successfully help training organizations establish effective programs, the investments must be carefully managed to avoid creating dependence. The donor-institution relationship is a dynamic of financial linkages, bureaucratic procedures and expectations, and management interests within a web of related, but distinct, organizational objectives. The relationship affects not only project activities but also all aspects of institutional sustainability. Therefore, donor-training organization project relationships should be based on a recognition of the dynamic influence of donor investments.

The key elements of the relationship should emphasize financial and managerial independence for the training organization. For finances, this implies that donor investments be directed more toward program development, start-up costs, or faculty development rather than toward subsidy of operating costs. Good management requires that the major business development and strategy decisions be directed by the training organization rather than be dictated by project concerns. In general, it means that donor resources should supplement the revenues generated by the training organization, but not buffer the organization from the consequences of poor management.

Donor investments should recognize that training providers are private firms in the business of training. In this context, sustainability is dependent on the organizations being efficiently managed on a businesslike basis. Therefore, any donor intervention, whether on a contract or grant basis, should be based on a clear recognition of this fact. Whether the project objective is to conduct project-related training or to develop training institutions, project managers must keep in mind the nature of the business. The short-term value of procuring low-cost training for project purposes is counterproductive if it undermines the long-term viability of training providers.

The impact of donor investments on competition in the local training industry should be recognized. Although, in some cases, no local training capability exists, a more common situation is that several private entities offer some management education, training, or consulting. Not all existing training suppliers meet the quality or coverage requirements of the donor. However, donor support to a single supplier clearly changes the competitive structure of the industry. In such cases, a competitive contract to provide a specific type of training may be preferable to institution-strengthening grants that give one supplier a market advantage over its competitors.

Independent and nongovernmental training organizations are generally more successful at establishing professional, client-focused programs than are dependent organizations constrained by government or university bureaucracies. While some government-run public administration institutes have been successful, more often the bureaucratic constraints and diffuse decision-making and budgetary processes limit the effectiveness of training units. Where training is included as a division of a ministry, professional development is weakened when training staff are seconded from other operational units and frequently rotated out. Equally importantly, such "captive institutes" are rarely able to expand beyond teaching to integrate the research and consulting activities that are essential to a high-quality and relevant program. In practice, most in-house training centers fail from the very same management weaknesses that prompted the need for the training in the first place. The in-house structure is often more effective for training in the routine functions of administration rather than for developing senior-level management.

Technical assistance, overseas scholarships, and consulting can be an effective source of on-the-job training that is directly linked to organizational objectives; these three areas must be carefully managed to achieve a useful training function. However, technical assistance is frequently more concerned with completing specific project tasks than with the training element. If technical assistance is to be used for training, contract obligations and objectives must be clearly oriented toward training rather than toward project outputs.

Similarly, overseas scholarships for graduate academic work provide valuable skills, but students are then isolated from the local management challenges and context. Training in the United States is a high-quality option that is relatively costly and is oriented toward analytical and conceptual knowledge rather than toward problem solving. Some balance is usually needed between this kind of reflective, theoretical learning that includes exposure to new ideas and to the more direct problem-solving approaches that can be conducted in-country.

Three Areas of Institution Building

Financial Sustainability

Financial sustainability is the most significant challenge for training organizations. Some organizations have failed to become independent of donor support twenty-five years or more after being started. Others have become tenuously financially independent in a few years. In general, financial independence is harder to achieve for academic programs than for short-term training programs. The "right" approach to financial independence will be a portfolio of training products unique to each institution and country.

However, finding the right approach requires that both the training organization and the donor agency emphasize financial management from the beginning.

Financial sustainability is a concept that applies to the training organization rather than to a particular training course. Therefore, each training course must be assessed in terms of its overall impact on financial viability. As noted above, there are direct tradeoffs among emphasizing services delivered, numbers of trainees produced, and sustainable capacity installed that must be explicitly recognized by both the training organization and the donor.

Because the balance between the market size and the training needs largely determines the potential for economies of scale, planning for financial viability requires a clear understanding of these two areas. As a whole, the market size is a given that must be factored into business planning. However, managers can influence the effective market for training by finding the optimum combination of products and prices. This requires both a theoretical and operational understanding of elasticity of demand for training services and a willingness to experiment with prices rather than to assume that subsidies are required. It may also require some tradeoffs in quality or comprehensiveness of training programs to fit into the price range of the target clients. This kind of experimentation with market pricing and product development has not been widely practiced by training organizations. Understanding such tradeoffs is easier if the donor investments are not used to distort the markets with subsidies or inflate quality or programs beyond levels that the market can bear.

Academic Program Development

Academic program development, including faculty development and retention, is a continuing and costly requirement for any organization to maintain a relevant program. The assessment of priority training needs of the clients, development of new marketable training courses, and adaptation of courses to local conditions require both skills and resources. Some organizations have incorporated research, consulting, training, and education programs so that each contributes to the others. For most, however, this continues to be a financial and managerial challenge.

Equally challenging is the need to maintain the quality of the faculty. Whether the faculty consists of part-time instructors in a training institute or full-time professors in a graduate degree program, the challenge of keeping these professionals current in the field and in training methodologies is significant. To retain qualified professionals, university programs must offer both financial and professional incentives. In many universities in the region, opportunities for research, publications, and other professional development activities are limited.

Donor organizations can contribute to both of these areas. However, the purpose and scope of donor interventions in these areas should be understood by both parties. In some cases, organizations will require continuing financial support for such activities. If donors do not intend to make a continuing contribution, then the future plans should be discussed from the start.

Organizational Development

For any organization, the value of organizational development cannot be overemphasized. The selection of a capable executive director, financial director, and academic director is essential to success. The skills required are not solely educational, but also entrepreneurial and managerial. The right combination of skills is often difficult to find in a director. The challenge is exacerbated by the short time frame inherent in most donor projects.

Future Investments in Management Education and Training

Investments in management education and training over the past four decades have established training capacity in many of the A.I.D.-recipient countries. In such countries, future investments may increasingly emphasize building on existing capacity rather than creating new training organizations. In those countries where viable management education and training services do not yet exist, institution building activities may still be appropriate.

Regardless of the nature of the future investments, a greater sensitivity to local market competition and the business requirements of local firms will be needed. Clearly stated and understood objectives will help both donors and training providers avoid creating dependence.

Donor funds should not be used as a crutch for poor management, but rather as a tool for expanding or strengthening. To the extent possible, A.I.D. program funds should seek to strengthen the training industry as a whole. This can be achieved through broad participation of training suppliers in A.I.D.-financed training and by market development and policy dialogue that establishes training and human resource development as a priority for government and business leaders. Established training plans and budgets for government units will help to provide a stable market for training providers. Increasingly, open-trade relationships will provide new opportunities for management.

The investment in management education and training in the Latin American and Caribbean countries has established a foundation for future development. This may well be one of the lasting legacies of U.S. foreign assistance in the region.

Introduction

Investment in human resource development (HRD) in developing countries has long been an important programmatic emphasis for the U.S. Agency for International Development (A.I.D.). In recognition of HRD's crucial role in social and economic development, the Education and Human Resources Division of A.I.D.'s Bureau for Latin America and the Caribbean (LAC) sponsored a set of studies to review the program experience in four HRD areas—basic education, vocational education, participant training, and management education and training. This study addresses the issues related to management education and training and is organized around the general area of management development, which includes management education, management training, entrepreneurial training, and public administration training.

The primary audience for this study is A.I.D. project and program managers who design, implement, and evaluate management development activities. It is also intended to be useful for policy-level officials to understand management development in the context of broader sectoral objectives. The study concentrates on A.I.D. projects and experience, and some of the issues are unique to A.I.D. project management mechanisms. Nonetheless, most of the findings will be relevant to the broader development community of other donor organizations, academics, and management institutions.

Management training is one of many activities that constitute an HRD program; others include formal education from primary education through specialized graduate studies, vocational education and training, and nonformal education in all areas. Effective HRD programs consist of balanced investment at all levels of education and training; each activity is important, but none is sufficient alone. However, among HRD interventions management development is unique because it is a strategic intervention that leads to increased efficiency and effectiveness in all other fields: business, education, agriculture, environment, and even in management education itself.

Perhaps no problem is more frequently identified in project assessments than the lack of management skills. Weaknesses in midlevel and upper level managers are usually among the first problems identified in project proposals, evaluations, and sector assessments. The identified problems range from general management weakness to specific issues of vision and leadership (business strategy, market analysis, product development) and highly technical issues, such as financial management procedures or inventory control.

Purpose

This study identifies lessons from experience and suggests ways to improve management development projects. The study covers four general areas: impact and achievements, program context, institutional factors in delivery mechanisms, and project design.

The issues of institution building of management education and training are more than a full field of study. To the extent possible, this paper identifies and analyzes critical factors in developing sustainable, high-quality education and training organizations. However, institutional development is only one approach to improving management. This study focuses more broadly on the objective of improving management performance in target organizations.

The study addresses key questions in several areas:

- *Program achievements.* What institutional capacity in management education and training has been developed with A.I.D. assistance in Latin America and the Caribbean?

- *Impact.* What can be concluded about the developmental impact of management education and training activities? How can or should the impact of these activities be measured or evaluated in relation to strategic program objectives? How should impact be defined in conceptual and operational terms?

- *Context.* What are the contextual factors that influence project success and eventual developmental impact of management training? What favorable conditions, if any, should be present to improve the likelihood of success? What are the economic, social, political, and institutional factors that are necessary for success and impact?

- *Sustainability.* Are A.I.D.-supported management education and training institutions financially sustainable? What factors contribute to financial sustainability? What are reasonable expectations for financial viability?

- *Project design.* What are the critical issues that must be addressed in project design? What project interventions or strategies seem to work best? Is design strategy or implementation the critical determinant of success?

- *Institutional alternatives.* What are the strengths and weaknesses of different institutional structures for management development? On balance, what does experience indicate are the most effective and efficient means of providing management education and training services to each type of client?

- *Donor issues.* How can or should a donor agency like A.I.D. support management development programs in developing countries? How can programmatic interventions be appropriately designed, implemented, and evaluated to contribute to broader agency or mission strategic objectives? When are management development programs an appropriate and effective programmatic option? How can the project relationship between donors and training organizations be structured to be more efficient and successful?

- *Evaluation.* How have management development programs been evaluated in the past? What indicators of impact have been used? Are impact indicators and measurements standard across projects? What are the most appropriate and useful of such indicators?

Methodology

This study was intended to synthesize existing knowledge rather than to initiate original research. The data were collected through multiple sources and approaches: interviews, general literature review, project document review, and limited country visits. The range of A.I.D. experience in management training is extensive and reaches back to the earliest years of agency operations.

However, this report is not, and makes no pretense of being, an exhaustive review of experience. The study relies heavily on available secondary information and personal knowledge, which is by no means comprehensive. The A.I.D. library is incomplete; documentation for projects prior to 1974 is sketchy; and, even in recent years, not all documentation is available for every project. Some studies and evaluations were never sent to the library, and no official record exists. Moreover, many projects were never evaluated at all. Therefore, although the author may have knowledge of A.I.D.-supported training institutions, that experience may not be adequately documented. The scope of this study is not adequate to conduct substantive field studies. Rather, the case studies are largely based on secondary documentation and on limited site visits to update information.

The report combines the consensus of the literature, where it exists, and the evaluator's own analysis based on available information and experience. Some sections are predominately based on the literature while others are heavily influenced by the author's interpretation of existing data. Although the majority of the projects studied were sponsored by A.I.D., the literature review covered the experiences of other donors, such as the World Bank, the International Labour Organization, and training institutions that are independent of donor support.

Conceptual Framework

The questions raised in this study deal with different aspects of management development and are oriented around the donor agency role in promoting interventions to improve management. However, some are specifically focused on donor-agency procedures for project design, implementation, and evaluation. Other questions focus on the operations of management education and training institutions which, although part of the broad concerns of donor investments, are nonetheless distinct.

The following section describes the framework used to address the different questions and explains the operating definitions as they relate to the objectives of management development, A.I.D. project planning and management, and institutional issues for management education and training.

Objectives of Management Development

The objective of management development is to stimulate change in organizational behavior and, ultimately, in societal production. This objective is conceptually distinct from an objective of changing individual behavior and has implications for both program design and evaluation. The focus on organizational behavior provides a framework for exploring the relationship between management training and the achievement of broader economic goals, for establishing project objectives, for measuring success and impact, and for planning interventions. The study uses this framework even for projects whose objectives are stated in terms of institutional strengthening or individual performance.

A.I.D. Project Planning and Management

The A.I.D. approach to project planning is the Logical Framework (logframe). This is a tool to rationalize the design process, establish objectives and indicators for each stage, and provide a framework for evaluation. The logframe is used for reviewing project issues in stages and for identifying linkages between stages. As a management system, this reflects A.I.D.'s priorities. The logframe is a matrix tool that requires objectives and specific performance indicators for each stage, ways to verify the indicators (data sources), and assumptions for each objective. The logframe has four stages: program goal, project purpose, outputs, and inputs.

- The *program goal* represents the longer term development objectives toward which the individual projects are intended to contribute. At this level, the objectives and indicators represent large-scale changes that may result over time from many projects.

- The *project purpose* is the focal point that determines all project decisions about the combination and scope of activities. The project-level indicators, also called end-of-project-status (EOPS) indicators, are the specific changes that define success for evaluation purposes.

- *Outputs* are the basic level of achievement in a project—the activities that will achieve the purpose and the specific operations that are more fully in the managerial control of the project and less susceptible to outside influences.

- *Inputs* are the building blocks of the project: money, vehicles, technical assistance, and training.

Institutional Factors for Management Education and Training

The three key institutional factors for management education and training organizations that are reviewed in this study are the formal organization, the academic program, and the financial viability. These elements constitute a simple framework for analyzing activities.

- The *formal organization* includes all issues related to the organizational structure of an institution: formal status (nonprofit, university, for profit, autonomous), governing structure and linkages to clientele (board of directors or trustees, other advisory committees), dependence on or independence from political and bureaucratic concerns, faculty recruitment and retention, and other related issues.

- The *academic program* concentrates on all issues related to the quality and design of the educational activities, including needs diagnosis, quality standards, faculty quality and training, adaptation to local conditions, academic program management, development of materials and cases, and similar issues.

- The *financial viability* covers a range of financial issues relating to sustainability, including sources of revenue, cost management, economies of scale, financial assistance to students, range of revenue generating activities, and affordability of programs.

Structure of the Report

The report is divided into chapters that generally correspond to the evaluation questions. Chapter I, this chapter, serves as an introduction. Chapter II reviews background information about the history of A.I.D. investments in management education and training in the LAC region. Chapter III describes the range of approaches possible in management development activities and summarizes the experience with these alternatives.

Chapters IV, V, VI, and VII review specific issues of donor experience in management development, project design, institutional strengthening, and planning and evaluation that are relevant to management education and training.

Chapter VIII, the last chapter, looks at the dynamics of the relationship between the management education and training organizations in developing countries and the donor organization and addresses some of the issues raised earlier from the perspective of the impact of the project itself on goals such as sustainability and institutional strengthening.

Finally, four case studies are presented in the Appendix. Each case study focuses on the investment made by A.I.D. in a particular management education or training institute. (Brief synopses of these case studies follow in boxes I-1 through I-4.)

BOX I-1
Synopsis of Case Study: INCAE

Type of Organization. The Central American Institute of Business Administration (Instituto Centro Americano de Administración de Empresas/INCAE), a private, nonprofit multinational institution of higher education, was established in 1964 through an initiative of the Central American business community with the support of A.I.D. and the Harvard Business School.

Physical Facilities. INCAE has two campuses: the original campus and former headquarters is in Managua, Nicaragua, and the new campus and current headquarters, built in 1983, is in Costa Rica. Facilities were constructed with financial assistance from the Ford Foundation and A.I.D., among other donors.

Organizational Relationship with A.I.D. A.I.D. was instrumental in establishing INCAE in 1964 and has provided substantial support through both regional and bilateral A.I.D. projects since that time. Grant and loan support has included technical assistance, construction, faculty training, equipment, and contracting for special training programs.

Organizational and Management Structure. INCAE has two organizational bodies: the Foundation and the Harvard Advisory Committee. A board of directors is responsible for academic and financial operations.

Personnel. The multinational INCAE faculty is comprised largely of individuals with PhD degrees, more than half of whom are from U.S. universities. About 72 percent of the faculty are Latin Americans, and some visiting faculty are usually working on research. INCAE salaries are relatively high for the region.

Range of Activities. INCAE is a multipurpose institution that provides long-term, graduate level academic programs in management and administration for both public and private organizations as well as executive seminars; industry-specific, short-term training; and consulting services. The two-year residential MBA program is based on the Harvard Business School case study model and has an excellent reputation throughout the region.

Financial Viability. The financial management of INCAE has been an issue for decades. INCAE has survived several financial crises and has developed strategic organization and financial plans with A.I.D. assistance. Much of INCAE's financial weakness stems from structural factors of the academic program—INCAE has almost always selected the high-cost/high-quality option for all of its training programs. Although this option has produced an unqualified success in quality terms, a continued dependence on external assistance for finances exists. This program development approach is also used for management training and seminars that often require donor subsidies to be affordable for the client groups.

Demand for Services. The demand for INCAE academic and training programs and for INCAE MBA graduates is very high throughout the region. Many, if not most, trainees and students require financial assistance.

BOX I-2
Synopsis of Case Study: GEMAH

Type of Organization. The Managers and Entrepreneurs Association of Honduras (Gerentes y Empresarios Asociados de Honduras/GEMAH) is a private, nonprofit national organization.

Physical Facilities. Headquarters are in San Pedro Sula with facilities and offices in both Tegucigalpa and San Pedro Sula.

Organizational Relationship with USAID. The USAID $1,080,000 grant project in 1984 strengthened GEMAH by providing technical assistance and training program development. The project covered initial operating costs and funding of technical assistance and purchase of course materials from the American Management Association (AMA). The direct grant support ended in 1988, and GEMAH has been contracted to provide small business training in other USAID projects.

Organizational and Management Structure. After over a year of planning and general discussions, the GEMAH board was established, and one of the founding members of the board became the manager.

Personnel. GEMAH hires and trains local instructors on a part-time basis. All instructors are provided, if needed, with training in both instructional techniques and subject matter. All local instructors are educated, enthusiastic, and experienced. The key person has proven to be the executive director, a man with strong leadership skills and a business background that facilitated the achievement of sustainability.

Range of Activities. The primary activity is short-term, nonacademic management training. The initial core course was Management by Objectives, but has since expanded to in-company customized training programs. GEMAH also contracts for consulting and special topic training. At first, GEMAH purchased all courses and instructors from the American Management Association (AMA), but has gradually developed capability to design and teach its own courses.

Financial Viability. In the initial USAID project grant, GEMAH was expected to achieve financial self-sufficiency in three years. It essentially accomplished this on schedule and has maintained financial and organizational independence since 1988. GEMAH's financial strength is not based on large surpluses, but GEMAH is clearly sustainable.

Demand for Services. Demand for GEMAH consulting and training programs continues to be strong. Most training fees are paid by the employers.

BOX I-3
Synopsis of Case Study: IDEA

Type of Organization. The Institute for the Development of Entrepreneurs and Administrators (Instituto para el Desarrollo de Empresarios y Administradores/IDEA) is an independent, nonprofit national institution.

Physical Facilities. IDEA has a central office and training offices in three cities; all facilities are rented and renovated with project funds. The facilities in La Paz, Bolivia, include adequate classrooms and well-equipped conference and executive training rooms with simultaneous translation capability.

Organizational Relationship with USAID. IDEA was created in 1985 through a USAID/Bolivia grant in the Management Training Project. The original project funding of $2 million has been increased in three amendments to $6 million, and IDEA continues to be highly dependent on USAID funding.

Organizational and Management Structure. The board of directors consists of five individuals: one appointed by the Confederation of Bolivian Private Businessmen and four elected by the general assembly. They serve two-year terms and are expected to meet every two months.

Personnel. The personnel structure consists of an executive director and one director for each of the three regional centers. The large staff includes academic and financial directors and part-time instructors for all courses. The initial group of instructors was trained, but this training has not continued.

Range of Activities. IDEA conducts a broad range of nondegree management training, ranging from high-level seminars to office administration training. Core programs are a small business management course and a midlevel management program that consists of sequenced courses.

Financial Viability. The original plan was to be self-sufficient in four years with income generated from tuition and membership fees. Unfortunately, revenues were covering only variable, not fixed costs. Revenue was much lower and demand much higher than initially anticipated. Current management efforts are centered on cost reduction, revision of price structure, and development of a trust fund. IDEA receives an annual payment from the national training tax and is still dependent on USAID funding.

Demand for Services. The demand for IDEA courses remains high. Independent surveys have found that IDEA has established its reputation as being the premier management training organization in Bolivia. The majority of the trainees are now sponsored by their employers, whereas at the beginning of the project, most were self-financed.

BOX I-4
Synopsis of Case Study: UWI, Barbados

Type of Organization. The University of West Indies (UWI) is a regional public sector university. The Center for Management Development (CMD) is a semi-autonomous, private-sector-directed organization.

Physical Facilities. UWI has adequate regional facilities and multiple campuses.

Organizational Relationship with USAID. The $2.7 million Regional Management Training Pilot Project in 1986 tested alternative approaches to management training and to institutional development. The purpose was to conduct a series of management education and development interventions to determine their relative effectiveness in improving management skills of upper level and midlevel managers and business owners in the Eastern Caribbean. The results were incorporated in a 1990 $3.2 million Regional Management Training Project.

Organizational and Management Structure. CMD is a semi-autonomous entity within UWI, which has experience with similar organizations at each of its campuses. CMD's primary role is to facilitate and market management training, seminars, and consultancies. CMD does not actually do most of the training but channels it to UWI and other providers.

Personnel. The primary source for all professors, consultants, and other key training staff is the faculty and staff of UWI and other regional management training organizations.

Range of Activities. UWI has undergraduate and graduate programs at all of its campuses, including a BS in management and business, an executive MBA program (under the USAID project), consulting and technical assistance, short-term seminars, and training of trainers in other educational institutions. UWI created the CMD to facilitate involvement of university faculty, resources, and accreditation capability in private sector activities and to improve communication with business. The project includes a full management information system and evaluation system to monitor progress at both output and benefit levels.

Financial Viability. The CMD is expected to be financially self-sufficient within five years. As the project is only just beginning, it is not yet known if this goal is achievable. While many of the clients during the pilot phase were willing to pay for the training courses, the level of payments did not cover all fixed and variable costs of the program. Self-sufficiency is an ambitious goal for a program with clients scattered across numerous Caribbean islands. At the time of this study, a rigorous cost and revenue assessment was not available.

Demand for Services. Because the activity is still new, established demand is not clear. The pilot project indicated that substantial demand existed for these programs.

II Background

The general topics included in this background chapter are an overview of the demand for and supply of management development programs, the economic and political characteristics of the LAC countries that affect management development, and the management education programs that currently exist in the region.

Management Development Programs

Management development is a broad term that encompasses a range of management education and training activities, philosophies and objectives, and client groups. This section reviews the components of supply and demand of management development and the alternative approaches for implementing management education and training to provide a framework for the paper.

Definition of "Management"

The term "management" is used loosely in many project documents; even sector assessments routinely identify "management weakness" as a priority area without detailing specifics. As used in this paper, management includes not only the generic management skills, such as planning, control, coordination, personnel, organization, and strategic focus, but also more specific management skills based on functional areas, such as marketing, production, accounting, inventory, or finance.

Some management skills do not fit neatly into such categories. Training programs to enhance management

> *. . . must distinguish between the human element of management, consisting of leadership, judgment, experience and creativity, and the technical element consisting of management systems, regulations, and techniques through which routine tasks are carried out . . . . Most training programs for project planning and implementation concentrate almost entirely on the latter. Although improvements in technical aspects of implementation are necessary, they clearly are not sufficient. Leadership, judgment, experience, and creativity are usually the most critical variables in the successful implementation of development activities and are most often neglected in management training and improvement programs.* (Rondinelli 1986(b))

Management, as well as management development, is necessary on two general levels: the strategic level and the functional level. At the strategic level, managers develop organizational mission statements and a vision for the company. Top managers need to understand the full range of managerial tools and organizational functions to control and analyze operations, maintain flexibility and innovation in process and product, and adapt to changing conditions. While some of these functions can be stimulated or enhanced through short-term programs, graduate academic programs are designed to develop these capabilities. The knowledge, attitudes, skills, and tools developed through these programs are useful throughout an individual's career.

At the functional level managers focus on specific production or process-level activities in the organization. Topics for these programs might include financial management, inventory control, management-by-objective systems, internal information management and reporting, personnel systems, export marketing, or quality control. Learning objectives for courses in these subjects can be established; expectations for use can be relatively straightforward; and management training in these fields can be delivered with short courses, seminars, consulting, or on-the-job training.

Demand for Management Education and Training

The need for management education and training is derived from the skill needs at different career stages:

- *Entry-level supervisors and managers.* A continuous supply of qualified individuals with basic educational qualifications and some management skills is essential for any growing organization. The level of formal education required (high school, university, or graduate program) will depend on the size and complexity of the organization and state of development of the national economy, among other factors.

- *Extended training in fundamental skills for existing managers and technicians.* The need for this type of training originates either because the existing workforce lacks the basic skills or because changes in technologies, markets, or competition have created the need for new skills and knowledge. The explosion of computer-related production and management systems over the past decade is an example of the latter. This training develops the competency needed for the organization's survival and growth.

- *Professional development and skill upgrading of existing managers.* Unlike the second category of demand that responds to specific skill needs or external changes, the need for this type of management development is ongoing. This requires a relatively continuous supply of short-term seminars, workshops, or publications on a variety of subjects. It may also include graduate-level academic programs, depending on the skills of entry-level employees.

The variety of demand means that management education and training programs must be varied and flexible enough to meet the needs of many different types of clients. The range of client groups and types of programs to meet their needs include the following:

- Full- or part-time students enroll in long-term formal training programs, primarily in university programs.

- Currently employed, practicing managers participate in long-term formal training such as advanced management programs or executive development programs.

- Currently employed, practicing managers participate in short-term training programs and seminars. Such programs are not formal education, and the location may be in institutional classrooms or at the client organization.

- Small business owners, entrepreneurs, and the informal sector, whose needs are quite different from practicing managers, participate in short-term programs.

The sector of employment is also a consideration for currently employed, practicing managers. Government and business have different needs and expectations. Private sector trainees are generally available for much shorter periods of time and have a strong orientation to direct, pragmatic action. The business people place a high value on immediately applicable techniques rather than on general improvements in management skills. Government trainees are, in general, available for longer periods of time.

Supply of Management Education and Training

The institutional mechanisms for meeting the varied management training needs of diverse target groups are also quite varied, ranging from highly formal structures to informal associations. The training organizations can be classified in a number of ways:

- *Range of activities.* Some organizations focus on a single purpose or activity (such as training, consulting, or, even more narrowly, training on a specific topic like computers). Others are multipurpose institutions that may combine management education, training, consulting, research, and project implementation.

- *Institutional base.* Education and training can be provided through independent organizations, in-house or in-ministry training units, a government-owned or government-affiliated organization, universities, or affiliates with varying degrees of autonomy.

- *Sector.* Education and training institutions are found in government or government-affiliated organizations, the not-for-profit sector, and the profit-seeking private sector.

Regardless of the institutional base, management development programs offer different types of training programs and may include one or more of the following:

- associate degrees, usually full-time, two-year programs with a heavy orientation toward career training
- undergraduate programs that are usually four-year programs with a mixture of core discipline courses (economics, statistics, finance) and career training (accounting)
- graduate programs that lead to masters or doctorates of business or public administration degrees, that are usually full-time (some schools offer part-time or correspondence MBA programs), and that follow the U.S. approach to business education
- nondegree programs such as continuing education and executive training that range from short sessions lasting less than a day to programs lasting several months
- in-organization training programs specifically designed to meet the training needs for managers or employees of a particular organization and usually focused at the short-term training level (in-company MBA programs designed specifically for the needs of a particular company or consortium of smaller firms common in the United Kingdom)
- in-organization training through on-the-job training

The experience of A.I.D. and other organizations with management education and training in the LAC region covers most of the permutations of the training needs and activities described above.

Training for Organizational Change

Another way of looking at management development, apart from the general categories of supply and demand, is to look at the intended impact of improving performance in client organizations. When viewed in this way, the demand originates from organizations rather than from individuals. The response requires a combination of consulting and training. While training focused on organizational change may be supplied by either universities or training organizations, the training requires a different approach than that of offering generic courses in management skills. The relative emphasis on behavior change rather than on knowledge/skill transfer requires the use of different methodologies and procedures. To achieve specific behavioral change in client organizations, the organization's objectives and internal dynamics of decision making and operations must be clearly understood. This usually requires much more direct and intensive interaction with each client organization.

Some combination of two general training methodologies is useful for achieving organizational change (Whelden 1982): Content-oriented training is designed to impart substantive knowledge on a cognitive level through lectures, research, workshops, or other mechanisms; and process methods, by contrast, are primarily oriented toward changing attitudes, developing awareness of personal and organizational relationships that influence productivity, and enhancing interpersonal skills through techniques such as role playing, sensitivity training, modeling, encounter groups, or other approaches.

A mixed approach seeks to transmit both function and attitude change through combined, or sequenced, activities including conferences, case studies, logical thinking and analytical skill development, decision-making and problem-solving skills, simulations, and on-the-job training. When focused on achieving specific organizational objectives, a synthesized approach can effectively address both the knowledge and attitude constraints to change. Action training strategies and process consulting are two approaches that seek to achieve this synthesis of substantive skill/knowledge transfer, behavioral change, and group learning (Whelden 1982).

Almost half of A.I.D. management training projects use only content methodologies, and one-third use a mixed approach (Whelden 1982). Programs that emphasize content methodologies tend to be evaluated more positively than those that only use process-oriented methodologies, possibly because content-based training may be easier to measure, particularly in terms of the immediate use of the skills. However, although the transfer of technical knowledge may be easier to measure than attitudinal changes, skills alone do not always bring about organizational change.

The question of who should be trained in what skills is as important as the question of how the training should be implemented. In addition to management skills, organizations need technical competence in a range of fields from data processing and computers to production and quality control. These skills, often industry specific, are key ingredients for private sector growth and are frequently ignored in projects that focus on management weaknesses in strategic planning or organizational skills. Management training needs to be considered as part of a larger package that may also include technical training and consulting.

Every organization consists of complex relationships: overlapping webs of technical, supervisory, managerial, and support responsibilities determine how things are done. When new skills, attitudes, techniques, and procedures are institutionalized in established companies, these relationships among areas of responsibility must be explicitly recognized. One approach of building on these relationships is to provide "saturation" training to a "critical mass" of people in the organization. A critical mass is not necessarily a number of people, but rather the right combination of people at different levels with related responsibilities. A critical mass for a specific objective may focus on task teams or may take vertical or horizontal "slices" of people within an organization.

This approach to critical-mass training may require a sequence of activities to strengthen the organizational environment and receptivity to change as well as to transfer new techniques. The initial activities may focus on the commitment of upper management to proposed changes and may be continued with periodic updates and communication to maintain support at this level. The nature, content, and frequency of activities to generate top management awareness and support are training design and implementation issues. Once support exists within the organization, training for technical competence for key individuals must be complemented with less intensive training for supervisors and co-workers to provide an understanding of how the new technologies will affect them. The hierarchy and sequence of training needs—awareness, interest, understanding, competence—provide a useful framework for creating training packages to achieve organizational change.

The saturation approach must rely not only on traditional training mechanisms but also on consulting and organizational development activities. The consulting side of the process helps to resolve organizational constraints, distinguishes training from nontraining needs, and builds organizational incentives and systems that will facilitate the use of the training.

This approach is notably different from the traditional approach to development training projects—to identify needed skills and train individuals in those skills. The trainees are expected to use the skills and transfer them to others. Experience indicates that this approach has two weaknesses. First, organizational resistance to adoption of new technologies can be strong. Second, a focus on training individuals necessarily limits indicators of program accomplishment to the use of skills rather than to a broader measure of organizational change.

The goal of initiating organizational change can be either a project objective or a reflection of a training model and philosophy in the training organization itself. The distinction is important because it can affect how impact (organizational change) fits into design and evaluation. When organizational change is a project objective, the end-of-project-status indicators measure achievement of specific changes. When the objective of initiating change in client organizations is integral to the training model and philosophy, the achievement of these results is an indicator of program quality rather than a goal in itself. However, most A.I.D. projects take neither route. A study found that 95.5 percent of evaluated A.I.D. management training projects used indicators that referred to training in terms of individual skill improvement or number of people trained (Whelden 1982).

Regional Characteristics

Management is, by nature, dependent on the cultural and social, as well as economic and political, context in which an organization functions. Each country and region has some distinguishing characteristics that necessarily influence the nature of training and has some institutional structures that are feasible.

The countries of Latin America and the Caribbean fall into two distinct groups in terms of culture and organization. The Spanish-speaking countries of the region have largely evolved from the same structural model inherited from Spain and share many characteristics. The Caribbean area includes countries with cultural and institutional ties to the English and French systems. These distinctions create some differences in terms of management and institutional culture. Nonetheless, countries in both areas also share numerous economic and structural characteristics.

Few regions in the world combine the dual worlds of industrialized and underdeveloped economies as visibly as does Latin America. The modern segments of the Latin American economies feature industrial, commercial, and financial institutions capable of producing a wide range of goods using advanced technology. However, the other segments of these societies often live in primitive conditions: shantytown communities that have no water or sewage systems and where the majority of the people survive either in a traditional, nonmarket economy or in an underground economy isolated from conventional financial and technical support services. The different management training needs of these groups pose real challenges for management institutes in the region.

An important factor in the past decades has been the relative roles of the private and public sectors. Although certainly not unique to the Latin America region, the extensive role of the public sector in providing goods and services in addition to a general regulatory function has resulted in relatively distinct management training requirements. As with so many of the developing countries during the 1960s and 1970s, governments often took the lead role in development programs. The results—nationalized industry, highly regulated or government-owned marketing exchanges for key commodities, and heavy government regulation in key economic and trade policy areas—greatly expanded the economic role of the state compared to the private sector. This has direct implications for the type of management training needed, for the target groups, and for the expansion of the focus of management education to recognize the influence of government-business relationships on decision making.

Another factor in the Latin American and Caribbean business community is the predominance of relatively small firms that are family or group owned. Managerial relations tend to be paternalistic and highly personal while decision making tends to be hierarchical or centralized. Opportunities for promotion, responsibility, and influence are often rooted in family and social relationships as much as in competence. Promotion based on meritocracy is not a common personnel strategy, and individual initiative is not always highly valued in the culture. This has direct implications both for identifying the right people in an organization to train and for identifying appropriate training approaches.

Equally important is the relative scale of business operations in the region. The market for management education and training in any Central American country is relatively small, as are most of the business firms that make up this market. This has an impact on the nature of topics to be taught and on the business and marketing strategies that are appropriate. Smaller companies have fewer specialized personnel, so the key individuals need to receive a relatively broad range of training. Equally important, the small-firm structure greatly reduces the amount of time a key individual or manager can be away from the firm for training. Projects almost routinely overestimate the amount of time that such business managers can afford to be away from their firms. The small-sized firm also has a relatively direct impact on the economics and organizational aspects of providing management education and training on a nonsubsidized basis, especially for some of the smaller countries or Caribbean islands. Because the market can be exhausted relatively quickly for particular types of training, management training programs must maintain flexibility and continue to diversify to offer an adequate range of programs. Of course, program diversification can result in greater fixed overhead costs. All of these factors create a challenge for developing high-quality programs that respond to the market and are affordable.

Another characteristic of many LAC organizations, particularly in the public sector, is that job specifications tend to be highly specific, even to the point of being rigid. This has an important impact on hiring and promotion policies and, therefore, on the desirability and necessity for certain types of training or degrees.

Gender roles are also sharply defined, if not unique to the area. Women have certain expected roles and relationships, although in many Latin countries and some fields women can achieve success. This happens more frequently in a bureaucratic or large organization context; structured organizations with clearly defined qualifications for positions tend to favor women's employment. For example, in banking and finance, and some departments such as personnel, public relations, and human resource development, women have been relatively prominent. Nonetheless, women are often hesitant to be nominated or apply to management training programs unless it is specified that the opportunities are for women. The Graduate School of Business Administration (Escuela Superior de Administración de Negocios para Graduados/ ESAN) in Peru, for example, specifically advertised for women and received many qualified applicants. Businesses owned and operated by women are still relatively rare.

The role of government and nature of economies will also influence the topics that must be addressed in management development programs. Business management in countries with highly interventionist governments, in areas with ideologically hostile governments, in the context of political movement in favor of regional integration or common markets, or during periods of hyperinflation may require specialized skills and knowledge.

The state university structure in Latin American countries is usually based on the French model of university management, which places substantial administrative and academic power in the faculty. In many countries, both faculty and students have a strong influence on university administration policy decisions. Open admissions policies affect the quality and number of students. In addition, in many Latin American countries, public education, even at the higher levels, is seen as something that should be provided for free. This is obviously detrimental to the financial sustainability of a state university. Latin American universities have often been intellectual and organizational centers for a left-of-center political philosophy, which has traditionally made them somewhat inhospitable climates for business education.

Finally, the LAC region has never developed a strong tradition of philanthropy. This is a limiting factor for fund-raising efforts to offset operating deficits in management education institutes. The willingness of alumni to make large or continuing contributions or of wealthy individuals or families to make large bequests is limited.

Capable management in government and business will be crucial in the coming years as Latin American and Caribbean nations adjust to changes in national and global conditions. After decades of political strife and economic stagnation, the region has begun to stabilize under democratic governments and peace. Many countries are experiencing dramatic domestic economic reforms and are moving toward greater regional economic integration through free-trade zones and common markets. In many countries, the pervasive role of the public sector in economic management and ownership is being reduced in favor of the private sector. Trade relationships with the United States may also be transformed through regional free-trade arrangements. The LAC region will need countless managers with the vision and skills to help companies, and countries, successfully adapt to these sweeping political and economic changes.

Management Education and Training in the LAC Region

The LAC region has a substantial number of management education and training organizations available to both public and private sector managers. The majority of the management education institutions have been created since the 1950s when the demand for managers in both the private and public sectors began to soar. Since that time, the growth in university enrollment in management studies has been almost twice as high as in other fields (Gomez-Samper and Perez 1987). By the early 1980s, about 10 percent of students in higher education were enrolled in management programs. The growth in postgraduate programs has also been significant in countries that offer such programs. The rapid growth of management education has resulted in great variation in the quality and comprehensiveness of the programs in the region.

The early postgraduate management programs were developed in universities that offered undergraduate management programs as a mechanism for staff development as well as a means of meeting demand (Gomez-Samper and Perez 1987). These programs were initiated in schools, such as Catholic University of Chile, University of Chile, University of the Pacific in Peru, University of West Indies (UWI) in the Caribbean, and Francisco Marroquin University in Guatemala.

In other countries, the initiative came from outside the universities to offer an alternative to the existing educational channels and to meet the demand for high-level managers. These programs had to meet the challenge of developing infrastructure, programs, and teaching staff all at the same time. This group includes such schools as the Central American Institute of Business Administration (Instituto Centro Americano de Administración de Empresas/INCAE), ESAN in Peru, IPADE in Mexico, Institute for Higher Studies in Management (Instituto de Estudios Superiores de Administración/IESA) in Venezuela, and Getulio Vargas Foundation in Brazil.

In addition to the academic programs, a large number of other management education and training activities that are aimed at executive development or in-service training for managers exist. Such programs are found throughout the region in universities, postgraduate schools, private training companies, and trade associations. A small number of individual firms have developed in-company training programs or have commissioned courses from the institutes. Some of the most established programs are found in management associations, such as the Colombian Institute of Administration (Instituto Colombiano de Administración/INCOLDA), the Centro de Ejecutivos in Guayaquil in Ecuador, and the Valparaiso and Aconcagua Association of Industrialists in Chile. Other such institutes are exclusively devoted to management training, such as the Foundation for Management Development (Fundaçao de Desenvolvimento Administrativo) in Brazil, the Center for Advanced Management Studies (Centro de Estudios Superiores de Administración) in Panama, and the Institute for Rational Organization of Work in Brazil.

Most of the management education institutes in Latin America share a number of significant challenges to develop and maintain a high-quality program: few of the faculty have substantive academic qualifications, many faculty are only hired part-time, opportunities for research are limited, library and computer facilities are poor, and teaching materials with local case studies are rarely available. In addition, few schools are able to offer a rewarding career for full-time academics, either in terms of monetary reward or professional achievement.

Many of the management education and training institutions in Latin America are dedicated to meeting these challenges and developing the capacity to maintain high-quality programs. Since 1967, many of the most progressive organizations have worked through the Latin American Council of Schools of Management (Consejo Latino Americano de Escuelas de Administración/CLADEA) to strengthen research and professional development of faculty. CLADEA has been active in developing a regional documentation center to distribute teaching materials based on Latin American cases and in assisting member organizations to raise the standards of management courses in each country. CLADEA has thirty-one member organizations in Latin America and Spain and maintains contact with another fifty-seven training institutions in the region.

III Donor Experience in Management Development

A.I.D., as well as its predecessor agency the International Cooperation Agency (ICA), has supported management education and training activities and management development since the early 1950s. These projects have contributed to improve management in both the public and private sectors. Overall, the greatest effort has been focused on the public sector, although private sector programs were important in the 1960s and have been significantly expanded since the 1980s.

A.I.D. investments in management development institutions have left a significant legacy. In every part of the world many respected educational centers were either founded or supported by A.I.D. Institutional development programs were an important part of the A.I.D. portfolio in the 1950s and 1960s. By the mid-1960s, A.I.D. had established forty-five institutes of public administration throughout the world, including the Institute for Public Administration in the Philippines, the Central American Institute of Public Administration (Instituto Centro Americana de Administración Pública/INCAP) in Costa Rica, Thammasat University in Thailand, National Institutes of Public Administration in Pakistan and India and several institutes in Brazil. World-class institutions for business administration, such as INCAE in Central America and ESAN in Peru were also established. Management programs in universities supported by A.I.D. include the University of the West Indies (UWI), Catholic University in Dominican Republic, Universidad Pacifica in Peru, and many others. A.I.D. has also been instrumental in creating or strengthening smaller organizations that provide specialized management training, such as the Management Association of Guatemala (Asociación de Gerentes de Guatemala), the Belize Institute of Management, the Jamaica Institute of Management, the Association of Managers and Entrepreneurs of Honduras (Gerentes y Empresarios Asociados de Honduras/GEMAH), the Panama Association of Business Executives (Asociación Panameña de Ejecutivos de Empresas, CINDE in Costa Rica, the Peruvian Institute for Business Administration (Instituto Peruano de Administración de Empresas/IPAE), ICOLDE in Colombia, and the Institute for the Development of Entrepreneurs and Administrators (Instituto para el Desarrollo de Empresarios y Administradores/ IDEA) in Bolivia.

These A.I.D.-supported institutions have produced tens of thousands of graduates who have contributed to national development at every level and in every sector. Graduates of INCAE and ESAN are found in important positions in business and government throughout Latin America.

A.I.D. activities in management development have been implemented through many different training mechanisms, including direct technical assistance, interim support by hired expatriate managers, overseas training and graduate education (participant training), and institutional development. A.I.D. projects can be classified in the following five general categories:

- new training programs or institutions
- institutional strengthening of existing regional or national/subnational training organizations
- institutional support to a single training institution or to multiple training institutions
- sectoral projects with management development components
- scholarships for overseas training in management in either academic degree programs or shorter-term management training programs

The level and nature of A.I.D. investments in management development was the subject of a National Association of Schools of Public Administration-sponsored historical study of patterns in A.I.D. projects (Whelden 1982). The study analyzed project documents and evaluations of all projects in the A.I.D. project database, which specifically identified some formulation of management training as a key component. This database search identified 101 projects. The results of the search of the database were by no means exhaustive—only 66 percent of the active projects since 1974 were included, and many project files were incomplete or inaccurately coded. Nonetheless, these results provide an illustrative picture of agency investments up to 1982. This eight-year time period includes neither the substantial efforts aimed at management development in the 1980s, which emphasized private sector development, nor the investments in the late 1950s and 1960s in institutes of public administration and business administration around the world.

Whelden found that management training in those years was a relatively small activity as a percentage of the agency budget, with only 2 percent of the budget allocations identified as management training. The LAC Bureau spent more than the other regional bureaus, with 3.4 percent of the budget devoted to management training. This indicates that a relatively small amount of A.I.D. resources was concentrated in management development in those years. A total of 25 percent of this investment was implemented through participant training, 14 percent involved strengthening regional training centers projects, 20 percent was for support to national or subnational training systems, and 41 percent included management training as a component of overall training or sectoral programs.

A.I.D. support was a critical factor in either establishing or strengthening many management education and training programs in Latin America and the Caribbean. INCAE, for example, has been supported in various ways since its founding in 1963. In critical periods, A.I.D. support helped INCAE weather financial or management crises through grants to develop and implement an operational and financial management plan for long-term financial viability.

The impact of these programs on the development and growth of the countries in Latin America is impossible to calculate. Most of the LAC countries have been severely buffeted by social, economic, and political upheavals that disrupted development progress. However, the thousands of trained managers have unquestionably been an overall benefit and form the base for future development. INCAE and ESAN alone have produced over 4,000 MBA graduates since the early 1960s.

Two areas of management training are useful for identifying elements specific to each audience: public sector training and private sector training. However, many training organizations supported by A.I.D. provide management training services for both public and private sector clients, and because individuals often move between the public and private sectors over the course of a career, many business administration graduates, for example, have served in government in some capacity and vice versa for public administration graduates.

Public Sector Training

Support for training in public administration in developing countries was strong in the 1950s and early 1960s within the community of donor organizations and in the countries themselves. In the postwar and postcolonial eras, governments around the world were expanding into new roles in economic and social development and needed trained personnel. For their part, donor organizations such as A.I.D. recognized that "administrative weaknesses and inadequacies of government have a pervading and retarding influence upon economic and social development" (Montgomery and Siffin 1966). Indeed, in the theoretical framework of development economics, the public sector was considered to be the primary instrument through which most development change was either directly administered or indirectly influenced.

Public administration training was often focused on strengthening specific government functions, such as revenue and finance systems, statistics and census data collection and analysis, personnel systems, and civil service reform. Most programs in technical fields (agriculture, health, sanitation, education, etc.) incorporated some degree of management training either directly through scholarships or indirectly through technical assistance contracts. An early review of these projects found that the integration of administrative and technical training was often weak (Montgomery and Siffin 1966). Even using "counterparts" for technical advisors to facilitate technology transfer, the training function was often subordinated to achievement of specified project outputs.

The numerous management and public administration institutes and colleges established by A.I.D. include both autonomous, stand-alone institutes and government training organizations. Some of the public sector training institutes have had governmentwide responsibilities linked to the civil service while others have been specialized training offices in government ministries. A.I.D.-supported public administration institutions can be found in Brazil, El Salvador, Ecuador, Mexico, Costa Rica, Nicaragua, and Peru. Some of these organizations received support from other donor organizations and private philanthropies such as the Ford Foundation.

in the 1970s and 1980s, A.I.D. support for public administration institutes weakened. While training of public sector officials continued, it was usually through project-related training, technical assistance, scholarships, or general management training rather than direct support to institutes of public administration. Some of the established institutes were contracted to provide specialized training.

Training in public administration has been conducted through four primary mechanisms: in-house training capability, centralized government training institutions, nongovernment training institutions, and on-the-job training linked to technical assistance teams.

In-house Training Capability

The strengthening and development of in-house training capability is an approach with many potential benefits. As it is done in the private sector, particularly in large corporations, the in-house programs benefit from a clear understanding of company training needs and skill requirements, and can be effectively integrated with outside training to meet organizational objectives. As an organizational function, training can support the idea of continuously upgrading staff at all levels and linking promotion to training in supervisory and management skills.

However, in practice, the bureaucratic constraints of governments and the diffuse decision-making and budgetary processes work to limit the effectiveness of most training units. Training staff are frequently seconded from other operational units and just as frequently rotated out, leaving little incentive or ability for professional development of the trainers. Moreover, such "captive institutes" are rarely able to integrate research and consulting activities into training to achieve a high-quality and relevant program. Competing institutional priorities often drain resources from training units into higher priority activities. In practice, most in-house training centers fail from the very same management weaknesses that prompted the need for such training in the first place. This structure is most appropriate for training in routine functions of administration rather than senior level management development (Paul, Ickis, and Levitsky 1989).

Centralized Government Training Institutions

Another mechanism for direct government control over training functions is a centralized training program that is located in the office of personnel management or in a government-owned public administration training institute. These centralized training centers are vulnerable to the same budget and personnel constraints as the in-house training units. Whereas some national public administration institutes have successfully developed a range of training programs that are supported by training policies and budgets, many others have faltered over time.

Nongovernment Training Institutions

Most examples of nongovernment training institutions providing public administration training address high-level management training needs, either through policy seminars or graduate education. Many graduate programs in both business and public administration are presented by private organizations. Some organizations, such as INCAE, are contracted to provide sector-specific training in midlevel management in fields such as agriculture and health. In the INCAE model, training needs are exhaustively researched, and case studies are written so that the courses developed address real management challenges faced by the clients. One advantage of this approach includes the ability of a private, professional training company to bring both professionalism and broad experience to the course. A significant disadvantage of many such programs is the cost. Experience indicates that many of these training programs are not sustainable without subsidies.

The next, and last, category is somewhat indistinct because the mechanism of consulting and on-the-job training can be and is provided by any of the other three organizational forms. However, it is useful to review the technical assistance model separately.

On-the-job Training Linked to Technical Assistance

Most public administration training is informal, on-the-job training linked to technical assistance teams in development projects. The use of technical assistance for training is potentially effective because the training is directly related to the job being performed. Some of the difficulties of this approach stem from the management challenge for a ministry to mold a coherent, consistent, and integrated technical approach from numerous technical advisors, all separately contracted for different projects. The narrow focus of the technical assistance and the close linkage to individual project needs make this a formidable task (Kubr and Wallace 1983). Such challenges often exceed the managerial capability of ministry counterparts. Indeed, the imposition of a new management burden may exacerbate the existing administrative and management weaknesses that the projects were intended to improve.

At the level of individual projects, the use of technical assistance as training often suffers from a lack of clear contractual priorities and task definition that emphasizes the training role. Because project-related technical assistance is highly task oriented, it is usually more effective for addressing specific management problems (conduct studies, design new systems, undertake management surveys) than for contributing to staff development (Kubr and Wallace 1983). While this problem is not inevitable, it is common because of the priority (in both contracts and project evaluations) assigned to accomplishing specific tasks. Other criticisms of technical assistance as a training modality include the short time frame, lack of sustainability, limited linkages to local institutions, lack of adequate local counterparts, and perhaps most importantly, a misplaced emphasis on changes in technology rather than changes in administrative systems or political support for project and policy decisions (UNDP 1989).

The World Bank has recognized this problem and reduced its reliance on technical cooperation as a training modality (World Bank 1989). A.I.D. has traditionally drawn a distinction between training and technical assistance, although most technical assistance teams have an implied training role. However, the technology transfer and training functions are seldom articulated in contracts. The failure to articulate and agree on the priority of training can lead to serious misunderstanding among the three parties—the donor, the recipient organization, and the technical advisor.

Increasingly, countries are considering the potential for technical cooperation among the developing countries as a feasible, cost-effective means of adapting management expertise and building local capacity (Kubr and Wallace 1983). Latin America is an area where this approach has significant potential given the similar culture, history, and educational infrastructure of many of the countries. Indeed, the activities of regional organizations such as INCAE indicate the value of this approach. Nonetheless, the nationality and source of the advisors are not the critical factors. Rather, they are the structure and the priority assigned to the training function relative to task completion. Whereas technical cooperation between developing countries can be more cost-effective than the use of U.S. experts, it does not automatically resolve the problems of either sustainability or the creation of local capacity.

Perhaps the most important issues stem from the fact that project-related technical assistance is a targeted intervention with short-term objectives. Technical assistance is often intended to address highly specific training needs rather than the structural impediments to management development in an organization, such as a training policy and a reliable, cost-effective source of high-quality management training and consulting. Unless these issues are adequately addressed, no mechanism for training or technical assistance can have a lasting impact.

Private Sector Training

Training for private sector managers in business administration has also been supported by A.I.D. missions in the LAC region since the beginning of the agency. In the 1950s and 1960s, foreign aid programs created and supported new institutions such as ESAN and INCAE, which were oriented toward business administration education at the graduate level. While the greatest proportion of A.I.D. management education has gone to the public sector, such institutions show a continuing commitment to business education. About 18 percent of the A.I.D. management training projects between 1974 and 1981 were specifically oriented toward the private sector and another 18 percent provided training to both public and private sectors (Whelden 1982). The 1980s and 1990s saw a renewed emphasis on private sector strengthening as a development strategy, particularly in programs like the Caribbean Basin Initiative and the Initiative for the Americas.

Institutional development was the objective for both graduate academic and management training programs in the 1980s and early 1990s. Projects for developing graduate management programs were initiated in Ecuador, Jamaica, Barbados, the Dominican Republic, and additional support was given to established programs in Central America and Peru. Other projects sought to establish management training and consulting capability in Honduras, Belize, Bolivia, Panama, and El Salvador. Established graduate programs expanded into management consulting and specialized training, and some of the A.I.D.-supported training, such as export marketing and product diversification, was focused on high-priority programs that required new knowledge and skills.

Many A.I.D. projects in this period were oriented toward small business development and new entrepreneurs to provide structural support such as improving access to credit, although some also included training or technical assistance components.

The range of design options for management education and training in the private sector include university-based programs (both education and training), independent private management institutes, nonprofit management training organizations, entrepreneurial and microenterprise training, and participant training. Because participant training has special considerations, it is discussed in a separate section.

University-based Programs

The experience in providing management education at either the undergraduate or graduate level indicates that public universities face substantial obstacles in providing good quality management education. Probably the most significant issue is that good management education requires relatively close, and continuing, contact between faculty and students and the real world and an orientation toward problem solving on an interdisciplinary basis. This in turn requires a degree of flexibility of operations and funding that enables innovation. Many public universities, including those in Latin America, are subject to bureaucratic and legal constraints that inhibit flexibility and innovation. Indeed, the most basic element of university culture emphasizes academic goals and criteria rather than real-world problem solving. One drawback in A.I.D. projects is the limited discretion of deans to encourage research, sponsor seminars, or adjust salaries to retain qualified faculty (Casstevens et al. 1985).

Independent, Private Management Institutions

Some universities have successfully established autonomous management development centers that operate from the university premises. When carefully developed, this structure offers the advantages of association with an established university and still maintains the necessary financial and operational independence to develop a good teaching and research program. Autonomous centers can add flexibility in selecting faculty and students, in scheduling and formatting programs, in developing curriculum content, in responding to faculty and student interests, and in developing linkages with private sector. Experience suggests that such autonomous management institutes may enjoy a significant organizational advantage over university business schools in terms of ability to innovate and build multidisciplinary approaches (Paul, Ickis, and Levitsky 1989). One of the more recent A.I.D. programs in this mold is at the Barbados campus of the University of West Indies.

While recognizing the many advantages of the autonomous center approach, it is important to also recognize the drawbacks from the perspective of overall university administration. It restricts the flexibility of the university management system in establishing efficient personnel management systems, compensation policies, teaching systems, and financial management and fund-transfer mechanisms. The challenge is to mesh the activities of two related, but separate, entities. In some ways, the overall result is probably less efficient, but it allows for development of a higher quality and more focused program.

Independent, Nonprofit Management Training Organizations

These education institutes have proven successful in developing world-class programs of instruction, research, and consulting. The most notable of these in the LAC region include INCAE in Costa Rica and Nicaragua and ESAN in Peru. Both of these organizations have been offering graduate management education for almost thirty years. INCAE is a regional institution, while ESAN is national in scope. Although the achievements of these organizations are unquestionable, financial self-sufficiency has been a continuing problem. Because academic programs depend solely on tuition fees, they almost inherently run at an operating deficit, and many of the fund-raising avenues available to U.S. universities do not exist for those in the LAC region. Equally important, however, is that some institutions fail to manage costs in relation to revenue. INCAE, for example, almost invariably chooses the highest cost option on any given issue: pedagogy (case study), campus (residential, multinational), faculty (highly qualified, highly paid), and facilities. Whereas some gap between tuition and costs inevitably exists, the gap can be exacerbated by lax management.

Entrepreneurial and Microenterprise Training

This type of training can be implemented through any of the mechanisms described above. However, these topics merit some additional discussion because they involve somewhat different issues than other types of private sector management training.

Entrepreneurial training and microenterprise training are not the same thing. Microenterprise refers specifically to the size of the business, whereas entrepreneurial activities of starting a new business or dramatically changing an existing one can take place in any size company. Similarly, entrepreneurship is also not synonymous with self-employment, which lacks both the risk-taking and employment generation elements of entrepreneurial activities (Loucks 1988).

Training related to entrepreneurship is oriented toward attitudes, perception of risk, personal initiatives and, to some degree, the process of starting a new business. This is distinct from the issues of small business administration, such as bookkeeping, marketing, and getting and using credit. Some microenterprise programs combine both types of training. But it is important to clearly understand the target group and the purpose of the training.

Over the past decade, the experience with training entrepreneurs has increased substantially, and the process is becoming better understood (Cooley 1992). Some people experienced in these programs have found that they are more effective when working with existing businesses rather than with start-up companies. Larger businesses are often better able to use the training and achieve a good return, so some projects only accept trainees with substantial amounts of invested capital. In effect, they have found that building a business goes a lot faster with a solid foundation in place. Of course, some entrepreneur programs have broader social objectives of bringing people from the economic margin of society into the mainstream. Such programs may necessarily focus on smaller, and less well-established, companies that are more difficult and expensive to reach. In such cases, it may be accepted that an element of subsidy is necessary and appropriate because of the objectives.

As with other projects, objectives for entrepreneurial training must be realistically defined. Experience indicates that projects cannot create an entrepreneurial class where the society and culture do not support such activities or attitudes. However, where the other conditions are favorable, projects can be effective in jump-starting activities in a given industry. They can also be effective as deliberate interventions to stimulate entrepreneurial activity in parts of the economy or levels of society where entrepreneurship is weak.

Whereas most entrepreneur development programs are oriented to short-term, technical training, a few programs in Latin America offer graduate academic education specifically aimed at entrepreneurship. At least two programs, Technological University (Universidad Tecnológica) in Honduras and Pacific University (Universidad de Pacífico) in Peru, have MS-level programs in which each student must start a new company as part of the program. However, limited documentation exists on the cost-effectiveness or impact of these programs.

Microenterprise development programs often consist of a credit component plus technical assistance or consulting and are typically structured to provide credit to entrepreneurs who have completed a training course (or several) in management and who have a clear business plan. The most limited form of training in these projects is focused on training to make the client a responsible customer, such as bookkeeping and understanding loan obligations.

Microenterprise projects that combine credit and substantial training activities risk having conflicting objectives. The goal of low-cost technical assistance programs is to achieve broad coverage of the target group. However, sustainable credit funds necessarily emphasize selectivity to maintain profitability (Chang et al. 1989). In general, A.I.D. experience has been that projects that only provide short-term credit tend to be more successful than the more ambitious undertakings with technical assistance and training. This is because the credit business is neatly defined and, if well managed, can be sustainable. Microenterprise development activities should separate the training (or technical assistance) and credit functions for both funding and evaluation (Boomgard 1989).

Experience with comprehensive microenterprise and entrepreneurial development programs largely indicates that government grants are a necessary and significant component for sustainability (Loucks 1988). This is particularly true for programs with a social objective of meeting the needs of disadvantaged groups. However, although training for very small businesses may be inherently unsustainable, it may very well contribute to more sustainable enterprises, and thus have overall economic and developmental benefits.

The state of the art in understanding the role and value of training and technical assistance in microenterprise development is not well advanced (Boomgard 1989). Many projects have discovered that it is easy to miss the real training needs of the target group. Field studies in three continents repeatedly found that small business owners are skeptical about training programs and are reluctant to participate. In terms of achieving broad strategic objectives of economic growth, the impact of these programs is questionable. Continued dependence on outside funding is likely. Even the best projects affect a relatively small number of companies and are only effective at certain stages in a company's life cycle. The needs of the great majority of microenterprises cannot be satisfied just by providing small working capital loans (Boomgard 1989).

Experience with these current programs indicates that challenges remain in finding effective and sustainable mechanisms to support small business development.

Participant Training in the Public and Private Sector

Participant (overseas) training has been a significant, if not the dominant, mechanism for management education and training. The Whelden study found that two-thirds of all management education and training between 1974-1981 took place in the United States or third countries (Whelden 1982). This relatively heavy reliance on training outside the host country was the pattern for both long-term and short-term training and the pattern, if not the exact proportion, has continued. In programs in the 1980s, management training projects with institutional strengthening components were as likely to be aimed at developing the local capability to process and implement overseas scholarships as at developing in-country training capability. The study did not specify the location of training for small business development or entrepreneur development, but a review of existing projects would indicate that these programs place a greater emphasis on in-country training.

Participant training has educated thousands of people from every region in some of the best management programs available. A broad criticism of overseas training as a primary mechanism for management development is that it is divorced from the reality of management challenges in the country. Of course, this is not altogether a bad thing—it provides an unusual opportunity for reflection and exposure to new ideas and attitudes (see Box III-1). However, by its very nature, overseas training emphasizes analytical and conceptual knowledge of public administration that is largely isolated from the context in which the manager must work (Whelden 1982). This type of training may be difficult to integrate into projects with objectives dealing with specific organizational changes. Some balance is usually needed between this kind of reflective, theoretical learning that includes exposure to new ideas and the more direct problem-solving approaches that can be conducted in-country.

For many A.I.D.-sponsored participants in the United States, management courses are supplemental to the primary technical program. In fact, this approach of including management training as a standard component in every participant training program has been recommended by numerous A.I.D. staff and consultants over the years. Most project managers know that many A.I.D. trainees in technical areas (particularly at the graduate academic level) return to their home countries to assume high-level management posts. However, the usefulness of such management training has been questioned (Whelden 1982). The standard format of three-day workshops or two-week seminars provides inadequate management training for directors of agriculture or managers of complex rural health delivery systems, regardless of an individual's technical knowledge. Whelden suggests that, to be effective, such programs must integrate study of how to manage activities with the technical components of the program. However, many U.S. universities are reluctant to develop such courses specifically for international students for a variety of financial and professional reasons.

BOX III-1
International Executive Development Program

Background. The International Executive Development Program (IEDP) was initiated in 1983 to provide business executives from Costa Rica, the Dominican Republic, and Jamaica with training in productivity and marketing and internships in cooperating U.S. companies. The participating U.S. firms accepted interns at no charge.

Implementation. At the time of the 1985 evaluation, ninety-one participants had completed training programs in the United States. Over 170 U.S. companies had provided full or partial training or internship assistance to the program. The participating companies included the Atlanta Chamber of Commerce, Cadbury Scheweppes, Cheeseborough Ponds, Dow Chemical, EXXON, Honeywell, Monsanto, Mountain Bell, Ralston Purina, Houghton Mifflin, M&M, Kellogg International, and Land O'Lakes, as well as many smaller companies throughout the country.

Impact. As with many participant training programs, the results and impact of the training in terms of management changes or economic activity were not well measured or documented. Follow-up information indicated a variety of career changes: some participants were promoted within the company, others moved to other companies, and yet others started their own businesses. Possibly of greater significance is a new understanding of the structure and value of in-company training programs. Many of the participants were responsible for staff training in their own firms and applied new training techniques and strategies that they had experienced. Some U.S. firms also revised their own training programs after developing IEDP internships. In some unspecified number of cases the IEDP contacts led to further commercial relations.

Finding. Projects with vague objectives can seldom be assessed in a satisfactory way, but lessons can still be learned. The IEDP project illustrated both the interest of U.S. firms to participate in this type of program and the value of A.I.D. projects to facilitate such contacts between firms in the United States and developing countries. In the context of more tightly focused objectives, this kind of program could be a useful complement to other management training.

IV Contextual Issues: Economic and Organizational Factors

Management is a key factor in achieving virtually any goal, particularly in the limited resource situations common in developing countries. However, management alone is not sufficient to ensure either organizational change or broader economic development. Change in any given organization or economy is influenced by a broad range of contextual factors outside of the immediate influence of the trained manager. The key contextual factors affecting effectiveness of training can be grouped as national influences and organizational context.

The impact of national policies and economic environment on the ability of an economy to absorb and effectively use trained managers is hard to exaggerate. On the positive side, favorable conditions enable use of trained individuals. However, on the negative side, a hostile policy environment or a poor economy can limit the contribution of even the best trained individuals. For example, the state of the economy determines whether jobs are available—the most basic condition for using training. Economic growth is dependent upon political stability and an enabling policy environment. Another variable is the labor force. The basic resource that managers employ is the workforce, and the quality and quantity of the workforce depends on the quality of the basic education system. The impact of these factors must be recognized and given due consideration in planning training programs. Without adequate supporting conditions, investments in management training cannot be effective.

Moving down from the level of the national economy, the impact of other contextual factors is more direct and more easily addressed within a development project. At the sector and institutional level, the three key issues are national and organizational training policies, personnel policies and systems, and an enabling organizational structure (Paul, Ickis, and Levitsky 1989).

National and organizational training policies, the first issue, are essential for effective training in any organization. National training policies are an essential precondition for the development of an effective human resource base for public administration (Paul 1983; Paul, Ickis, and Levitsky 1989). Governments must acknowledge the need to upgrade the skills of existing employees on a continuous basis and to link such training to career development. A training policy based on these premises enables employees to better pursue their career goals and, at the same time, establishes a reliable base from which training institutions can identify course needs and plan program development.

Effective training policies combine systematic analysis of present and future manpower requirements with operational guidelines to meet these needs through training. Operational guidelines must cover issues such as conducting ongoing training needs assessments, designing and planning training programs, monitoring and evaluating the training, and developing the institutional capability to implement training programs. Equally important, a comprehensive training policy will provide incentives for employees to attend training through clear linkages to career development (Paul 1983).

Despite the need for policy support, few governments have established effective training policies and programs. Effective links between training and career development are even more rare. Countries that have tried to establish training systems often find that it is difficult to maintain adequate budgetary and political support (Paul 1983). The most comprehensive training programs in most governments are found in the military.

In the private sector, excellent personnel development and training policies and programs can be found in many of the larger corporations.

Successful companies understand the relationship between upgrading existing skills or acquiring new skills and being competitive in an international marketplace. The major multinational companies and international banks may provide the best training programs in many developing countries. An example of this is Citicorp/Indonesia, which has a policy that each employee receives five to ten days per year of "exceptional training." The courses include a range of technical and management topics. Employee performance in these courses influences salary and career promotion decisions. The linkage to career development is not simply a "stick" to encourage participation, it is a reflection of a broader corporate culture that expects and encourages constant training (Goodwin and Nacht 1986).

The viability and effectiveness of a company training policy and system is directly related to company size. Outside of the large corporations, few private business firms have extensive in-house training programs. In micro-, small-, and medium-sized firms, training programs are rare for both financial and logistical reasons. Informal on-the-job training is the most common training mechanism for most firms. In addition to the difficulty of finding high-quality, affordable training programs that meet company needs, small firms operate with little or no personnel redundancy, particularly at the management level. Few companies can afford to allow key managers to divert time away from daily operations for training.

Personnel policies and systems, the second issue, are often a critical constraint for public sector organizations that need to attract and retain qualified staff at either technical or management levels. Basic labor force conditions are likely to be the root cause of skill shortages or management weaknesses in government organizations. Training programs focused on increasing the supply of trained managers often fail to appreciate the importance of effective demand. It is not uncommon for projects to successfully train the required number of managers and still have limited impact on organizational functions. It can be argued that training is detrimental to some organizations because the most capable people are selected for training and then leave to take better jobs in the private sector.

Wage-level competition for skilled managers can also affect the ability of training institutions to retain qualified faculty. In the Dominican Republic, the tourist industry draws qualified staff from the hotel management faculty. The Malaysian national training system is renowned for its excellence in combining research, training, and consultancy, and yet must leave one-third of the teaching staff positions vacant because of uncompetitive wage levels (Paul 1983). Equally important, the wage levels in many university business schools are only adequate to maintain faculty on a part-time basis. This structure, common in Latin America, significantly reduces the university's ability to upgrade faculty skills. Conversely, when part-time professors attend training programs, their employment status limits their ability to improve the overall university program (Swanson and Young 1988).

The private sector is more often the beneficiary rather than the victim of wage-level competition. Significant numbers of highly trained public sector technicians and managers trained under scholarship programs move to the higher wage private sector. However, company size is again a significant factor. Smaller firms are frequently just as vulnerable as public sector institutions to the loss of trained managers for two reasons: the inability to pay high wages and the inability to promote newly trained managers to appropriate positions. Therefore, smaller firms are sometimes reluctant to allow employees to attend training programs that may facilitate their leaving; most trainees from smaller firms attend short-term programs aimed at low-level skills. Individuals from small firms who attend management training or academic programs are likely to be the owner or a family member of the owner.

An enabling organizational structure, the third issue, is also frequently underestimated in program planning for management development. Change and alternative ways of addressing problems are as often as not regarded with suspicion, particularly in large bureaucracies that have developed entrenched interests. Much of the popular management literature of the past decade discusses techniques to develop an enabling organizational culture that rewards innovation, creativity, and risk taking. Organizational culture is a key factor in planning for management development programs aimed at changes in organizational behavior.

Most donor agency training programs have emphasized the training of individuals rather than the planning for organizational change. The explicit assumption of most training programs has been that the newly trained individual simply returns to the employer and applies the new skills. Trainees are expected to be change agents in cultures (national as well as organizational) that are often hostile to such changes. Even within enabling cultures, however, organizational changes are seldom within the power of a single individual. This is particularly true for midlevel managers, who are dependent upon the understanding and support of supervisors and upper management as well as upon the availability of technical expertise to implement the changes.

When programs are intended to influence organizational rather than individual behavior, an appreciation of the broader organizational training needs is necessary. Organizational change requires varying degrees of knowledge, commitment, and skills at different levels of the organization. Change is first of all dependent on the support of upper management, which may require some limited training or information to develop awareness and interest in the proposed changes. Once this commitment exists, supervisors and co-workers require a more in-depth degree of understanding of the new procedures and their effect on their own activities in the organization. The success of the primary stage of training, to develop individual competence in specific management or technical skills, is directly dependent on the awareness, interest, and understanding of the other actors.

The organizational context influences project design and implementation. The traditional approach is to concentrate training at the skill-competence level. A common example is to improve public sector financial management by training individuals in financial management while ignoring both the users of financial information (top management decision makers) and the other personnel affected (midlevel financial managers in the same and other ministries). Programs focused on organizational change are more likely to look at the spectrum of training needs related to organizational objectives. The result is often a program of "saturation" training to the critical mass of individuals at appropriate levels in the organization or to appropriate vertical or horizontal "slices" of people within the organization.

In summary, a realistic understanding of the policy and organizational context of management is a necessary first step to developing an effective program. When such contextual factors are ignored or inadequately addressed in project design, program objectives are unlikely to be achieved.

V Project Design Issues: Objectives, Indicators, and Feasibility

Before reviewing design issues, two factors should be considered to put project activities into strategic perspective. First, adequate management development requires a combination of long- and short-term education and training activities. Project strategy options are often presented as a choice between management education (long-term, academic programs) and management training (short-term, practical programs). The design questions of organizational base, curriculum, or pedagogy then follow. In the context of the overall goal of improving organizational performance, the distinction is misleading because both types of training are needed.

A recent survey of management development (Paul, Ickis, and Levitsky 1989) notes that in-company management (and technical) training is needed when the key problems are those of production and control, when the competitive environment is stable, and where the workforce has a solid basic education. On the other hand, the same survey recognizes that degree-oriented academic programs are more effective in developing the skills and knowledge needed to adapt to a changing competitive or regulatory environment. Management education programs can "create a managerial class with a common language and longer term vision" while training programs seek to incorporate new knowledge and technologies. These are not mutually exclusive programs—in fact, quite the opposite. It is only through broader understanding and long-term vision for any enterprise, public or private, that the need to introduce specific technologies and systems can be seen.

Second, training is not the solution to all management problems. Training projects are sometimes based on wishful thinking that training is the solution to broader organizational or societal problems—large-scale unemployment, inefficiency, poor organization, etc. Management training activities are particularly subject to the kind of tunnel vision that fails to distinguish between problems with training solutions and those with nontraining solutions (Kubr and Prokopenko 1989). Projects sometimes imply that a "trained" manager is the solution to all problems and that course attendance creates a trained manager. However, many management problems are created by conditions other than skill deficits or lack of managerial competence. Management training will not improve technical competence or relieve policy or severe resource constraints (at least in the short or medium term) any more than advanced technical training resolves management problems. For some problems, a solution may depend on changing the organization by restructuring the company or acquiring new sources of capital.

Project design has two critical components. The first is to establish clear objectives and indicators. The definition of what is appropriate and achievable will differ in different situations, so careful thought must be given to this stage to avoid conflicting or vague objectives. The second design activity is to adequately assess the feasibility of achieving those objectives. The major elements of this analysis—problem identification, identification of training needs, assessment of the demand for training, and assessment of financial viability—are not always adequately completed in the design stage. Other design issues overlap with implementation and are covered in the following chapter.

Establishing Clear Objectives and Indicators

Objectives

Objectives establish the direction for all project activities from initial assessment through implementation and evaluation. In conceptual terms, the objective statement and achievement indicators define success for the project. In operational terms, they establish a common set of priorities for the donor agency and the training organization, and create the foundation for a working relationship. Therefore, objectives and indicators must be determined carefully and stated clearly.

The issues raised for this study are questions of design and implementation—what works and what does not. The answer to "what works" depends on the objectives. Because different projects have different objectives, a generic answer is difficult to find. Each objective must be assessed on its own terms.

Project objectives are not necessarily the same as management development objectives. Rather, projects can incorporate management development activities in different ways, for different purposes. Management development may be the primary objective of all activities, or it may be one activity of many that contribute to broader objectives. A.I.D. projects with management development activities usually fall into one of three general categories: management development as a component activity of a sector project (project-related training), management education and training through scholarships or courses, and institution building or strengthening for management education and training providers.

Although this review of experience is primarily focused on the latter two project categories, the linkages among the three types of activities are evident. The differences are on the level of emphasis: project-related training should focus on the end-use of the training, institution building projects should focus on process, and projects that simply offer training through scholarships or courses should focus on the training activity itself. However, because projects are, by definition, highly focused combinations of activities intended to achieve a specific objective, a single emphasis must be given priority to appropriately focus project activities. Depending on the emphasis, the standard of success for management development can be assessed on a range of different measures. Five possible indicators are available for measuring the outcomes of management training projects. The first two focus on training organizations and the last three focus on target organizations:

- developing or improving institutional capability to conduct training
- conducting a specific number of training courses or training a specific number of individuals
- changing behavior and skills of trainees
- using training for behavior changes in target organizations
- achieving desired impacts in the target organization's activities (sales, profits, or exports for private sector; efficiency and effectiveness for public sector)

The difficulty and complexity of achieving goals and measuring accomplishments increase substantially with the higher level objectives. The time frame for achieving the objectives also increases with each stage. The fifth level of objectives will often require a longer time period to achieve measurable change than the standard five-year project life.

Every project must have one clearly identified objective that can drive all design and implementation decisions. However, many other objectives may be included as secondary objectives or indicators. An institution-building project, for example, may have a primary objective of institutional strengthening and may use key organizational indicators (curriculum, faculty quality, financial soundness, physical facilities, etc). However, secondary indicators of quantity (the number of students or courses) and program quality (improved student skill levels, use of training in client organizations, changes in organizational behavior) are also critical because they assure that the capacity to train is actually meaningful. Although the relationship among the different levels of objectives is undeniable, it is essential that a clear priority be established that distinguishes primary objectives from secondary ones.

Tradeoffs are involved in emphasizing one type of objective over another. The decision to emphasize impact, numbers of trainees, or institution building should be made carefully, recognizing the implications and tradeoffs.

Each type of project is briefly discussed below.

Project-related training. Project-related training in sector projects is in some ways the most clearly focused. Overall project objectives are usually defined in terms of specific changes or accomplishments of a target organization or industry. Whereas this is consistent with the objective of management development, the management training activity itself may be a small, even peripheral activity that may have no explicit objectives and may merit little attention from the project managers. The management training activity will usually be intended to conduct training courses for a specific number of people. Thus, despite the consistency of the overall goals to the management development activity, the relationship may not be clearly established in either the project or the activity design.

Equally important, the management development activity is often conceptualized in static rather than in dynamic terms. The emphasis is usually on training a specific number of existing employees of the organization. These trained employees are often considered to be the critical factor for sustainability of project activities. However, many organizations in developing countries, particularly in the public sector, are unable to retain capable, trained people. Therefore, training the existing staff is not enough—the organization must be able to maintain the quality of managerial talent to sustain project activities, which can only be done through the development of training capability.

This is one of the critical issues of development and sustainability. The traditional measure of institutional development is that the target organization has trained people in established positions that are included in the operating budget by the time the project ends. However, if the organization does not have the capability to upgrade and replace these people over time, then the institutional development is highly vulnerable. Therefore, even well-focused sector projects must at least consider the need for established institutional capacity to deliver training as a contributing factor for sustainability.

Management education and training projects. Since, many, if not most, of the management education and training projects focus primarily on production of trained people, training is often seen as a task to be accomplished. Objectives and indicators are often established at the basic level of achievement—the number of people trained. The rationale for objectives such as "increasing the number of trained managers in the economy" is that an infusion of skilled people will generate development and change.

The difficulty with such projects is that they are often broadly focused on numerous industries, so impact is, at best, diffuse. Because the project emphasizes production over sustainability, there is no continuing capacity to produce new managers after the project ends. This approach is most likely to have a discernable impact when the training is focused on a specific industry and when the number of managers (and technicians) trained represents a significant proportion of the numbers actually needed in that industry.

Institutional development projects. Despite the presumed emphasis on institutional strengthening, most of these projects also measure success in terms of the number of people trained rather than specific institutional development. Some projects incorporate both training and institution-building objectives either explicitly or implicitly. This incorporation of both types of objectives can be a problem when priorities are not clearly established because long-term, institution-building objectives are usually subordinated to the more concrete output targets. Project management decisions are often tradeoffs between timely accomplishment of outputs and capacity building. For training projects, emphasis on capacity building may result in delaying a training group and disrupting an implementation schedule. Therefore, it is not surprising that most management effort is concentrated on keeping the activities on schedule. Schedules and training numbers are usually the measures that constitute specific contractual obligations and against which project managers are evaluated. However, it is somewhat more surprising that project designers continue to lump such objectives together without clearly making one type or the other the dominant objective.

Management training and institutional development projects often share a weakness of having a broad range of client organizations and types of training. Whereas this enables the project to reach a greater number of companies and industries, it also creates very real difficulties in establishing a single, meaningful objective or in measuring impact. Objectives are difficult to establish at the impact level because the variety of client organizations makes it difficult, if not impossible, to identify a single objective that is appropriate for all clients and trainees. The impact in client organizations is difficult to measure or attribute to training because in any given company only one or two people usually receive training. Therefore, few projects use specific objectives of applying skills or increasing output or revenues. Measuring production of trained people is almost always easier than tracking the use of new management skills.

An approach used in the Development Training Project in Guatemala found another option: define project objectives in general terms and state specific objectives for how each trainee would use the training. This option avoids the problem of applying a general standard to individuals in widely different circumstances. In addition, this option simplifies evaluation because success can be defined by the percentage of trainees who achieve their own specified objectives.

Indicators

Project indicators are the specific measurements that determine whether a project is a success or failure. Both design and evaluation should use the same indicators because the same project can be judged differently when different measures are used. For example, when the key indicator is the number of people who have received good quality training, virtually all management development projects have been notably successful. When the criterion for success is the institutional capability to deliver high-quality training, success is also fairly high in the LAC region. On the other hand, if the key indicator is financial and organizational sustainability of the training organizations, many of the same projects would be considered failures, or, at best, qualified successes. When selecting indicators, project managers must be cognizant not only of the objective, but also of the meaning of the indicator. For example, high-quality training or the total number of people trained may simply reflect the amount of money A.I.D. invests in the project rather than impact or sustainable capacity.

Indicators must be consistent and clearly related to the objective. Indicators can become the de facto objectives because they establish the measurable standard of success. When indicators are inconsistent with the intent of the objective, they undermine the objective. For example, a project objective might stress establishing a financially sustainable training institution, but the indicators may only measure the number of courses or people trained or staff hired. In such cases, the indicators are not actually measuring the achievement of objectives. Alternatively, indicators may specify measures of both output and financial viability without clearly establishing a priority between the two. This in effect creates dual objectives.

In some cases, a lack of symmetry between objectives and indicators may be worse than simply being inconsistent; it may create conflicting objectives and indicators. This can happen easily, and inadvertently. For example, institution-building projects often require that the training organization conduct a given number of specific courses for special target groups. In these projects, the actual objective is not clearly either institution building or delivery of services. The required courses may actually be a liability for the institution if it is not financially sustainable or if it requires new overhead costs. An objective of establishing a sustainable training organization requires explicit indicators of institutional and financial viability. The specific courses, programs, or target groups should be derived from the institution-building requirements, not imposed on them.

When project objectives are defined in terms of specific impact or use of skills, achievement indicators might include such measures as level of sales, employment, profitability, productivity, or increased exports. Although direct attribution of these kinds of changes to training is always difficult, a standard of "plausible association" is reasonable. The two challenges of establishing objectives and indicators on this level are that participating companies will probably have different needs and that when two or more indicators are used, they may possibly be internally inconsistent for some companies. No set of measures can adequately capture the range of organizational dynamics or business needs in many different companies. In the short term, improved management can have different effects in different companies, depending on the circumstances. In some companies, improved management may result in greater emphasis on profit at the expense of either gross sales or numbers of employees. In other companies, improved productivity may decrease employment. Alternatively, increased employment may reduce productivity, at least in the short term. Thoughtful managers may attend an export promotion seminar and reasonably conclude that their particular firm would be better served with a domestic sales strategy. The actions, or lack of them, can only be interpreted as good or bad management in the context of an individual firm's situation. Therefore, establishing indicators that use inflexible standards and expectations only invites misinterpreting the results.

If objectives are to serve as a framework for design and implementation, they must be clearly understood by A.I.D. mission officials, the implementing agency, and the contractors (if any). This requires good communication on a continuing basis. Such communication is immeasurably enhanced by establishing performance indicators that actually measure progress toward a commonly understood objective. Some possible indicators for different project objectives are illustrated in Figure V-1.

A range of indicators will often be needed to fully measure the objectives. For example, projects with very clear institution-building objectives may limit indicators to highly process-oriented institutional indicators, such as an increase in average academic depth index or expanded program offerings. While these are appropriately focused on the organizational elements, some measurement of quality is also needed. The real objective is to produce high-quality programs that are valuable to the recipients on a full-cost recovery basis.

Conclusions

- Project objectives for management education and training must be clearly articulated and understood by all participants in the project. The objective statement must distinguish between primary and secondary objectives.

- Project indicators must be consistent with the objectives and must reflect the critical achievements.

- Objectives for management education and training activities must be appropriate, realistic, and achievable. If the problem is structural, training alone cannot achieve the

FIGURE V-1
Sample Indicators for Training Objectives

Objective Statement	*Indicator*
• Provide management training for a specified audience • Increase number of trained managers	• Number of training courses • Number of participants trained
• Institutionally strengthen management training organization	• Cost recovery ratio • Ratio of fixed and variable costs • Balance sheet and income statement • Market share and image • Academic depth index • Number and quality of program offerings • Value in eyes of clients • Quality indicator for utilization
• Use management training skills effectively in the workplace	• Number of specific changes in management activities identified • Trainee and supervisor satisfaction • Number of repeat clients and requests for special training
• Improve performance in the target sector by improving management	• Percentage change in organizational indicators: sales, exports, efficiency, and financial management • Client willingness to absorb cost of training

objective. If the problem is national unemployment, no project is large enough to make a meaningful impact in the short term. In most cases, intermediate level objectives, such as establishing institutional capacity, are more meaningful than broad economic impact.

- Project objectives for management education and training activities in any context (project-related training, training projects, or institution-building projects) should clearly recognize the time dimension of change. What is the impact today, and what will be the impact after several years? Each project must be very clear as to what needs to be sustained (the people, the skills, or the institutional capacity to continue training) and focus on achieving this objective.

- In general, two types of objectives have the greatest sustainable impact. The first is institution building, which emphasizes development of a continuing local capability to provide high-quality training. The second is changes in behavior or accomplishments in a target organization and ability to maintain the new behavior. These objectives may require both training and nontraining activities.

- The tradeoffs between capacity-building objectives and training and technical assistance objectives must be clearly understood. Project-related training or demonstration projects can have a rapid and measurable impact on client firms, available technology, or policies that may be valuable in themselves. However, the sustained ability to capitalize on policy changes, technical innovations, or other economic opportunities depends on a continuing flow of educated and trained managers as well as other levels of a society's human resource base. This, in turn, requires the existence of a sustainable local institutional capability to deliver such education and training.

Assessing Feasibility

Feasibility studies are the first opportunity to analyze whether the project objectives are achievable and to avoid placing impossible burdens on project managers. Adequate feasibility analyses are invaluable planning tools if they are appropriately conceptualized and rigorously applied rather than considered a pro forma requirement. The two crucial design issues for management education and training are needs assessments and financial sustainability.

Needs Assessments

Three levels of assessing training needs—national, organizational, and individual—are each appropriate for a different purpose (Paul, Ickis, and Levitsky 1989; Gillies 1992). National-level assessments provide a broad understanding of trends in manpower needs and enable educational and training organizations to better plan future investments and programs. This level of information is most useful for general program or strategy planning. The organizational level, which identifies knowledge and skills needed to maintain existing capability and achieve organizational goals, is the primary focus of project-design analysis. The assessment of individual training needs is usually completed in the context of the needs of the employer. This level forms the basis for developing specific training programs during project implementation. For the most part, the discussion in this section addresses organizational-level needs assessments.

At the project design stage, three related types of analyses fall under the general category of needs assessments: problem identification, demand analysis, and identification of training needs. Although these types are closely related, they are also distinct in terms of issues, methodologies, information needs, and appropriate responses.

Problem identification. A common problem in project analyses is equating organizational management problems with training needs. Although the problem may be management, the solution may not be training. Rather, the solution to specific problems may be rooted in specific structural, policy, or personnel changes rather than in training per se, or the problem may be technical rather than managerial. The International Labour Organization (ILO) estimates that 60 to 75 percent of identified problems in public sector organizations are within the manager's competence to resolve. The constraint is neither technical competence nor understanding, but rather motivation to act. In these cases, constructive pressure and specific proposals for key changes in policy, regulation, or procedures may be more effective than training (Kubr and Wallace 1983).

The larger context must be considered for both public and private sector management development. Needs assessments for public administration projects that focus on the performance of a particular government unit often fail to recognize that performance may be dependent on the administrative processes in the broader government system. The complexity of government bureaucracies often limits the impact of even a well-designed and well-implemented intervention aimed at a specific office. Similarly, in the private sector, problems can only be adequately understood in the context of the organization. Constraints to organizational behavior change may be based in motivation, organizational complexity, technical knowledge, or, simply, the resources and time to make changes. For example, many industrial technologies (total quality control, just-in-time manufacturing, high-tech equipment) require substantive reorganization as well as training. For such changes, an in-depth consulting effort is often needed.

A recent study identified six common errors in problem identification (Kubr and Prokopenko 1989):

- preconceiving ideas about the causes of problems
- looking at problems from one technical viewpoint (that of the analyst) rather than from a more balanced interdisciplinary view
- ignoring how the problem is perceived in various parts of the organization—perceptions of production, marketing, and financial people may differ significantly
- not completing problem diagnosis (the first problem found may not be the only problem, or even the most important)
- mistaking symptoms for problems
- failing to discern cause and effect

Demand analysis. Demand analysis answers two specific feasibility questions: Is the market large enough to fill the training courses? Is the market large enough to make the training program financially feasible?

A demand analysis depends on the project objective. Training projects with the relatively simple objective of increasing the number of trained managers have two demand-related feasibility issues. First, are employers interested in hiring people with these qualifications or skills? Demand forecasting for highly trained managers must distinguish the identified needs of individual firms. The need for MBA graduates, for example, is different for small firms than for large firms. In general, smaller firms are much less likely to sponsor employees for this type of training because they have neither an appropriate job position nor the ability to pay the higher wage that such qualifications will command. Differentiating the demand among various segments of the private sector and estimating the total need for MBA graduates in each segment are essential for program planning. In many small economies, the number of firms large enough to hire an MBA may be very limited.

The second demand issue is whether enough qualified individuals are interested in entering the program. Institutions must know whether remedial courses will be required and what level of scholarship aid is necessary. In part, the need for financial aid will depend on whether the students will be paying their own way or whether their employers will help sponsor them.

For institution-building projects, the key feasibility question is whether enough paying clients exist to support the training program. This question adds the issue of sustainability to the issues discussed above. General surveys may fail to distinguish need from real demand. The message of a demand survey is usually understood by the respondents as "we want to give you some training. What do you want?" This seldom identifies real demand, which is something that the organization values and will pay for. It is one thing to say that "we need better managers"; it is quite another to place this need as a priority for corporate investment. One of the classic mistakes in business planning is confusing need and demand—what people need and what people want and will pay for may be two different things. The University of West Indies in Barbados conducted a demand analysis (see Box V-1).

Identification of training needs. Once the problems are correctly identified and the demand issues are clarified, the need for specific types of training can be assessed. Obviously, the demand for training is closely related to the specific type of training. The challenge of assessing training needs is to provide up-to-date information that adequately identifies specific kinds of training needed. A common approach in the project design stage is to survey the managers of a number of companies or government ministries to ask what the training needs are. This approach is limited by two factors. First, needs are identified in the abstract rather than in the framework of a specific objective. As a result, the information is essentially a list of scattered needs. Second, since few managers have really thought about training needs, the responses are somewhat casual. This type of assessment is primarily useful in narrowing the focus of the project and in directing further inquiry on an organizational basis, but is seldom adequate in designing a program with clear and measurable objectives.

Projects with the objective of improving a particular organization can identify training needs in the context of specific organizational objectives. Linking training needs to actual activities and the existing skill base enables greater specificity of training programs and improved likelihood of use. Projects with the objective of improving performance in organizations in general (for example, private sector management) should structure needs assessments to identify the relative priority for different types and levels of training.

Needs assessments should be more independent of the project design cycles than problem identification or demand analyses. Whereas the first two may be relatively infrequent activities, closely linked to design issues, identifying training needs should be a continuing process. A one-time survey of training needs, no matter how good or detailed, is no more than a snapshot that is quickly outdated. Ideally, the capability to perform needs assessments should be developed on the local level either within the training organization itself or in outside companies. The practice of hiring outside consultants to do an assessment may be adequate for project feasibility studies, but is usually not adequate for identification of specific training needs.

An effective approach taken by many training projects is to incorporate needs analyses into the activities of the training organization. This is particularly appropriate for firms that offer customized training for client organizations. As part of a broad consulting assistance, the training organization conducts a management audit of the client and proposes a series of interventions, including training and consulting, to resolve specific organizational problems.

BOX V-1
University of West Indies Management Training

The initial demand study for the regional management training project in Barbados was intended to provide several levels of information on which future decisions could be based. The study provides an illustration of the types of information that are useful at this level.

Demand	profiles of prospective clients: type of business, size of firm, number of employees, annual revenue, levels of management, type of ownership, employee profiles (years of education and service)
	type of training required by function and level, location, duration, problem areas, willingness to pay, past experience, level of satisfaction
	number of University of West Indies (UWI) graduates employed, anticipated need for UWI graduates, priority disciplines, need for MBAs and EMBAs
Supply	training currently being done and effectiveness and efficiency of training and of providers of training
	profile of training services organization: type of business, size of company, number of employees/staff
	types of training provided, frequency and duration of course offerings, entry requirements, credentials awarded
	cost to trainee and to organization to conduct training
	geographic coverage of training

Financial Sustainability

Sustainability is perhaps the most disappointing aspect of A.I.D.'s experience in management education and training activities; as a design and implementation issue, it may also be among the most misunderstood. Sustainability can be an objective, a constraint, or a secondary consideration, depending on the project objectives. The discussion below reviews the conceptual and planning issues of sustainability. The chapter on implementation will address more detailed experiences in financial management for sustainability. While the issues of how to achieve sustainability are important, the conceptual issues at the design stage often frame the question and determine the outcome.

For the purposes of this discussion, sustainability is financial independence from A.I.D. funding. Sustainability is a concept that applies to an entire organization, rather than to a particular program within that organization. Thus, a university that is unable to cover all MBA teaching costs directly through fees and tuition, as is the norm in every country, can still have a sustainable program if losses are offset by revenues from other sources, including donations from the state or other international organizations. However, a plan for sustainability that requires channeling all A.I.D. training through an organization for full-cost reimbursement would not be considered sustainable.

Much of the frustration with A.I.D. projects that have not achieved financial independence is based on a failure to understand the tradeoffs involved between delivery of specific training services and institutional development. Projects fail to become sustainable for five common reasons: unclear objectives, unrealistic objectives for a specific type of training, misunderstanding of the management needs of training organizations, market limitations, and lack of analysis at the design state.

Unclear objectives. The problem is that projects may have dual objectives—delivery of services (number of people trained) and institutional development (sustainability)—and fail to determine which has top priority. In general, if the immediate objective is institution building, then sustainability of a high-quality program is the key design issue. On the other hand, if the immediate objective is to initiate specific changes in a target organization, then training design, quality, and impact are the primary feasibility issues, and sustainability is a secondary consideration.

Unrealistic objectives for a specific type of training. Some types of training activities are inherently not sustainable without outside resources. For some markets, the potential number of trainees is too small. In others, the income level of trainees is too low to pay market value training fees. The training program must be subsidized either by revenues from other activities or by other organizations (such as A.I.D.). For example, a training program in Costa Rica had a well-defined clientele able to pay reasonable course fees, but the market turned out to be too small to recover the costs of a specialized program. The evaluation found that no more than 20 people could be expected to attend the course. Other activities, such as public-private sector encounter sessions, may have many potential trainees, but may be too expensive to maintain solely with course fees.

Sustainability is not necessary in all cases; it depends on the objectives. However, at the design stage, managers must explicitly acknowledge whether or not sustainability is feasible and desirable. If sustainability is crucial to achieve the objectives, then design and analysis are very different than if sustainability is not important.

Sustainability is not an issue when the training process itself achieves the project goals. An example might be public-private sector encounter sessions that facilitate the broader goals of policy dialogue. If a limited number of seminars will achieve this exchange of ideas, then sustainability is not an issue. Another example would be to test whether a market for management training courses can be created where it does not currently exist. A subsidy for a pilot project to test this idea might be justified. In both examples, A.I.D.'s role is to provide a temporary catalyst and to subsidize training for a fixed period of time. The future provision of that particular training is not a consideration.

When A.I.D.'s role and objectives are explicitly understood in these terms, decisions on follow-on funding can be easily made. However, often the original objectives are not clear, and future requests for funding are based on the "success" of the training, usually indicated by trainees reactions to or demand for the courses. In the above cases, the participants' satisfaction is good to know but irrelevant to future funding decisions. Indeed, "success" is only a justification for continued funding if A.I.D. intends to subsidize training indefinitely. While subsidized training can be justified for programmatic or strategic reasons—not all worthwhile activities are marketable—the decision must be made on those terms and without the illusion of eventual sustainability.

A program can be sustainable even though it is unable to generate adequate revenue to cover all costs. This is possible if the losses in one training program are offset by profits in another course or activity of the same organization. However, to plan on this kind of cross-subsidization, the sustainability of the overall organization, rather than a single training program, should be assessed. Equally important, this assessment must be done at the early stages of project design and implementation by developing a financially balanced set of activities. Whereas training programs for small or microenterprises may not be able to cover all costs, high-profit training for top managers may be able to offset the loss. The same is often true for graduate academic programs, which do not recover costs in any university. The losses can be offset by sponsored research, consulting, fund-raising programs that attract grants and gifts, state funding, or endowments. While U.S. universities rely heavily on these nontuition sources of revenue, universities in Latin America and the Caribbean may have no government research or foundation grant programs to draw upon.

Cross-subsidized program activities are only possible if the reality of revenue potential for each activity is clearly understood from the beginning, if the initial design specifically balances each loss-making activity with a compensatory revenue earner, and if sustainability is assessed within the context of the organization rather than within the individual training activity.

Misunderstanding of the management needs of training organizations. The concepts, and indeed even the terminology, of sustainability are deeply rooted in A.I.D.'s history of working primarily with the public sector and, of course, being a government entity itself. However, the relevant concepts for most management training organizations are found in the private sector. A management training project can be viewed through two alternative project objectives:

- to establish a viable national training organization capable of providing high-quality management training to the private sector
- to create a viable private, not-for-profit company in the business of management training

The first type of objective is the most common in A.I.D. project designs. This objective statement emphasizes the activity of training and provision of services. In operational terms, sustainability is understood to mean maintaining the flow of these specified services to a specific target group. It is this concept that is based on public sector experience, where sustainability depends on such elements as political support and adequate budget resources.

However, most management training organizations supported by A.I.D. are actually independent businesses: private, and often not-for-profit, sector companies in the business of management training or education. If project managers do not explicitly recognize this, they misunderstand the activity. When managers and directors understand the objective as being to create an educational center rather than a business, this perception naturally affects how the activity is designed, analyzed, and managed. Every design and implementation decision will be affected by the relative importance of the flow of services (public sector orientation) versus revenue potential (business orientation). This conceptual difficulty is not unique to training projects; it is common to many A.I.D. projects that deal with the private sector (see Box V-2).

The view of a training organization as a business raises another issue that is more closely related to mission strategy than to sustainability: the question of competition in the field of management training. Donor project subsidies to one designated training organization may give it a competitive advantage over other organizations in that country. This is truer for grant-funded institutional strengthening activities than for contracted training. Whereas broad program objectives may justify this type of favoritism, the project activities should be understood in terms of impact on local competition.

Market limitations. Economies of scale are a force in determining the viability of training activities because program development costs must be recovered by offering the course many times. Many LAC countries have a limited market that may well determine the quality and range of training that can be offered on a sustainable basis. Many courses have a limited life span because clients will need to attend only one time. In countries with very small markets, this life span may be quite short for most training products, and the training firm will have to change course offerings with some frequency. This change entails relatively high product development and marketing costs. The tradeoffs between program quality and sustainability may be direct. An obvious example of this type of situation is in Belize or the small Caribbean islands. The small total population and the even smaller population of businesses that constitute the potential market base are severe constraints to providing high-quality training services on a sustainable basis.

A basic economic concept—price elasticity of demand—is a key aspect of financial feasibility analysis and implementation planning. This idea must be understood and incorporated into pricing policies to find the market clearing price for a specific type of training. Most firms will be relatively insensitive to price changes up to a certain point, but will stop buying training services when prices exceed that point. The price at which this change in demand occurs will differ according to the region, country, and type of firm. However, the general economic rule holds for most kinds of training—as the price decreases, the size of the potential market increases.

There is a tendency to assume that the prospective clients cannot afford (or are unwilling to pay for) training. Organizations may establish a nominal fee that does not cover course costs and, thus, may require a subsidy from the donor organization. Project managers are often unwilling to push the price high enough to test the demand curve, although the need to do so would appear to be obvious. One A.I.D. project evaluation found that demand for the courses was much higher than anticipated, but that revenues were much lower. The training staff had set fees at a low level because they believed that clients could not afford to pay more. Whereas an economist might interpret these numbers as being prima facie evidence that the prices are too low, the project managers interpreted them to

BOX V-2
Interpretation of Objectives by the Donor Agency and the Training Organization

The interpretation of objectives depends on the communication between and the perspective of the donor agency and the training organization's key managers. The professional backgrounds of the individuals as well as the written project documents influence this process.

A management training institution in Latin America was created through an A.I.D. grant to provide specialized management training to the private sector. The purpose statement and the indicators emphasized establishing a financially self-sustainable organization.

However, from the beginning of the project, performance and service delivery were emphasized. Regional branches were opened almost immediately, and the number of courses offered and people trained was far more than originally planned. Within the first two years, the project was amended three times to add more money for the expansion. Evaluations and mission reviews found that the training was of good quality and well received by the trainees. Although the sustainability goals seriously failed to meet the design expectations, evaluations stated that the training institution was financially viable. The organization was touted as a great success and was constantly praised by the mission director.

At the end of the third year, project management responsibilities were moved from the education and training office to the private sector office. Almost immediately, issues of financial viability eclipsed the educational aspects of the project in terms of management attention. Within a matter of months, the former success had become a "problem project." The formerly warm working relationship with the mission became strained. The project had not changed, but the goals had altered.

The situation was enormously frustrating for everyone involved. Project management was neither better nor worse in one office compared with the other, but the perspective changed from education to business. Many of the problems could have been avoided or resolved earlier had the project objectives been clearly understood from the beginning by managers in both organizations.

mean that the original design had overestimated revenues and underestimated demand.

The concept of elasticity is essential to understanding that costs and revenues are two sides of the same coin. Some institutions begin with a training program of a specific (very high) level of quality and cost and then define the market in terms of that particular (costly) configuration. The working assumption is that anything less than the ideal training is not worth doing. When the actual (nonsubsidized) market for such training is found to be relatively small, the donor is asked to cover the difference. The alternative to this "Cadillac" approach is to determine the potential revenue—what the clients can pay—and design the training program to meet the market. Although at some level, low-cost training may not be worth doing, there is substantial space on the continuum between cheap worthless training and gold-plated training. The challenge, which too few training organizations accept, is to find the middle ground. One might call this the "Honda" approach to training product development.

Lack of analysis at the design stage. If the objectives require organizational sustainability to achieve impact, then this is the key issue to be addressed in the project design. The design of the intervention and the costs of providing specific types of services to specified target groups will determine the viability of the enterprise. Some project designs simply do not address the issue of financial sustainability directly. Some financial analyses are entirely focused on the financial rate of return to the students: the investment is measured by the costs borne directly by the students themselves and by the returns in increases in lifetime earnings. This is useful for understanding demand and the possible need for subsidized tuition, but completely ignores issues of program sustainability.

One project analysis reviewed the financial viability of the participating institutions from a historical perspective, but failed to analyze the impact of the proposed activities on this financial balance. Every project activity will have a direct impact on the balance sheet: the asset base increases with capital grants, overhead and fixed administrative costs increase with new programs or expanded responsibilities, revenues increase with new program offerings, and direct and indirect program costs increase with each course. The necessary analysis is to estimate the cumulative impact of these changes on an organization's balance sheet and income statement.

It is not uncommon that project designs avoid the issue by requiring the training organization to develop a plan for sustainability during implementation. In a variant of this, one project paper recommended a contractual stipulation with the implementing organization (a private, nonprofit firm) that the program would be continued after the contract had ended. This kind of contract is probably unenforceable and ignores the reality of business that such an open-ended commitment, regardless of financial viability, actually weakens the institution. Efforts to postpone planning for sustainability will generally fail because the issue is perceived to be of minor importance. Every design and implementation decision—from the target audience to the types of training—will affect sustainability. Project designs that specify training programs without planning how they will be paid for avoid the most basic feasibility assessment.

Some projects incorporate the financial feasibility issues into the economic analysis. In most cases, economic analyses appropriately weigh the economic costs against the economic benefits to estimate the net benefit to society of the project investment. Although the benefits are difficult to estimate, the analysis is conceptually correct. One economic analysis followed this logic, but then crossed the line to conclude that beneficiaries were therefore able to pay for the training. This inappropriately drew a financial (microeconomic) conclusion from a macro-analysis.

More common, however, is the use of a macroeconomic analysis to justify a subsidy for the training on the grounds that the economic benefits outweigh the costs. There are two problems with this approach. The first is that it is an easy way to justify a subsidy without any real testing of what the market will bear. Donor organizations, encouraged by the training organizations themselves, are often too quick to assume that participants are unwilling or unable to pay full recovery costs. The second problem is that this approach assumes an inappropriate role for A.I.D. It is one thing to argue that a public sector expenditure is warranted to achieve a broader social benefit; it is quite another to decide that A.I.D. is the public sector entity that should be making this investment. Indeed, an important part of project design is to define where the interests of A.I.D. lie and what specific responsibilities it will assume.

Of course, some projects analyze the issue of sustainability at the design stage. A useful approach is to start with the basic information of market potential, estimate potential revenues (on a conservative basis), and then develop the project cost structure and activities in relation to the potential revenues. Most projects that develop financial models for such training begin by calculating basic costs and then attempt to find revenues to meet these costs. By trying from the first to balance expenditures and revenues, a project is more likely to take the prudent approach of starting small and expanding with demand.

The challenge for financial and economic analyses is to sort through the jumble of possible issues and identify the critical feasibility issues for that particular activity. Analyses with twenty pages of detailed statistical calculations and economic concepts to measure the returns to higher education may well miss the point. Existing literature illustrates that the returns to education and to the choice of investing in higher education or training was made at the project concept stage. The real issues at the project design stage are more often ones of sustainability, effective demand, or market analysis.

Sustainability must be considered in implementation planning as well as in feasibility analysis. Sustainability requires operational flexibility during implementation. The reality of business development for a training company is process oriented, as the firm develops a better understanding of market potential and adapts to this potential. Necessary changes in course offerings, types of training, or target groups may challenge some basic tenets of the initial design. If the project design or implementation procedures are too rigid to allow these changes, then the potential for sustainability is severely constrained.

Two common implementation strategies for achieving sustainability are reflections of the donor agency's interest in creating a sustainable organization by whatever means are necessary. First, some projects have attempted to make the training organization self-sufficient by channeling significant amounts of training to the organization from other mission projects. While better than direct subsidy, the futility of this strategy for long-term sustainability would seem to be obvious. The key in evaluating the different sustainability plans is to distinguish between different sources of revenues—not between different projects from the same donor organization. Excessive dependence on any single client makes companies vulnerable. This kind of vulnerability is particularly important when the client is undependable. A.I.D. missions are usually not dependable except in the short term because any number of factors influence program funding decisions—personnel changes, development philosophy, budget changes, or acts of Congress.

Self-sufficiency based on donor funds not only creates unwanted dependence but also limits the potential scale of operations. Self-sufficiency based on commercial credit funds and revenues—on a business basis responding to the market—opens the way for operations on a real scale that is limited only by the market. Dependence on a donor agency may reduce the level of risk, but it may also limit the program to the interests of the donor.

The second implementation strategy is to encourage and subsidize the training organization to start other activities to generate profit. In management training organizations, potential revenue earning activities often entail branching off into new activities; some are closely related to training while others may be very different businesses. Various A.I.D. management development projects suggest several methods for generating revenue: a technology center, photocopy services, training films, a bookstore, equipment rental, consulting, an English language lab, a conference center, a computer center, telex and fax services, and a library.

Nontraining activities are not necessarily bad; indeed, some of these activities are closely related to training and are complementary. However, each new activity is in reality a new business, one in which the organization may have little expertise or market advantage. Some training organizations in small markets may have no alternative other than to diversify a revenue base. However, a new activity is likely to divert significant management attention, resources, and capital from the primary business of training. Establishing a new source of revenue is a decision that should be made with care and, if possible, with minimum subsidy from a donor organization. (Among other objections, local firms already in the business seldom appreciate the creation of a new competitor backed by the U.S. government). The first, and most important, path toward sustainability and profitability is to assure that the core business is being well managed and is effectively capitalizing on market opportunities. Only after the possibilities for the core business are exhausted should the organization turn to new businesses for necessary revenue. A new business should be the last resort, not the first one.

In any enterprise, success is dependent on clearly knowing what the primary business is. This would appear to be a simple enough issue that is articulated in the organizational mission statement, but is, in fact, a critical element of business strategy that can trip up even the largest corporations. Many U.S. corporations that grew rapidly in the 1970s and 1980s by mergers and acquisitions later sold off unrelated companies with the wry comment "we forgot what business we were in."

As with overall project objectives, sustainability is ultimately dependent on the shared understanding and commitment of the donor organization and the implementing organization. Initial understandings may be undermined by frequent changes in USAID project managers and top mission management, who may not share or even be aware of the assumptions of the initial project activity. The first question of new managers is often "why are we still paying for this? Why are they not doing it themselves?"

Even with clear objectives, competent analysis, and good management, most management training organizations in the LAC region have found sustainability to be a challenge. Small markets, and in some cases limited recognition of the need for training among clients in both the private and public sectors, limit the margin for error. Successful training organizations are those that have a good understanding of their clients' needs, manage both costs and revenues carefully, and maintain flexible and responsive programs.

Conclusions

In summary, the primary considerations for project design are to precisely define objectives, specify relevant indicators, identify problems, and analyze the key feasibility issues of sustainability and demand. The following list summarizes these considerations:

- Project objectives must be carefully defined, well communicated, and mutually understood by the donor and the implementing agency.

- Project objectives and indicators must be consistent and clearly establish priorities among sustainability, institutional strengthening, provision of training services, and impact.

- Feasibility analyses are essential and must clearly identify and address the key issues related to the project objectives.

- Need assessments, demand studies, and problem identification must be clearly distinguished in the analytical backup of a project. Although they are all related, each has distinctive issues and methodologies.

- Managers must distinguish between initial assessment activities that can be one-time design tasks and those that should be integrated into the operations of the training organization.

- Sustainability is the key challenge for all management education and training organizations. These issues must be specifically and adequately addressed in the design stage and not left to implementation.

- Private sector training organizations are firms in the business of management training. They must be analyzed, planned, and managed as businesses. These projects require both more flexibility in design and clearer emphasis on the business aspects.

- Public sector training organizations must get clear commitments for core funding and clear plans for generating any additional needed revenues prior to project initiation.

VI Institutional Issues

The previous chapter on project design discussed the issues of management development from the perspective of a donor agency planning an investment in this field. This chapter will review some of the same issues from the operational perspective of institutional development of management education and training organizations. In many ways, the distinction between design and implementation is unclear; the feasibility of institutional development plans should be considered during the design stage. In this study, the distinction is useful for presentation purposes. In essence, the focus of this chapter is managing management development activities. One of the ironies of management development is that organizations that specialize in management training and consulting often could benefit from management improvement.

All of the major donor organizations have invested in management development and several, including the World Bank and the ILO, have published broad reviews of experience (Kubr and Wallace 1983; Paul, Ickis, and Levitsky 1989; Kubr and Prokopenko 1989). Some of the conclusions of these studies help place A.I.D. experience in a broader context.

In a review of thirty years of experience with management development projects, the ILO identified some characteristics of effective management development institutions (Kubr and Wallace 1983). The authors warn against using these characteristics as a model because each institution operates under different conditions and possibly with distinctive constituent needs. Nonetheless, the approach described in the following list establishes a useful framework for designing and implementing management training organizations (Kubr and Wallace 1983).

- The client base (homogenous, if possible) is clearly defined, and the institution is very closely linked to it.

- The institution is proactive; that is, it considers itself socially co-responsible for the state of management and administration in its country and readily takes the initiative in proposing and implementing improvement measures.

- The institution has a strong practical bias; that is, it views practical improvements in management and administration as the ultimate goal (even if the main activity is teaching or research).

- The institution practices strategic management in defining its purpose, objectives, and portfolio of services, in allocating and developing resources, and in harmonizing the various choices made.

- The institution uses a properly selected and coherent portfolio of intervention methods (training, teaching, consulting, various types of research, collection and dissemination of information, social work, and so on) in serving the clients, learning from them, and linking teaching and training with identifying and solving practical problems.

- The institution's approach is interdisciplinary and problem oriented rather than discipline oriented.

- The staff is regarded as the institution's most precious resource; its professional integrity, motivation, and competence are high; its profile is coherent with the institution's strategic choices and intervention methods; the staff has both a strong theoretical background and a solid practical bias; staff turnover is low.

- Leadership is considered to be critically important: the institution's head is accepted and acts as a true leader, both within and outside the institution, and stays in this position for a sufficient amount of time to provide effective leadership and achieve organizational goals.

- The institution is run as a flexible and efficient enterprise rather than as an administrative unit of government; its operational management makes sure that strategies and plans are implemented and the cost of services kept to the necessary minimum.

- The institution enjoys considerable autonomy, but is accountable to its constituents for performance results.

- Evaluation at all levels is practiced on a regular basis; periodic self-appraisal is used to assess performance, adjust strategy to new opportunities, and refine the approach as clarified in the above items.

A.I.D. experience in management development supports these findings. The following discussion will touch on some of these points in a review of the institutional issues for management training and management education organizations. Each section will address three main institutional issues: academic program development, financial management, and organizational structure.

Management Training Institutions

Management training programs are offered by two types of organizations. The first is a small organization (either profit or nonprofit) that specializes in management training, relying heavily on part-time instructors. The second is a large educational institution that supplements its primary activity—undergraduate or graduate level academic programs—with short-term training and executive development courses. In this second category, existing faculty may conduct training courses, and a complementary relationship may develop between the academic and the training activities. The following discussion focuses on the first kind of organization—the specialized training firm.

Training Program Development

Training program development for management training institutes is intended to develop high-quality training programs that meet the needs of the clients. Each organization may approach these issues differently. The primary phases of training program development are diagnosis of priority training needs, curriculum development, adaptation of course materials to local conditions, and faculty development and retention.

Diagnosis of training needs. All training programs are based on an assessment of the training needs of the targeted client groups. The nature and quality of these assessments differ substantially. Some assessments are conducted as an integral part of the training organization's functions, while others are separately contracted for project purposes.

Training organizations may conduct extensive research into the needs of a well-defined client group. This is different from a general survey of needs conducted as part of a preliminary project design to establish project parameters. At the most systematic end of the range of needs assessments is the special program model at INCAE. This model reflects an institutional commitment to design training programs to address needs in priority fields, such as family planning, integrated rural development, or agricultural management (see Box VI-1).

The model has three components: research, outreach, and postgraduate courses. The research component consists of direct observation at the operating level to understand how the system operates and to analyze the obstacles to improvement. Case studies or training courses are developed based on key incidents identified. The outreach component incorporates the research results into executive seminars or workshops, fulfilling both a training function and a research function as a validity test of field observations (Korten 1979). Finally, the validated research and insights are incorporated into the general collection of case studies used in the postgraduate programs (Paul, Ickis, and Levitsky 1989). This approach is expensive and requires qualified personnel.

A related approach is to integrate training with consulting or organizational development activities. When done effectively, this problem-solving approach not only identifies weaknesses but also distinguishes between training and nontraining solutions. The consulting side can help create incentives and systems to better use the training. This approach requires a considerable range of skills, programmatic flexibility, and careful management of additional fixed costs. Few institutes have done this successfully in the LAC region, in part because they lack the unique mix of skills to give them an advantage in the market. Qualified faculty often prefer to consult as individuals. Moreover, it is exactly this type of consulting—feasibility studies, market analysis, etc.—that A.I.D. and other donor programs routinely provide for free. This is very tough competition.

Well-focused needs assessments can directly contribute to client-specific curriculum and course development and enhance the relevance of the training. The most serious obstacles to adequate needs assessments are cost and availability of qualified people. These are the kind of obstacles that foreign assistance grants can most easily address.

Curriculum development. The major approaches are either to purchase training modules from existing sources or to develop training courses using staff or consultant resources. An important source for many of the training institutes in Latin America has been the American Management Association (AMA), which can provide technical assistance as well as course materials. The Fundación Carvajal in Colombia has also been a useful source for training programs aimed at small business and entrepreneurs.

Each approach has advantages and disadvantages in terms of quality, appropriateness for local conditions, time and cost, and dependence on external resources. The approach taken by the Honduran Association of Managers (GEMAH) was to purchase a package of courses and technical assistance from the AMA and later modify them for local conditions. Although costly, this has the significant advantage of enabling a quick start with high-quality, proven materials. It also lends credibility to a new training organization and facilitates marketing efforts. A potential problem is that the organization will become dependent on purchased expertise, requiring donor funding, rather than developing the capacity to design customized courses for the country.

BOX VI-1
INCAE Agricultural Management Program

Background. After the Sandinista revolution of 1979, the Nicaraguan Ministry of Agricultural Development and Agrarian Reform was responsible for administering the expropriated farms of the Somoza family and other large landowners. Few of the managers of these large state enterprises had management experience, so the government asked INCAE to provide the necessary training.

Training Constraints. The training program faced severe constraints and challenges. Few new managers had adequate formal education or technical training. The knowledge level and specific educational background of the group was highly diverse. Finally, long-term training was not possible because the farms had little or no managerial depth.

Training Design. The first objective of the INCAE program was to develop a managerial culture among the participants to build a common language and framework for managerial problem solving. The second objective was to develop a training program in three-day modules that could transfer immediately applicable, high-priority skills. Each professor made field trips to study farm operations and identify the critical management tasks in each course area. This research was then used to structure learning objectives that focused on very specific knowledge or skills to be developed by the participants in each of the ten or twelve sessions in each course.

Results. Eventually, the Ministry required all management level personnel from middle managers through vice-ministers to attend the Agricultural Management Program. As the program became institutionalized, it was possible to expand the format from short modules to a full-time course. Some of the research was also incorporated into case studies for other INCAE educational programs.

Comment. This level of needs assessment is very expensive, but is necessary for specialized training of specific target groups.

Adaptation of course materials to local conditions. This is a challenge for many organizations and requires different skills, increased effort, and good monitoring and feedback mechanisms. To some degree, this adaptation is an extension of the ongoing needs assessment process, drawing on case studies, consulting, or other non-training interventions to validate assumptions about skill needs in local firms. This level of research and feedback is neither automatic nor inexpensive. Training organizations must allocate both staff and budget resources to develop good materials. Donors can encourage this adaptation by providing strategic investments to strengthen institutional capability in this area.

Research and course development is not a one-time activity, but rather a continuing activity to keep existing courses current and to develop new courses. Case studies and courses should be considered to be depreciating assets (i.e., intellectual or relevance depreciation) that must be periodically renewed. The cost of course development can be included in operating budgets as an ongoing overhead expense.

Identification of needs and curriculum development are obviously closely related. The INCAE approach discussed above used the resources of highly focused contracts to assess needs and develop new courses. An alternative approach, taken by GEMAH in Honduras, has been to integrate such analysis and program development into marketing and membership services (see Box VI-2).

Faculty development and retention. This aspect is a challenge for many training organizations. Financial constraints result in most or all of the faculty being hired on a part-time basis. Instructors may be local professionals or teachers at a nearby university. Teaching fees for such part-time instructors are seldom adequate to attract the very best or most experienced professionals, so availability and willingness to teach are sometimes the determining criteria for trainer selection. In some cases, the staff may not be professional teachers and may lack teaching skills. The challenge is to maintain and upgrade instructor quality. GEMAH has accepted this challenge (see Box VI-3).

Effective training organizations have established, ongoing mechanisms for maintaining and enhancing instructor quality. Recognizing that reliance on the current standard of knowledge of available teachers may not be adequate, training organizations provide continuing staff development in both teaching techniques and technical areas, continuously monitoring course quality and teacher performance to identify weaknesses early.

Faculty development is a process, not a project stage. It must be budgeted and managed as a continuing organizational activity rather than as a one-time, start-up task. Faculty must be considered the critical resource. Thus, organizations that plead budget problems for the failure to maintain staff training are neglecting a critical investment in their future viability. Staff upgrading must be included as a core budget item.

BOX VI-2
PEREM Program at GEMAH

The GEMAH training organization in Honduras adopted an approach to needs assessment and course development that not only improves its understanding of client needs but also serves as a marketing tool.

The PEREM program is a long-term training program tailored to each company's training needs. A complete diagnostic study of the firm is conducted at no cost. If the firm is convinced of the need for training, GEMAH develops a year-long training program to address identified operational deficiencies. The PEREM program trains people at all levels of the firm. Trainees are identified in terms of company operations and dynamics, as well as job positions.

The PEREM program is a key activity for GEMAH for many reasons. It is a high-profile, profitable program in a market segment in which GEMAH is dominant. The training program can be carefully tailored to specific company needs to achieve carefully defined objectives. The task is challenging and professionally satisfying for instructors and GEMAH staff, and improves their industry contacts and the relevance of their courses. The process of conducting the analysis is useful for GEMAH even if no training is subsequently contracted by the firm, and the needs assessment itself is an effective marketing tool. However, this approach also requires a considerable outlay of resources with no guarantee of a contract.

Financial Management and Sustainability

This section reviews the operational aspects of financial planning and management, including issues of product mix and strategy.

General financial planning. The first, and probably most important, aspect of maintaining financial control over a training organization is to assure that top management understands the central importance of financial aspects of program development and hires qualified financial managers. Without top-level support and an organizational environment supportive of program review from financial perspectives, even a qualified financial manager may be unable to maintain adequate control. This usually requires that a key qualification for the executive director and/or members of the board of directors be business experience.

Once an organization has capable financial management in place, the basic financial analysis and management is straightforward. With a clear mission statement, client group, and market position, the training organization must develop a mix of course offerings that produce adequate revenue and achieve the company goals. The financial analysis must be done for each training course separately and for the product line as a whole.

Effective financial management will assure that revenues cover three kinds of costs: capital investment costs (fixed facilities, physical plant, and, to some degree, program development), core administrative costs (indirect costs or overhead), and direct program costs (incremental costs incurred for each program).

In general, each training program should cover its direct costs and make some contribution to the indirect capital and administrative costs.

The first kind of cost—capital investment—is a long-term investment that can be amortized over time or subsidized by support from a government or donor. These costs are particularly appropriate for donor support. However, both direct and indirect yearly operating costs must be covered by annual operating revenues. Effective financial management will achieve a balance by addressing both factors—aggressively containing indirect costs and overhead while assuring that each course offering is profitable enough to cover direct costs and contribute to overhead.

A number of analytical approaches are possible to measure progress in these areas, including a common business tool of tracking ratios. There is no "right" ratio for every organization. The appropriate ratio will depend on the structure of the organization and is likely to fluctuate each year with different investments and activities. Equally important, no single ratio adequately measures organizational status or diagnoses the potential problems; many must be evaluated together. Nonetheless, the ratios are useful in understanding the financial structure of an organization, particularly in comparison to similar organizations in the same industry.

A basic ratio illustrates cost recovery in any given year. Obviously, the goal is to recover all costs plus some additional revenue for capital formation. To accurately measure cost recovery from earned revenue, the analysis should not include donor grants for operating expenses. Another useful ratio relates direct costs to indirect costs, indicating the average amount of profit necessary for each course to cover all costs. It also illustrates the balance between nonrevenue-producing activities (indirect costs or overhead) and revenue-producing activities (direct costs). The use of these ratios is illustrated in Box VI-4.

BOX VI-3
Staff Development at GEMAH

From the beginning, GEMAH has recognized the importance of having local instructors who can provide consistent, high-quality training. Instructors are carefully selected from a pool of potential candidates and then provided training to make them effective teachers. The selection criteria are rigorous, resulting in a corps of part-time instructors with excellent qualifications; many have advanced degrees in business, and the majority have significant management experience in a range of commercial, service, manufacturing, and government activities.

Each selected candidate enters a training program for AMA certification as a qualified instructor. The training program consists of three parts:

1. completing the AMA "Training the Trainer" course
2. developing a series of teaching modules for presentation before a group of GEMAH instructors
3. working with AMA technical assistance in a tutorial mode (during the USAID project)

GEMAH recognizes that training is not a start-up cost, but rather a continuing one. To provide for staff training after the AMA advisors had left, GEMAH sent key individuals to AMA training courses in New York to enable them to conduct the "Training of Trainers" courses in Honduras. This level of preparation continues to be provided for all new instructors.

This combination of good selection and adequate training pays off. The evaluation sheets for GEMAH instructors indicate that they are effective teachers whose courses compare favorably with other programs in the region.

Other analyses can measure productivity of both human and physical resources as well as the profitability of each training course. Staff productivity can be estimated by comparing the number of training activities to the number of staff employees. ("Activity" must be defined in a meaningful way so as not to be equating four-month training courses with two-day seminars.) The 1991 Gutierrez study points out that staff productivity ranged from 18.3 activities per person at GEMAH to 36.1 at the Bank Studies Institute (Instituto de Estudios Bancarios/IEB) in Chile.

Physical resources must also be used efficiently to maximize revenues produced by the assets. One of the challenges of targeting employed individuals as clients is that many, if not most, courses will have to be scheduled outside of regular work hours. IDEA, for example, held most courses before 9 am or after 6 pm, leaving the facilities unused for most of the day. Therefore, the challenge is to find ways to use classrooms and conference rooms during the day. An option developed by IEB was to offer postsecondary programs in high-demand technical fields for individuals who do not attend a university. These certificate programs in financial administration and accounting-auditing provide entry-level training for workers in the financial sector. Because this target group is not currently employed, IEB can use the training facilities during the day for these certificate classes and still meet the needs of employed clients before or after work hours. This enables IEB to efficiently use the physical resources to produce maximum revenues.

Analysis of the profitability of the course portfolio can illustrate problems in pricing policy and strategy. The average price paid by participants in training programs is a useful indicator of the relative product balance. For example, IDEA and CINDE have a much lower average price than do GEMAH and IEB. In the study cited above (Gutierrez 1991), the average price ranged from $32/participant (IDEA) to $122/participant (IEB). Of course, such figures must be interpreted carefully because there are many reasons why average prices would be different—nature and length of courses, the balance of high-cost or long-term training in the overall program offerings, relative number of subsidized programs, and the general level of income in the country. Nonetheless, the data are useful in identifying potential weaknesses in pricing policies.

BOX VI-4
Using Financial Ratios in Bolivia

Background. USAID/Bolivia commissioned a study to compare the financial structure of IDEA, a local management training organization, with similar organizations in three other countries (Gutierrez 1991). The comparison was made with GEMAH in Honduras, CINDE in Costa Rica, and Instituto de Estudios Bancarios (IEB) Guillermo Subercaseau) in Chile. All of the training organizations except IEB are supported by A.I.D. The following tables tell the story.

Financial Ratios.

	Cost Recovery Ratio	
Institution	*1989*	*1990*
IDEA	0.38	0.49
CINDE	0.15	0.20
GEMAH	1.05	1.03
IEB	1.25	1.37

	Ratio of Indirect to Direct Costs	
Institution	*1989*	*1990*
IDEA	4.44	2.51
CINDE	0.90	1.82
GEMAH	1.46	1.69
IEB	1.14	1.37

Discussion. The ratios show the relative financial strength of each organization and help to identify the problems. CINDE and IDEA are relatively weak in cost recovery, with CINDE recovering only 20 cents of each dollar spent. By comparison, GEMAH is covering all of its costs, if just barely, while IEB earns enough revenue to set aside funding for new program development or capital investments. The cost ratio tells a different, but equally interesting, story. IEB is still the most efficient organization, with CINDE and GEMAH close behind. CINDE's relatively good balance between revenue-producing and nonrevenue-producing activities indicates that the cost recovery problem may be rooted in low prices rather than in high costs. IDEA, on the other hand, simply has a very heavy burden of indirect costs. The 1989 figure of 4.44 is significantly out of line with the other organizations. The IEB estimates that a ratio of 1.20-1.30 is a good target.

Product pricing may be based on direct production costs or on perceived market prices (which may or may not reflect reality); in some cases, product pricing may have no discernable relationship to either. The importance of using a clear pricing strategy that balances costs and demand cannot be overemphasized. The objective is to find a price level that balances demand and production costs to maximize the contribution of each product. Other considerations may also weigh in, such as the need to achieve maximum training coverage of a particular client group for programmatic or marketing reasons. While subsidies to achieve such objectives can be justified, the financial implications must be understood. Obviously, subsidized training is not a viable long-term financial strategy.

Financial management and product mix. Training organizations must analyze the revenue potential of each course and develop a mix of courses capable of generating adequate revenues. Most organizations will have some combination of three types of training programs in terms of the financial contribution (Renforth 1992): core programs, prestige programs, and experimental programs. These general categories provide a framework for thinking about product mix.

Core programs are the financial foundation for any training institute. These courses usually focus on basic skills and can be run on a continuous basis with a constant flow of new students. Once the initial program is designed, changes are infrequent and minimal management attention is required, so subsequent courses are normally highly profitable. The more financially viable organizations are based on a product strategy that recognizes the value of such courses. In Chile, IEB covers virtually all of its overhead costs from three certificate courses for postsecondary students. In Honduras, GEMAH built its financial independence on a management-by-objectives course and then diversified into several in-plant training programs. However, in many small countries the market for any given course is not infinite. Managers must estimate the life span of core courses and, as demand weakens for them, must develop new courses. There is an unavoidable tension between relying on core courses for financial viability and being overly dependent on any given source of income. To the extent that diversification of core training programs is possible, it should be done.

Prestige programs are high-profile activities that are regular, but infrequent. These are often high-profit activities that are marketed and produced to charge premium fees, such as executive workshops using internationally recognized authorities. The Advanced Management Training Program at INCAE falls into this category. Other courses may be less profitable but designed to enhance the prestige of the organization and strengthen linkages to the client base. GEMAH, for example, has an annual event to honor a "businessperson of the year." IEB sponsors an annual high-level seminar. The key element in such programs is marketing and attention to quality.

Experimental programs are new activities that are not always recognized in the planning stages. Donor agencies may initiate courses to meet specific project training needs, usually with the expectation that they will be continued after the project ends. The high startup and design costs of such programs and the often limited size of the market mean that they are difficult to run profitably. Because they are new, such programs may require more management attention than is justified given the revenue potential and contribution to the organization's overall goals. In some cases, simply developing the new course may add fixed overhead costs. Of course, organizational and program benefits provide challenges for both students and faculty, and expand institutional capacity. These new programs should not be avoided, but rather they should be recognized as experimental by the donor and by the training organization. Most problems from this type of program do not come from the experimental aspects, but rather from a failure to communicate the objectives (institution building or research or one-time program) and a failure to analyze the financial and management impact on the organization as a whole.

In summary, competent financial management depends on a clear strategy of product mix and pricing.

Other revenue sources. Other sources of revenue are often essential to enable training organizations to achieve financial viability. An important source of both revenue and client linkages is membership fees. The membership list of IEB in Chile includes all Chilean banks and most other financial institutions. Because IEB indirectly serves a well-defined target client base, the achievement of a solid membership base is not unexpected. However, the development of a large membership base requires an organized, dedicated marketing effort and active promotion by the executive director and members of the board of directors. Training organizations that fail to adequately use these contacts or that fail to aggressively seek members miss the advantage of a relatively stable source of revenue.

The use of incentives, such as discounts or special services, to attract members must be approached carefully. While incentives are necessary, it may not be possible to market memberships solely on the basis of discounts on course fees. The relationship between an attractive discount and membership fees often makes the break-even point unreasonably high. For example, an evaluation of IDEA calculated that large firms would have to send sixty-seven employees to courses before the firm would recover the cost of the membership fee; individual members would have to attend seven courses to break even. Clearly, the attendance expectation was unrealistic, and membership fees may have been too high. Memberships can seldom be marketed solely as a money-saving strategy for clients. Rather, members must also recognize the value of a commitment to improved management and the availability of quality management training. Moreover, membership incentives need not impose a financial burden on the training organization. Allowing members the use of facilities, classrooms, and conference rooms in off hours entails no direct cost but is of real value to the members. Another possibility is to assist members with training needs assessments. Whereas this assistance does entail costs, it also helps create demand for the training courses.

A few training organizations have managed to receive annual payments from the national employer taxes that are primarily used for supporting vocational-technical training. When feasible, this money is an appropriate and valuable source of supplementary income. In Bolivia, IDEA receives more than $100,000 per year from INFOCAL, a parastatal training organization.

Another supplementary source of financial support is endowments or trust funds. Some A.I.D. projects use grant funds to cover operating expenses, leaving training revenues to contribute to an endowment. The expectation is that the endowment will be large enough by the end of the project to cover any operating deficit from interest revenues. In some cases where training cannot be sustained by fees alone, such as graduate academic programs or some microenterprise training, an endowment may be a necessary solution. The prudent use of endowment funds can give training organizations a financial cushion for unforeseen costs and for new course development. This may be particularly useful for organizations whose client base includes donor agencies. An element of capriciousness in A.I.D. funding cycles can hamper forward planning of even well-managed projects and create unexpected crises.

However, reliance on trust funds may direct management attention away from the job of managing the training business seriously. Indeed, in some cases, the trust fund is necessary because the organization is poorly managed. For this reason, trust funds and endowments should be used carefully as a core source of income. The first priority should be adequate management of the core business to avoid propping up inefficient firms with endowments.

In review, sideline activities are separate and distinct businesses in which the training organization may not have the technical expertise, management time, comparative advantage, or resources to run profitably. These sidelines almost always entail some permanent increase in fixed costs. Such enterprises should be attempted only when the potential of the primary business of education and training has been exhausted, when the costs, requirements, and potential profits of the new activity have been well researched, and when a business plan has been prepared. Most supplementary revenue activities, if they are indeed profitable, will have existing competition.

Organizational Structure

Issues of organizational structure are less problematical for organizations that specialize in management training than for either academic or mixed programs. Most of the management training institutes supported by A.I.D. are established as nonprofit, independent organizations that are separate from the pressures of both politics and bureaucracies and have created a board of directors or advisors that establishes good linkages to the clients, particularly in the private sector.

In some ways, the inclusion of broad representation from the private sector on the board of directors is a tradeoff. Members of the board bring not only welcome linkages and insights, but also their own industry agendas. While generally useful, these industry interests can also restrict the training organization. For example, IDEA in Bolivia has long wanted to expand into the consulting elements of management training, building on their in-plant programs. However, the local association of consultants, a founding member of the board of directors, strongly objects to this potential competition. As a result, IDEA has been unable to diversify into a natural complementary extension of training—consulting, a good revenue earner for similar organizations in other countries.

The issue is difficult because subsidized competition is naturally unwelcome in any industry and is an inappropriate use of donor funding. On the other hand, because the market for training or consulting is seldom saturated, additional services could be useful. Clearly, no blanket solution to this issue is possible; a solution depends heavily on the local context. However, project managers must be aware of all facets of the issue: organizational structure, training product mix and financial viability, and impact on local competition.

A common challenge for management training organizations is to work out a reasonable plan for growth. Encouraged by the sponsoring organization, the initial emphasis is on creating capacity to deliver numerous training courses to meet output targets. Operations tend to grow quickly and often overload the staff size. In some cases, regional offices are established and staffed at the same time. The impact is that fixed, overhead costs increase much more quickly than the revenue-producing activities. Whereas some lag is inevitable, because a critical mass of staffing is necessary, too rapid growth greatly complicates the management burden.

Management training is also a part of the training portfolio of several large academic institutions, such as INCAE and ESAN, where the primary activity is graduate education in management. Both institutions have ongoing programs in executive management training (long-term, nondegree training) and short-term training activities, and both periodically contract to provide special training or consulting programs. These institutions can develop synergies between the academic and training programs. Training can generate additional revenues from the existing resource base of professors, classrooms, and course materials. Training and consulting can also provide academics with a useful link to the real world of working business people. Both INCAE and ESAN have proven themselves adept in developing new programs that respond to real needs and in maintaining essential relationships with donor organizations and other sources of contracts and supplemental funding.

While many factors contribute to success, probably the most critical issue is the performance of the executive director. Finding the right person for the job is the most important issue for a start-up company. The requirements for a good executive director of a training firm are rigorous: a manager who can organize, hire good people, and delegate work; a leader with a vision for the organization; a person with the social and marketing skills to establish good contacts and mobilize support in the private sector; and a person with an understanding of training needs and business management. Considerable effort may be necessary to find the right person.

Management Education Institutions

Academic Program Development

Curriculum development. This is the core of any graduate academic program. The major donor-supported, graduate academic programs in the region—ESAN, INCAE, the Catholic University of the Dominican Republic (Universidad Católica Madre y Maestra/UCMM), and UWI—have relied heavily on linkages with established U.S. business schools to develop the curriculum. In all of these institutions, donor funding provided years of technical assistance and faculty training that enabled the programs to begin relatively quickly with unquestioned quality of the curriculum. Developing linkages with established institutions is valuable, and many U.S. institutions are interested in being linked with other universities. However, sister-institution relationships are not self-financing. Except for a small number of financially independent universities, U.S. schools are looking at these linkages as a source of revenue. These linkages can only be developed and sustained with outside support.

Although establishing the basic curriculum is a major start-up concern, curriculum development is a continuing process rather than a one-time task. The challenge for a management faculty is to maintain adequate communication with the private sector and/or government organizations and respond to problems that must be solved in the real world. This communication can be accomplished with directed research, faculty consultancies, development of case studies, or other mechanisms that bring the faculty into contact with the private sector. Often a useful role for donor agencies is to fund or facilitate these activities.

Although the literature supports the development of coordinated teaching, consulting, and adaptive research activities to improve relevance, this is not always a part of donor projects. A review of A.I.D. management education projects found that only 22 percent of projects included consulting function (part of training) and 33 percent included some degree of adaptive research (Whelden 1982). Less than 12 percent of the projects combined organizational change, training activities, and adaptive research.

Faculty development. Recruitment, retention, and training of faculty are the key concerns of administrators of management education and training organizations throughout the region. The problem is multifaceted, including training, professional development, and compensation.

Attracting qualified faculty is the first challenge in many developing countries, particularly at the PhD level. Many schools rely heavily on their own MS/MBA graduates for junior teaching positions, but lack a local PhD program to produce higher level faculty. In fact, the dearth of PhD programs in the LAC region as a whole severely limits the supply of potential faculty, which in turn has inhibited the development of the kind of academic labor market that exists in the United States. Faculty salaries in the region are often too low to make academia an attractive career choice, particularly for graduates of U.S. universities. Labor market development for academics in the region is constrained by the limited number of academic institutions with business programs.

The effort of LAC universities to attract and recruit good faculty members is also complicated by competition for MBA and DBA graduates. Direct competition comes from local businesses: an example is the competition from the tourist industry for professors in hotel and resort management. Over the past decade, considerable competition has also come from U.S. business schools. The popularity of MBA and management degrees in the 1970s and 1980s resulted in an explosion of programs in the United States, more than doubling the number of MBAs graduated each year. Tighter accreditation requirements for MBA programs boosted the demand for PhD or DBA faculty at a time when the supply of new graduates was relatively low. Many doctoral programs had cut back in the 1970s, believing, incorrectly that the demand for such graduates was slacking off. All of these factors have contributed in recent years to the difficulty of recruiting and retaining faculty for LAC business schools.

These factors have also encouraged business schools in the LAC region to build capacity by upgrading existing faculty through scholarship programs. At first, universities recruited candidates from the general public and offered contracts that required instructors to teach for a specific number of years in return for the scholarship. Often, the professors would serve out their time and move on, leaving the university with a staff shortage again. Some schools now use a multistage faculty development process of hiring the best graduates as junior faculty, enabling them to develop a commitment to the institution and to better understand the needs and demands of academic life before the university invests in a costly PhD scholarship.

Recruiting faculty is only the first step; universities also must retain their faculty. Salary is part of the problem, but the opportunity to have a full professional and academic life is also important. Most university faculty are trained in U.S. universities where the emphasis, and all of the prestige, is associated with theory, research, and publishing rather than with teaching. In many LAC universities, opportunities for research and publication are limited, as is support for professional development activities, such as attending conferences. In Latin America, CLADEA is attempting to provide the benefits of a broad professional association, including regional conferences, publication of articles, and a clearinghouse for academic job openings. However, opportunities are still limited for most professors. A few prestigious schools, such as IESA in Caracas, have successfully established research chairs and secured grants from local businesses to sponsor research. However, a continuing problem for IESA, and far more for schools in smaller countries, is that the small size of the business community limits the potential for such grants.

Many universities in the LAC region and U.S. universities have long-established linkages that serve for both program strengthening and faculty development. These linkages are usually quite beneficial in that high-quality programs and capable faculty are developed relatively quickly, and a clear philosophy is established. The examples of the INCAE-Harvard Business School linkage or the ESAN-Penn State/Stanford linkages illustrate the potential. A possible problem of linkages is the danger of developing programs with an excessively narrow academic focus or inbred opinions. This tendency is greatly exacerbated by the hiring of one's own graduates, who then complete advanced training in the sister university. Alternative views and approaches that might challenge conventional thinking may not surface in this environment.

An innovative and cost-effective approach to faculty development is found in the Monterray Institute for Advanced Technology (Instituto Tecnológico Superior de Monterray/Monterray Tech). With multiple campuses throughout Mexico, the university has substantial faculty development needs. Monterray Tech contracted with the University of Austin to provide on-the-job training for faculty. The training program is tailored to their needs and combines weekend and summer sessions with reading lists and tutorials.

The role of a donor organization in faculty development is complex. The high cost of PhD training means that some organizations are unable to develop faculty without donor funding. Most donor training projects routinely include some scholarships for this purpose. However, there can be considerable disillusionment when faculty turnover requires a continuing supply of high-cost PhD scholarships just to maintain existing faculty quality. A productive role for outside donors or foundations must include support for professional development to retain capable faculty as well as for scholarships to increase the size of the faculty. However, any such support must be predicated on the willingness of the school to establish salary and personnel policies that also contribute to faculty recruitment and retention (see Box VI-5).

Financial Management and Sustainability

The financial challenges for institutions offering long-term graduate academic programs on a cost-recovery basis are substantial. However, sometimes neither the donor agency nor the management of the educational institution fully understand the financial complexity of the concepts and structure of such programs (Coleman 1976). Tuition and course fees cannot cover the costs, so supplemental revenues are almost always necessary. Moreover, most graduate programs must make scholarships available to keep enrollment at the necessary levels. In the United States and other developed countries, universities have numerous alternative sources of revenues, including government funding, sponsored research by the government and foundations, grants, endowments, and alumni gifts. Latin American institutions do not have access to some of these sources of funding. Alumni contributions to universities are not a common practice in the region, and few philanthropists have established foundations. Although public universities are supported by public funds, the political and bureaucratic climate makes these schools difficult homes for business schools. For most of the nonprofit institutions, international donor organizations and international foundations have played an important role in providing financial support.

Two substantive MBA programs in Latin America that have received significant support from A.I.D. over the years amply illustrate the challenge. The programs at INCAE in Central America and ESAN in Peru have developed high-quality educational programs, and yet both have operated at a deficit most years since they were established.

INCAE has offered MBA and related graduate management programs in Central America since 1964. INCAE has also successfully marketed specialized training programs and consulting to area governments and donor organizations to expand its revenue base. The quality of INCAE's programs has never been in doubt, but financial management has always been a problem. In the mid-1970s, an organizational evaluation found that "INCAE in its present form is not financially viable unless prompt steps are taken . . . to improve the school's financial base and to make substantial improvements in its operating efficiency, its level of expenses and revenues, and the scope of its programs" (Coleman 1976). Many structural factors were identified as contributing to this financial nonviability:

- INCAE, a multinational school operation in six countries, creates administrative complexity and high operating costs.
- The full two-year MBA program, based on the Harvard Business School model including its case study methodology, is an expensive educational model to operate.
- Full residential accommodation is required for all students, which is the most expensive housing option, one that very few U.S. universities can afford.
- The physical plant is too large for the enrollment size.
- A high proportion of the students need financial aid, given the economies of Central America and the high cost of tuition.
- Faculty costs are high because the proportion of professors to students is high and salaries are high by Central American standards. Faculty costs are also exacerbated by a relatively large turnover of key faculty and administrators each year.
- INCAE has no endowment, nor does it receive any substantive contributions from the Central American governments.
- INCAE's total commitment to delivering high-quality educational products is an expensive, although desirable, policy.

In the early 1980s, A.I.D. and INCAE recognized the serious problems of financial viability and initiated a process of strategic and financial planning with A.I.D. technical and financial support. This management development program diversified INCAE's revenue sources, redefined many of its activities, and improved the overall financial management. By the 1990s, INCAE was still dependent on A.I.D. for about 30 percent of its revenue.

Similarly, ESAN in Peru was created in 1963 with an A.I.D. grant, the first graduate school of business in Latin America. With program support from Stanford University, ESAN has developed into an institution with a reputation for quality. The one-year MBA program has about eighty full-time and twenty part-time students. ESAN also operates numerous nondegree programs, including advanced management training, executive training in international commerce, and administrative training for the

BOX VI-5
University Faculty Development and Retention

Most management education projects with a faculty training component include provisions that the newly minted PhD faculty return to the home-country institution. Some recent A.I.D. projects include the following activities to maintain and strengthen relationships between the scholar and the school:

- A contractual agreement requires repayment of some or all of the scholarship if the trainee fails to remain at the sponsoring institution for a specified period of time. In some countries, this common provision is difficult to enforce. In all cases, the work period is usually limited to the equivalent of the period of training (seldom exceeding four to five years), so it is a relatively short-term solution.
- The school maintains regular communications with faculty studying abroad.
- All faculty receive full-time regular appointments upon return.
- PhD candidates return after passing qualifying exams to make a presentation to the faculty on their progress and proposed dissertation topic.
- Scholarship recipients should be employed at the school for several years before receiving the scholarship.

private and public sector. ESAN has avoided many of the structural financial weaknesses of INCAE, and yet has had only one year without operating losses since 1978.

Tuition for the MBA program represents between 14 and 24 percent of total revenues each year, so the majority of ESAN's revenues come from the special, nondegree outreach programs such as the Administration of International Commerce Program (Programa de Administración de Comercio Internacional) and the Advanced Management Program. However, the success of the ESAN outreach programs depends in large part on ESAN's reputation for academic quality in the MBA program (see Box VI-6).

Given the financial nature of graduate academic universities, the financial and organizational impact of all new training programs should be analyzed. This is a particular issue for donor organizations that contract for project-related training. The managerial interest for such training is usually in terms of the project rather than in terms of the overall impact on the training organization. All costs and revenues must be carefully calculated and a clear understanding reached about the expected sustainability of the activity. In particular, both donors and training organizations must distinguish among project activities that are solely devoted to quality or curriculum changes, short-term activities that are fully self-sufficient, and activities that incur substantive additions to overhead costs.

Organizational Structure

Successful training institutions maintain organizational independence and operational flexibility. The institutional rigidities and processes found in government and public universities can inhibit communication and linkages with client groups. Government is particularly vulnerable because bureaucratic procedures may extend beyond the training institute itself to other parts of the government. In universities, the academic orientation can emphasize conceptual and analytical skills over response to real-world problems. For this reason, autonomous, independent institutions often have an advantage in operational flexibility over training centers contained within larger institutions.

The disadvantage to independence, of course, is the lack of reliable source for financial subsidies. A public university is a budget line item and, as such, is not under the same requirements for self-sufficiency as a private company. On the other hand, government financial support can be unreliable.

The relationship among teaching, consultancy, and adaptive research directly affects the quality of the academic program. Experience indicates that establishing a separate, independent organizational unit to manage nontraditional academic programs (like executive MBA programs) and to facilitate research and faculty consulting is useful.

As with training organizations, leadership is also an important and elusive factor in university development. Indeed, the importance of having a top executive with clear goals, a vision for the future, and a good understanding of what success will require, in addition to good management skills, cannot be overemphasized. Because these organizations are in many respects businesses, they require the same kind of entrepreneurial abilities that other businesses need. New businesses are risky. Although donor support may reduce this risk, it still exists. Market studies and financial plans are estimates, not guarantees, and transforming them into a successful reality requires imagination, vision, and flexibility as well

BOX VI-6
Public-Private Collaboration at ESAN

ESAN, the public-sector management education institution in Peru, found a creative way to leverage private-sector financial support for the university. In the late 1980s, ESAN entered into an agreement with the national beer company to establish a computer center for their joint use. The university donated the land on campus, and the brewery built and equipped the computer center. The center, valued at more than one million dollars, not only houses all computer operations for the brewery, but also makes the computer available for use for educational purposes at ESAN.

The arrangement benefitted both organizations. The brewery received a donation of land, as well as a prestigious connection with the university, for a computing operation that it had to establish anyway. The university received a computer center that it could not afford for land that was otherwise unused.

as management skills. Unfortunately, "development projects and institutions cannot routinely expect to obtain personnel with exceptional and charismatic leadership capabilities" (Whelden 1982).

Conclusions

In summary, the challenge of managing educational and training organizations must be an integral consideration in project planning. A focus on short-term objectives may ignore the significant academic, financial, and organizational aspects of institutional development, at the cost of sustainability. Whereas organizations offering academic programs face different challenges than those offering seminars and training courses, the general issues are common to both. Education and training organizations must address several issues in all three of the following areas.

Academic Program Development:

- Understand the clients' training needs
- Maintain a diversified portfolio of training programs
- Adapt training programs to local conditions
- Maintain a high-quality corps of faculty and instructors

Financial Management:

- Maintain qualified financial staff in key positions and continuously monitor financial performance of all courses and regional centers
- View the organization as a private business, and the donor as simply another client
- Address issues of both cost and revenues, control indirect and direct costs, combine individual product pricing for revenues and profitability, and maintain an adequate mix of training products
- Take advantage of other revenue sources if possible, such as membership fees, employer taxes through the central government, trust funds, and developing sideline businesses
- Carefully analyze new revenue in the context of all direct and indirect costs (investment, staff time, management time) of every activity
- Exhaust all possible improvements in management prior to developing new businesses

Organizational Development:

- Provide easy access to client groups in the private sector
- Be flexible and free from bureaucratic or academic cultures when responding to client needs
- Encourage growth and expansion of an organization to flow from internal demand, supply, and financial considerations rather than from donor objectives
- Maintain top quality leadership

VII

Evaluation Issues in Management Development

Evaluation is an integral part of project planning and management for both donor agencies and training organizations. More than just a management tool for control and accountability, evaluation is a tool to improve the design and implementation of current and future activities. This chapter reviews the planning and evaluation process together, looking at the specific needs at three levels—program planning and evaluation, project performance, and institutional management.

Evaluation Criteria

Measuring performance is a challenge for any management education and training activity. The evaluation criteria, in ascending order of importance and complexity, have five common levels (Kubr and Wallace 1983):

- attendance
- reaction
- learning
- behavior and application
- results

The first three criteria can be measured in the classroom; the last two must be measured at the workplace. Each of these criteria has advantages and disadvantages, and each provides a particular type of information.

The basic minimum level of monitoring and evaluation for any training is on the first two levels—attendance (number of people trained) and reactions to provide direct feedback on course topics, lecturers, accommodations, and other aspects of the program. Most evaluations of management education and training address these criteria. However, organizations will use this monitoring data differently. Although individual teachers will usually review the results to make course adjustments, few organizations systematically use course evaluations to draw broader conclusions about program content and appropriateness.

Formal academic programs routinely measure at the learning level through examinations. For management training, learning criteria are possible to test and measure, using before and after tests, for specific management techniques or topics, such as the critical path method or accounting methods. However, learning criteria are more difficult to apply to the broader range of management topics, such as analytical skills and attitudes.

Universities may also monitor behavior and application in terms of keeping track of graduates' careers and employment. While employment does not directly measure application of knowledge, it does indicate whether graduates are appropriately placed in their field. The employment information is usually used for marketing and fund-raising purposes rather than for program evaluation and enhancement. However, in some cases, organizations will effectively use graduate data to change or add programs. For example, a survey of INCAE graduates revealed that many individuals worked for the public sector at some point and that many took part-time jobs as instructors in local universities. This finding led INCAE to adapt course offerings to expand public administration courses and to add an optional course on teaching techniques.

Behavior and application criteria can provide useful feedback on training programs. If training is applied in a work environment, it is probably relevant to both the individual's and employer's needs. In this respect, concrete management techniques are easier to measure objectively than general management skills. Behavior criteria are particularly appropriate for evaluating in-plant customized training. For more general training courses, trainees can be asked to identify specific actions or changes that were influenced by the training. However, interpretation of the data is difficult because behavior measurement can only determine whether an action takes place; it cannot assess the value of that action. Any specific action may be positive or negative depending on the organizational context and circumstances.

Results criteria are difficult to apply to most kinds of management training because there are so many other factors influencing business performance in both the short- and long-term (Paul, Ickis, and Levitsky 1989). This is particularly true when courses deal with broad issues such as exporting to the United States. For example, an INCAE study of Guatemalan small business owners who attended a three-week course showed that 60 percent had increased sales in the following six months. While this increase was unquestionably a positive turn of events, to attribute much, or any, of the increase to the course was difficult. Other factors were also important, including the nature of the industry, inflation, normal seasonal patterns, and changes in the economy. While evaluation methodology is capable of factoring out the relative influence of many external factors, this may require costly additional data analysis or use of a control group. The longer the period of time between training and results, the more complex and costly the evaluation must be to compensate for the other factors.

Results criteria are difficult to apply to most kinds of training in public administration because few public institutions measure performance of either the organization or the individuals. Career progress of trainees is not a particularly good proxy indicator because promotions may be based on seniority or connections rather than on performance and merit.

Impact evaluation of academic training is difficult because education is an investment in the long-term productivity of an individual. The management skills in an MBA program, for example, may include development of broad multidisciplinary perspectives, systematic thinking, and analytical and decision-making skills. Over a career, these skills will be blended with other knowledge and experience to make decisions; every action an MBA graduate takes owes something to education.

Some evaluations attempt to link education to specific actions in the workplace and to place a quantitative value on the action. There are several weaknesses with this. First, the most likely conclusion is that people use skills and knowledge when the occasion arises (a finding that does not require extensive research). Second, this approach probably underestimates both the social and private returns to management education by substantial margins because of the difficulty of tracing actions back to education over the long term. Finally, placing a value on most management actions at the strategy or planning level is difficult. Even classifying such actions as "good" or "bad" is difficult because the real value of such decisions to the employer may not show up for years. Graduate education with a highly specific technical orientation, such as management information systems, is much easier to evaluate.

In the aggregate, career development can be a reasonable measure of results and an indicator of the quality and value of academic programs, particularly when viewed in combination with job placement rates (demand for graduates) and existing demand for the program. The quality and value of the MBA program at INCAE and, on a different level, the técnico-administrativo at the IEB-Subercaseaux in Chile, are widely acknowledged in the business community because the graduates do a good job. Accordingly, demand for the graduates is high and, consequently, the demand for the course (number of applicants) is high.

Short-term training is easier to evaluate on the behavior and application level because these skills will usually be implemented soon after training if they are going to be used at all. This is particularly true for complex technically oriented training because competency may diminish over time if the training is not used. It is less true for courses that deal with generic management issues rather than with skills on which action can be taken. Therefore, measuring the impact of training can reasonably be done at the organizational level in the short term. Measurement of individual satisfaction with a course is not as good a measure of impact as use of specific skills. Identification of specific organizational changes is better still.

Both the donor agencies and the training organizations need evaluation information. Donors usually evaluate for accountability and management control, which emphasizes inputs, outputs, schedules, and program management. Evaluation of the impact of the training in the workplace (behavior and results) is less frequently attempted and less well done. The training organizations have similar, but somewhat different, evaluation interests and management information needs. Course evaluations using both reaction and learning criteria are necessary for making adjustments in courses, materials, and instructors. The evaluation levels of behavior and application and of results are necessary to provide critical feedback about the value of the training to the clients. However, many training institutions do not systematically collect data on these levels. While considerable overlap exists between information needs of donors and trainers, acquiring the information is not always well coordinated.

Levels of Evaluation

This section discusses the evaluation of management development activities at three different levels—program planning, project performance, and institutional management. Each level assesses management development activities from a different perspective. Program planning relates investments in management education and training to high-level strategic objectives—a national perspective. Project performance relates project outcomes to project objectives—a donor perspective. And institutional management looks at the capability and viability of the training institution itself—an institutional perspective.

Program Planning

A.I.D. is emphasizing a program approach to planning and evaluation to enable agency management and congressional oversight committees to better understand and measure the impact of development assistance efforts.

Background. Program planning represents a substantive change from project planning in both operational and conceptual terms. Historically, A.I.D. country programs have consisted of projects clustered in general program areas of strategic importance. The strategic areas were identified in broad, nonexclusive terms that encompassed the social services (health, education, population planning), infrastructure (roads, power plants, sewage and water systems), productive sectors (agriculture, forestry, industry), and a few cross-cutting issues such as public administration. Activities in a specific sector or strategic area consisted of separate projects justified as individual entities rather than as mutually reinforcing components within a coherent program. While objectives in logical frameworks always included broad program goals to which projects contributed, activities were evaluated at the project level only.

Program planning is different in that program interventions are intended to have a broad development impact at the highest level possible. Whereas a project is a set of integrated activities focused on a single objective, programs are an aggregation of project-level interventions. The time frame for achieving objectives is also different. Projects are intended to have objectives that are achievable within a project lifetime of five to seven years while programs can have longer term objectives. The combination of interventions (projects, nonproject assistance, and policy dialogue) must be internally related (conceptually if not operationally) so as to contribute to higher level program objectives, and the total interventions must have a measurable impact on program or strategic objectives.

The program approach creates a different standard for comparing and justifying alternative investments in development. Previously, interventions were justified on the basis of project level issues, such as design coherence, need, or size of the problem. Program interventions are subject to the more rigorous standard of achieving a measurable impact on high-level strategic objectives, which generally represent changes at the level of the society or economy. The challenge is to identify strategic investments in program areas in which A.I.D. resources are adequate to leverage a broad impact and are also measurable using verifiable indicators.

The challenge of the program approach for investments in human resource development (HRD), including management education and training, is to find a way of defining and measuring impact at the program level. Measurement is unquestionably important—accountability is a critical element in any enterprise. If anything, accountability is even more important in foreign assistance programs where the political will and support are dependent on proof that programs are effective. However, in some ways the emphasis on measurement places greater importance on short-term impact than on long-term development impact. Human resource development is a long-term investment that falls into a no-man's-land of measurement and achievement. Most accomplishments in HRD that are both measurable and achievable with A.I.D. resources are many levels removed from impact or strategic objectives. Therefore, justifying investments in many approaches to management education and training is difficult.

Measuring program impact. The issues involved in program evaluation are essentially the same as the issues involved in evaluating management development. The main difference is that program evaluations seek an aggregate measure of contribution to a specific strategic objective. Therefore, the precise measure may be different for public sector and private sector objectives, and possibly for different objectives within the private sector. In many ways, the issue is not proving that management education is useful, but rather linking such education to measurable changes in indicators over a specific period of time.

The most direct program measurement is to count the number of trained or educated people. A more sophisticated variant of this is to relate the count to the estimated need for people with a specific type of training. Counting people has a great advantage as a measurement—it is quantifiable and easy. Measuring society's need for particular kinds of trained people is considerably more difficult. However, the methodological problem of relating the number of people with MBAs to measurable changes in gross domestic product, employment, or policy change in a specific time period is daunting.

On a statistical and historical level, the correlation between education and economic development is well proven (Psacharopoulos 1984). While primary education has the overall highest level of both social and private return, any investment in education offers a return well over the opportunity cost of capital in developing countries. Moreover, the literature clearly establishes that returns to expenditures for management training exceed those of most other university specializations and that returns to high-level management training offer particularly high private returns and foreign exchange substitution effects (Regional Development Office for the Caribbean 1990). The traditional program rationale is based on such statistical proofs and takes as a given that education is good and is necessary for economic development. This is a relatively unassailable argument and a convincing logic. However, program performance evaluation and tracking requires forward-looking measurements of incremental change. Statistical proofs are difficult to apply in establishing measurable program objectives and indicators against which mission performance can be judged for a specific time period.

Another way to measure the contribution of education is to track trainees, see what they do with the training, place a value on what is done, and relate this to the objectives. On a macrolevel, the value of education is measured in most countries by the differential in lifetime income for each level of education. As with the correlation of education levels to economic growth, this information provides a useful statistical measure for the value that society places on education, but is a relatively vague measure for a specific program. More direct measurements, as discussed above, are to track behavior and application or results. Results criteria are particularly appropriate for management training because it focuses on the key objective: to affect organizational behavior. Organizational changes and results also are easier to value than behavior changes. As mentioned above, interpretation can be difficult because the value of a specific action (the objective of the training) is usually dependent on context. A decision not to implement training in a specific organization at a particular time may be a good management decision, but it may be misinterpreted.

A middle ground is to justify a program on the basis of statistical proofs and to track progress toward meeting some objective standard. One approach is to use comparative ratios as a guide to investments. In management education, a ratio might be the percentage of the population with degrees in business, with patterns and standards established by comparing a range of countries at different levels of economic development. In this case, an evaluation could use very low level data—the number of business graduates—to track progress toward a specified standard. This tracking provides a rationale for investment and a means of measuring progress without requiring direct linkages to future changes in economic activity.

The demand for specific training services is also a useful indicator that can serve as a proxy for the economic value of the training. If employers are willing to pay for training, they perceive the benefits to be greater than the cost of the course. If individuals pay for the training, they clearly believe that it will increase their prospects for a new job or a promotion. In both cases, the market's valuation of the training is reflected in a general way and at least indicates that the training is somewhat better than a break-even proposition. The demand indicator is imperfect, of course, if the course fees do not cover the full costs of the training.

Management development in program objectives. Historically, management education and training activities have fallen into three project categories: project-related training, in which training is one component among many contributing to sector objectives; general training and scholarship projects, in which the objective is to train a specific number of people in key fields; and institution-building projects that develop local capacity to provide education and training.

Project-related training, where the training objectives are justified only in the context of broader sectoral or organizational objectives, is relatively easily adapted to a program planning approach. Most A.I.D. investments in management development in such projects are implemented through technical assistance, scholarships to overseas training programs, on-the-job training, and local training programs. Because it is possible to specify measurable objectives on the project level for key organizations, the training can be justified in impact terms that may include policy changes or changes in production or efficiency. Thus, if the overall project can be justified in programmatic terms, the training component is automatically justified. Sustainability is an issue only in the sense that the target organization must retain trained people in the key positions. A sustainable capacity to provide the training is not relevant to these objectives.

The other two categories of education and training activities are more problematical because human resource development is considered an objective in itself. This is true both for projects that directly train people (including participant training) and projects that support institutional development of local training capacity. Training-only projects are commonly evaluated on the basis of the number of people trained, which is an output masquerading as an objective. Institution-building projects may measure progress in terms of the number of trained individuals produced or in terms of organizational achievements—physical infrastructure, trained professors, variety and quality of classes, financial status, etc. While these measurements can be justified on their own terms, the linkage to strategic program objectives is necessarily indirect.

Training-only projects, whether overseas scholarships or local seminars, are the most difficult to justify in program terms because they are neither focused enough to achieve immediate impact nor broad and sustained enough to achieve impact over time. Because such projects usually train people in a range of necessary skills, the impact is diffuse. Scattered over the economy, the total number of trainees can represent only a small fraction of the total educated or trained workforce needed. The only exception to this would be training in specific fields that are important but that are limited to only a few people. Air traffic control would be an example of this kind of skill. However, in most cases a continuing supply of trained people is needed to meet both current and future needs. Unless the project is using local, established, sustainable institutions for the training, the number of trained people produced is unlikely to have a significant impact. This is true even if progress is measured against a ratio of educated people in the population. Projects are too short term to bring the ratio up to a specific standard even for a particular period, much less to maintain that ratio over time. In most cases, the impact of training-only projects is both small scale and short term.

Strengthening local institutions to improve the quality or scope of management education and training also has the disadvantage of unfocused impact. University graduates, for example, will work in all sectors so the impact in any specific area, such as nontraditional exports, is limited. Project-related training in the same field, combined with activities to address other constraints, would be more effective.

Despite these drawbacks, the strategy of local institution building is uniquely capable of achieving long-term impact in all strategic objectives because it is the only strategy that is both large scale and long term and because it is the only strategy that adequately recognizes two critical truths of development. The first truth is that human resources are the foundation without which accomplishments can neither be achieved nor be maintained. Any objective that a USAID mission wants to accomplish—policy change, private sector development, human rights, government efficiency, employment—can be accomplished and maintained only by educated, trained, capable people. The second critical truth is that change is the only constant. When achieved, objectives are intended to be permanent rather than one-time improvements. For example, an objective of increasing wheat production by two million tons by 1995 implicitly assumes that wheat production will be maintained and improved in the following years. However, the project activities that contributed to success in 1995 will be history in 1997. More importantly, the problems that were resolved in 1995 will be replaced by new problems in 1997. No matter how important a change may be, whether a new economic policy or an organizational improvement, it will not be the last change needed. New problems will require new policies. The only constant is change. The only solution is the capacity to respond to change.

Change is also a fact of life in the personnel structure of any business or government organization. Human resources in any given organization are a wasting asset—people leave, retire, die, and skills become obsolete. Maintaining organizational improvements and adapting to new challenges can be accomplished only with a continuing flow of qualified people. A project that trains existing managers and employees to achieve specific objectives is likely to have only a short-term impact. Unless the infrastructure is in place to maintain the quality of human resources by upgrading existing employees and hiring qualified people for new positions, the human resource base will deteriorate; an installed institutional capacity to produce educated and trained people is necessary.

In other words, every strategic program objective in every sector in every mission is ultimately dependent on the skills and education of the local people. No accomplishment can be maintained unless the human resource base can be maintained. Unless the donors intend to subsidize training of the requisite number of people forever, local institutional capacity is essential. The donors discovered the simple truth about the importance of maintenance for roads, schools, and equipment decades ago. In a similar way, maintenance of human resources is the foundation for all other investments. In that sense, HRD is the most strategic of objectives because it is a cross-cutting activity that contributes to all other objectives.

This can be illustrated by examples on the extreme ends of the spectrum. On the one hand, Country A has no literate people at all. In such a case, the argument for investments in HRD is overwhelming and obvious. In Country B, on the other hand, everyone is a university graduate or better, but absolutely no local educational infrastructure exists. Country B, in some ways the ideal place for an effective development project, is deteriorating every day because only the current generation is educated.

The tradeoffs are fairly straightforward. Project-related training can have an impact on organizational performance that is direct and relatively measurable. However, the achievements may be neither sustainable nor widespread. Institution-building projects have a more diffuse impact on development, so the impact on achieving specific development objectives is more difficult to measure or define. Only established local institutional capacity enables sustainability of program achievements and continuing development over the long term. Identifying objectives on sectoral or policy terms without explicitly taking the human resource base into account ignores issues of sustainability of activities. This does not mean that A.I.D. or any other donor must necessarily invest in HRD institutional capacity, only that this capability is essential to maintaining the benefits.

The challenge for program planners is to use planning tools aggressively to capture this reality rather than to allow the tools to dictate what is possible. Analytical tools such as objective trees are useful for thinking through causal relationships but are awkward in dealing with cross-cutting issues that support the entire structure. Education and training, like other fundamental influences in an economy, are usually found relatively low on an objective tree. This position can be interpreted to mean that the activity is not important because there are so many intervening steps before reaching the impact and objective levels. Education issues are, therefore, at a serious disadvantage in program-strategy planning. However, a more realistic interpretation is that education represents the roots of the tree—the foundation for progress in every area. This is most likely to be true for activities or objectives that can be placed in many different branches of the objective tree at low levels; this placement indicates that they are issues of cross-cutting importance.

The challenge is twofold: conceptual and methodological. The conceptual challenge is to define the contributions of education and training in such a way as to justify investments. In part, this means recognizing the limitations as well as the strengths of strategy planning tools, thereby creating opportunities to use them creatively. This recognition requires the acceptance of logical links from management education and training to achievement of higher level objectives rather than measurable change. For the most part, these linkages can be easily established. The methodological challenge is to find intermediate measures of accomplishment that illustrate the broader impact and that can be tracked. Once the validity of HRD investments is accepted, the best possible measures of impact must be used to establish a chain from activity to impact, using statistically valid assumptions as needed. It is not enough, as has been done previously, to justify HRD investments simply because education is a "good thing."

Project Performance

Project-level evaluation is distinct from program-level evaluation only in the level of activity impact that is being assessed. Project evaluations are concerned with assessing activities in relation to the project objectives, which are necessarily at a lower level than program objectives. This section will review A.I.D. management training evaluations and look at one of the most thorough examples.

Background. More than one-half of A.I.D. management training projects have not been evaluated (Whelden 1982). Moreover, the evaluations that are available are not wholly comparable because "evaluation" in A.I.D. terms includes audits, end-of-project reports, end-of-contract reports, and other studies that are not strictly evaluations. Even the summative reviews in project evaluation summaries and project appraisal reports are primarily oriented toward assessing project management in terms of inputs and outputs. Therefore, the range of comparable summative evaluations that deal directly with larger issues of sustainability or impact is limited.

There is no standard conceptual framework for evaluating management education and training. To some degree that reflects the variety in project objectives. However, even within projects with similar characteristics and objectives, evaluations may place greater or lesser importance on issues of sustainability or quality of training. Evaluations commonly assign more importance to quality of training and numbers of trainees than to sustainability. For example, an evaluation of a project with explicit institution-building objectives concluded that the training organization was "viable" because of the high quality of and demand for training, even though the project was not even close to meeting the financial sustainability goals. Another study concluded that an organization with seventeen straight years of operating deficits was firmly established because of the asset base and reputation.

The most cost-efficient approach to evaluation is to integrate the data needs of A.I.D. for project evaluation and the management needs of the training organization for monitoring information. However, evaluations of the project are often separated completely from the monitoring and evaluation mechanisms within the training organization itself. As a result, project funding to develop internal evaluation systems is often not included in the donor assistance package. End-of-project evaluations frequently note this weakness and recommend that the organization develop improved systems for assessing training impact as well as monitoring progress. While most training centers do institute some form of course evaluation and feedback on instructor performance, most fail to set up any mechanism to assess the use or impact of the training.

Focusing evaluations. Most A.I.D. project evaluations are oriented toward operational issues—timeliness and effectiveness of inputs and production of outputs. Outside evaluations often review the quality of training, teaching methodologies, and satisfaction of participants in the programs and identify financial management issues if sustainability is an issue.

A challenge in evaluating any project is to find the right indicators and measurements for key issues related to the project objectives and to establish clear priorities among the indicators. The answer to the question of "was this project a success" depends on how success is being defined. Whereas many indicators may contribute to an understanding of project success, only one or two may be truly critical. The challenge is to identify both the necessary and sufficient conditions for success. Evaluation conclusions that balance strengths in one area with weaknesses in others risk obscuring the higher objectives in details. The conclusions must place both strengths and weaknesses in perspective, based on objectives.

For example, a project with the explicit objective of establishing a viable, self-sustaining management training program must necessarily have a primary evaluation focus on the following issues: organizational strength, course quality, instructor quality, financial strength, and other institution-building measurements. The indicators must answer the basic question: Can this organization deliver high-quality management training without further financial assistance from A.I.D.? All of the criteria for measuring management training—attendance, reaction, learning, behavior and application, and results—are specifically concerned with evaluating the quality of the training itself rather than with evaluating the project as a whole. In a project with the sole objective of training 100 people, these criteria may be the only ones that are necessary. However, training impact criteria are secondary indicators of outputs and quality of training rather than primary indicators of project success for institution-building projects.

Project-related training has a distinct focus and set of evaluation indicators and criteria. The training can be evaluated on two levels: numbers trained, which indicates management control of scheduled outputs, and results, or organizational changes, to which the training is a contributing factor. In most cases, management training should not be evaluated separately from the overall project. The primary issue, for both the project and the training, would be sustainability in terms of retaining trained individuals or, at least, in terms of maintaining the skill levels of individuals within the organization. This issue is particularly true for scholarships in project-related training, where the explicit purpose is usually to replace the technical advisors. Unless follow-up evaluations are conducted to determine whether this occurs, usually well after the project ends, the impact of training can only be assumed. In most cases, scholarship training is evaluated in the context of mission participant training rather than in the context of the original project objectives. This shift in context obscures a meaningful assessment of training impact because generic participant training evaluations necessarily use performance criteria that are not related to the project objectives.

General management training projects with a broad purpose of producing trained managers are difficult to evaluate on any meaningful terms. The training is seldom focused on achieving organizational objectives and seldom integrated with broader organizational training or consulting to facilitate using new management approaches. With these projects, sometimes the best approach is to track some of the trainees to get a sense of whether the training was useful. To an extent, the information will be largely anecdotal, but this may meet the needs of the in-country audience. The focus of the evaluation should be on meeting the needs of the audience in a cost-effective way without being burdened by the illusion of quantifying impact.

Measuring training impact. Regardless of whether the specific objectives of a management development project are institution building or production of trained people, the value of the training to the client organizations and economy as a whole is of direct interest to donors, host governments, and training organizations. An impact measurement provides a broad assessment of the higher value of the activity. Whereas a project can be a success if it is sustainable or if it produces enough trained people, it is only worthwhile if it positively affects the quality of management and achieves results among client groups. In this case, the measure of quality of management is also the measurement of value. However, quality alone is not enough. It is a necessary, but not a sufficient, condition for management improvement in a country.

Most training organizations have a mission statement that refers to improving the quality of management. However, the impact of the program, or results of the training in terms of tangible changes, is seldom measured, in part, because measurement is quite difficult. A wide range of factors other than skills and knowledge can affect organizational performance. In business, the general economic climate at home and in major trading nations can directly influence business activity. The public sector is also vulnerable to changes in political and bureaucratic circles well beyond the influence of newly trained managers. In both cases, the difficulty of attributing any change to training is increased by the range of other influences and the quality of the data.

A straightforward approach for measuring the application of skills is to ask trainees to identify specific actions or changes that were influenced by the training (Renforth and Obaldia 1990). This approach is preferable to a generic scale question (did you use training a lot, a little, not much, etc.) because it forces specificity and establishes the same criteria for everyone.

Results are much harder to measure, and, consequently, evaluations seldom attempt to measure results. A common evaluation conclusion is that the training organization should develop measures and systems to evaluate impact. One of the more imaginative and thorough evaluations of the economic returns to training is found in a project evaluation of the GEMAH project (Renforth 1987). The analysis used a number of different measures to compensate for varying quality of the data and to illustrate the range of possible results. The financial benefit of training and the net annual return were based on the following seven measures:

- management estimated costs and estimated payback period
- management estimated costs and estimated payback period adjusted to compensate for difference between management estimated costs and total costs
- total costs and profits attributed to training by management
- total financial costs and profit change for the firm in the financial reporting periods immediately before and after training
- total financial costs plus social costs (A.I.D. subsidy of Lps. 8000 per program) and attributed profits
- total financial costs plus social costs and profit change for the firm before and after training
- total financial costs plus social costs, and management estimated payback period adjusted to compensate for difference between management estimated costs and total financial plus social costs

The first three of these approaches rely on the estimates of managers for such measures as net return and payback period. Although subjective, the measure reflects the judgment of the best informed individual in the company and is, to some degree, an indicator of his/her appreciation of the financial benefits of training. The disadvantage is that cost estimates may be understated because many managers include only direct course fees rather than all associated costs (Renforth 1987). The other approaches further refine the estimates to include specific financial returns and then broaden the measures to include social costs and total firm returns. The results are a wide range of estimated returns; in the case of the GEMAH project, the average return ranged from 121 percent to 1,878 percent. Of course, the approaches that include a broad definition of costs will reflect a lower return while those with a broad definition of benefits will reflect a higher return. Not one of the measures by itself adequately or fully measures the return to training, but the use of a range illustrates the possibilities.

These measures provide useful feedback on the value of training to client organizations. As noted before, the numbers are estimates and, without the benefit of a control group, do not clearly differentiate returns to training from other influences. Nonetheless, they provide an informative framework for understanding and quantifying the impact as well as the employers' perception of value.

Developing such a base of information may be a costly and time-consuming effort. A rapid and low-cost evaluation indicator of how the market values the training can be found in demand for the training. This approach is not as informative as the approach used in the GEMAH evaluation and can be subject to a range of influences that distort the data. However, the approach does indicate whether or not individuals and companies believe that the benefits outweigh course and opportunity costs.

Institutional Management

Management of training organizations requires information for evaluation of the quality and effectiveness of the training and efficiency of management procedures. However, this has not been a strong area for many training organizations, and A.I.D. projects do not always require or encourage such evaluation systems. As a result, projects require midterm and final evaluations that collect basic facts and reconstruct experience rather than build from the existing information and focus the study on key issues. This process is much less efficient and more costly than ongoing data collection.

One of the most comprehensive and well-thought out monitoring and evaluation plans reviewed for this study was developed for the Regional Management Training Project in the Caribbean (Regional Development Office for the Caribbean 1990). This project provides a good example of how a management information system for a training organization can be structured and integrated with project information needs. Of course, such management systems incur costs in personnel time and equipment.

The evaluation plan for the University of the West Indies (UWI) Project included an internal monitoring and evaluation process, using a management information system, supplemented by two outside formal evaluations (midterm and final). The management information system for internal evaluation was to monitor progress on several levels:

- flow of perceived benefits to individuals and companies participating in the training
- quality and relevance of the training
- progress for each subcomponent of the project, such as curriculum development, case studies, scholarship training, and other activities
- financial structure and status of the training center
- development and dissemination of research findings
- development and analysis of training needs and training capabilities in the region
- UWI's relationships with the private sector and other management education and training institutions

The baseline studies, ongoing data collection, and analysis are designed to be used for both UWI and USAID decision making. Key indicators that inform program planning, methodology, and strategy include indicators of productivity change in assisted firms, effectiveness of management training as a methodology, continuing analysis of needs and training capability, cost-benefit and cost-effectiveness analysis of alternative training methods and sites, and progress indicators for specific project outputs. Whereas some project evaluation plans collect only output-level information, this evaluation plan covers impact and purpose levels.

The UWI evaluation plan also monitors change in the underlying assumptions about the project. Key issues such as the economic climate, employment opportunities, private sector commitment, demand for training services, competition among training providers, and ability to apply modern management principles are reviewed on a regular basis.

In summary, evaluation and monitoring are critical tools of business management, institutional and program development, and donor program performance reviews. For the evaluation system to perform these roles efficiently and cost effectively, it must be based in a systematic, ongoing program review process in the training organization. This review process should be part of any institutional development project and should, at a minimum, include continuous collection of evaluation data at the attendance and reaction levels of information. To the extent that appropriate information can be gathered at the learning level, this should also be a standard data element.

Collection of data on application of training and results (impact) must also be done regularly, although not continuously, and should be part of the training organization's evaluation process. While donor agencies may have legitimate reasons to finance and conduct independent reviews, these reviews should not preempt or replace those conducted by the training provider to keep in touch with the needs of their clients.

Donor organizations also have specific information needs apart from the management-oriented information needed by training organizations. Evaluation objectives for these studies must clearly identify and prioritize the various aspects of program review that most accurately reflect the donor's objectives. These may be organizational issues, financial sustainability, or possibly impact. While other issues, such as quality of training, are appropriately included, the overall objectives must be kept in perspective.

Conclusions

Each level of evaluation—program planning and evaluation, project performance, and institutional management—is necessary, and all are related. To a considerable degree, each level should build on the conclusions of the last and not attempt to repeat either the data collection or the types of questions being answered. The following chart (see Figure VII-1) represents a linked evaluation system that culminates in measurement of program impact with trackable indicators.

Paradoxically, the program-level indicators—number of individuals trained—is also a low-level output measurement that would be inappropriate and inadequate as an indicator of achievement at either the organizational or the project level. However, when based on the conclusions from the project and institutional data, this measurement can be meaningful. The measurement is even more meaningful if placed in the economic context of the country. For example, a project objective of developing small- and medium-sized businesses would determine at the project evaluation level whether the training is effective in helping these particular clients. At the program level, the number of people (or firms) trained each year would be assessed in the context of the number of target firms in the country. Therefore, progress could be tracked annually on the assumption that a specific percentage of the target group was assisted.

Alternatively, program impact can be tracked as progress toward a specific ratio or standard, such as the percentage of firms with trained managers or percentage of the population with management degrees. The target percentage would be established as the level in countries that have achieved a specific level of development. If the A.I.D. program can achieve and maintain this level, then only the quality of training must be established at the project level. However, if the target level is beyond the ability of A.I.D. resources or timing to achieve, then project-level accomplishments must include sustainable institutional capacity as well as training quality.

FIGURE VII-1
Measuring Performance

Level	*Objective*	*Indicator*	*Discussion*
Program	Increase private enterprise employment and stop decline in real wages Increase profitability of small and medium enterprises	Number of employees and owners of small and medium enterprises who graduate from programs each year	Once the lower level indicators have established that the training is valuable and sustainable, then the number of trainees or clients can be an effective linkage from project activity to program impact.
Project	Establish a financially sustainable training organization	Financial independence—cost recovery Quality of training, behavior changes, use in client organizations, and results, if possible Capability to continue into future	This builds on the existing data to answer two project-oriented questions: Is the training good enough to achieve results? Can the training be continued without donor support?
Institution	Manage and control activities Improve quality and relevance of training to client groups	Activity monitoring—number of courses and trainees Demand for each type of course Course feedback and evaluations Behavior criteria—use of skills Financial monitoring of profitability of each course and overall organization	This level of information and evaluation provides the base of data for all assessments. Most questions can be answered with the data collected at this level. A good system will periodically assess results in client firms—information that can be used for program development and marketing.

VIII A.I.D Project Management Issues

This chapter deals with structuring the donor-training institution relationship. The donor organization is a key player in the dynamics of management development projects and may determine whether the project succeeds or fails. This section addresses issues of the role that A.I.D. plays in these projects and the interaction with local organizations, and, in particular, assesses the financial relationship that can or should be formed between A.I.D. and the management institutes and the impact of this relationship on sustainability.

There are three key elements in the relationship between a USAID mission and a management education and training organization:

- USAID's role in initial design of the organization
- the financial relationship
- the implementation mechanisms.

Design. Two general patterns of A.I.D. involvement in program design are evident from the experience of the past thirty years. The first pattern is for A.I.D. to work with an existing or newly formed group of local people, usually business owners, who recognize the need to have management development assistance. With a base of committed supporters providing input and participation, the organization develops as a local initiative rather than as a donor-sponsored activity. In these cases, the organization is usually meeting a real need rather than meeting either the need for a project (from A.I.D.) or the need for financial support (from a local organization). The development of the GEMAH project is an example of this approach.

The second pattern is for A.I.D. program interests to be the impetus for the project. In these projects, the design is more internally focused on donor concerns. The project design is primarily the responsibility of the mission staff or a team of consultants and is completed over a period of one or two months. Local participation may be limited to conferences or interviews. The organization's board of directors, advisory boards, and other support mechanisms are created as part of the process; the organization's key staff, including the director, are hired after the design is completed and the project begun. In this approach, the host country nationals have input into an A.I.D. activity rather than responsibility for developing their own activity.

Any development activity requires a core of committed local people to achieve lasting success, and management training is no exception. Indeed, for a management training organization, like any small business, the importance is even greater. Small businesses are risky enough even with full participation, responsibility, and commitment by the founders and key managers. When the key players are not fully involved, the difficulty of successful management is increased.

Funding. The financial relationship between A.I.D. projects and training organizations is in many ways the crucial relationship. In some projects, A.I.D.'s role has been carefully defined, and the relationship has been clear. In others, A.I.D. has assumed the role of "godfather," or even lender of last resort. A close identification of mission managers to individual projects and an appreciation for the quality and need for training can easily result in a continuing subsidy that was never intended.

Much of the muddling of financial relationships begins with poor clarification of A.I.D.'s objective and role. Is the objective to provide management training or to establish a viable organization? More importantly, what is the role of a donor organization? If A.I.D.'s objective is only to provide management training, then the quality and perceived value of the training can be a critical determinant of whether future funding is justified. In this case, A.I.D.'s role is defined as providing, and subsidizing, if necessary, services in the host country.

Put in these terms, donor organizations would rarely define their role as being service providers because the role is neither sustainable nor developmental. An ongoing subsidy is difficult to justify. Rather, the more appropriate role is to be a catalyst, to provide investments or initial capital for activities that, for reasons of either risk or potential reward, would not otherwise be feasible. This support might take the shape of technical assistance or consulting to develop management plans or market strategies, of capital investments in equipment or physical facilities that would be difficult to cover with revenues, or of research funding. These kinds of donor investments decrease initial investment costs to create a higher quality product or to reduce costs to enable broader coverage (to smaller/poorer clients) than would otherwise be possible. They can reduce the time lag to conduct market demand studies and develop targeted training programs, and thus reduce development costs. The assumption for all of these types of investments is that annual operating revenues will be adequate to cover all other operating expenses, both direct and indirect.

The use of donor funds to construct or purchase physical facilities, such as offices, conference rooms, or classrooms, is a special case. The strategy of several recent A.I.D. projects has been to minimize the up-front cost and commitment by requiring the organization to rent, rather than buy, facilities. Donors no longer like to provide support for capital costs. In some ways, this makes sense because it increases financial flexibility. Moreover, a host country should contribute to capital costs. However, in practice, the costs of renovating facilities for use as a training center and the annual rental cost have proven burdensome for most organizations. GEMAH spends 11 percent of its total budget on facility rental, and IDEA spends even more. To the extent that physical facilities can be transformed from an operating expense to an asset, the financial viability of the organization is improved. Subsidizing facility costs may not be appropriate in every case, but should be considered.

Investments in technical assistance, program development, and capital represent investments in long-term institutional viability and program quality. They enable the institution to provide higher quality training at a lower price by offsetting development costs. Several kinds of investments are clearly not in this category. For example, budget support for annual operating expenses, as a line item, is difficult to justify because it sends a conflicting message about the need for independence and reduces the incentive for stringent, capable management. Similarly, a project strategy that relies on channeling training funds from other A.I.D. projects into the organization to boost revenues is clearly a short-term panacea that exacerbates dependence and fails to define the real market.

Many projects also seriously consider financing an expansion into other fields or profit-making businesses to diversify the revenue base. While in some cases this might be justified, it should only be a last resort. Effective management of the core business is the highest priority. Unfortunately, some project managers are quick to support new money-making schemes because they do not understand that training is the core business.

The financial and management relationship that A.I.D. establishes with a training organization should be carefully structured to provide incentives for effective management and independence. For a particular course, this would suggest that A.I.D. provide a fixed sum for development costs or materials or guarantee the number of participants required to pay back the costs. Either of these approaches would encourage careful cost management and market analysis. This kind of incentive is absent when A.I.D. covers all salary and materials costs and then calculates the rate of cost recovery. The burden should be on the training organization to manage and plan. The goal for the donor organization is to provide adequate financial and technical support without becoming a source of unending subsidies. Although all new businesses entail risk, A.I.D. support can reduce much of this risk for nonprofit firms that provide valuable services.

The other aspect of the financial relationship between the donor and the training organization is the influence of funding on an organization's integrity. Integrity does not necessarily refer to a moral stance, but rather to a maintenance of a coherent and focused program that is consistent with the overall organizational strategy. The availability of grant or contract money can easily become a driving force in organizational strategy and new product development for cash-starved training institutions. Training organizations with no internal funds for exploratory development work can initiate new project activities only when they are fully funded, so new directions inevitably reflect the interests of the donors (Korten 1979). The ideal situation occurs when the interests of the donor and the strategy of the training organization are complementary. However, when donor organizations are seeking a competent implementing organization, their primary interest is the needs of the project rather than of the training organization.

When the interests are not complementary, grant money encourages forays into activities outside of the primary organizational strategy. In some cases, such dependent organizations are in a no-win situation. If they reject contracting opportunities as being inconsistent with larger strategic directions, they may be accused of not being aggressive enough in finding profitable markets. On the other hand, organizations that exploit such opportunities may find themselves criticized for lacking focus and for chasing contracts.

The potential dependence of local training organizations and the potential for negative impact by donor investments should be taken into consideration in every donor project. Project managers frequently, and understandably, direct project activities to local organizations that have a track record. The impact may be to overextend a few organizations, often in areas that are not directly related to their primary purpose. Training organizations can appropriately contract to provide specialized training in new fields on a temporary basis. The fees for the training must include both direct costs and overhead. However, sometimes temporary contracts result in permanent additions to overhead (expanded core facilities or hiring permanent staff) or distract key management attention from the core issues of the organization. In these cases, the training contract can be detrimental to the organization.

The financial relationship can be complicated when donor agency officials fail to understand the role of overhead in a company. Some government project managers and contract officers object to paying a full overhead cost for such contracts, calculating reimbursement of direct costs rather than total costs. An understanding of private sector financial management is not, and cannot be expected to be, a natural area of expertise for most public sector workers. Often, this will require that donor organizations better train their project managers to understand the needs of private companies.

Most problems can be avoided if the purpose of the specific contracts are very clearly understood by all parties as being either permanent or temporary, if the implementing structure reflects this understanding, and if the financial and managerial implications for the organization as a whole are recognized. In most cases, this means that the donor's project manager must accept that the contract is a relatively small part of the training organization's portfolio and will not command high-level management attention. And the training organization must accept that not all new activities are permanent additions or core offerings and that some staff are hired with short-term contracts. And both the donor and the training organization must recognize and accept the broader overhead and administrative costs incurred by the activity.

In either case—whether the project activity is to be a permanent addition to the program or a specially contracted service that lasts only as long as the contract—a thorough assessment is needed at the design stage. The impact of the new activity on the overall management and financial structure of the organization must be analyzed and fully understood before the project begins. Equally important, the intention of the donor organization to provide continuous funding must be explicit in the earliest stages.

Implementation. The donor-institution relationship is also important during implementation, when the flexibility of project management and the relationship of the project manager to the organization become the key issues. As with the financial relationship, the fact that most management education and training organizations are private, nonprofit companies must influence the relationship and management style. The project manager and the mission need to recognize the potential for changes in direction or addition/deletion of activities as experience indicates the reality of the market for training. This means that management attention in both A.I.D. and the training organization must focus on the higher level objectives of the program. If the goal is to establish a viable independent organization, then the flexibility must exist to make changes in expected outputs to achieve it.

In addition to due diligence in assuring the appropriate use of A.I.D. funds, the project manager must be responsible for coordinating with the board of directors as an owner, rather than for advising the executive director as a manager. At the oversight level, the key issues are marketing and product strategy, quality of employees, and management performance—actual vs. projected revenues, profits, and costs.

One of the most critical factors in success is the performance of the executive director. Finding the right person early in the project is a key to success. The board of directors and the project manager must take effective action if management performance is lacking in any key area. Because of the limited lifetime of most A.I.D. projects, several years should not be wasted with ineffectual management. Again, the key in reviewing such performance is maintaining oversight focus on the broader goals and not being distracted by achievements in important but noncritical areas. The most difficult situation occurs when a director develops a high-quality training program without adequate attention to economic costs. At this time, a clear understanding of long-term objectives, rather than short-term project outputs, is crucial.

In summary, the financial and organizational relationships between A.I.D. and the training organization must be carefully structured to encourage financial and managerial independence.

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Appendix:

Case Studies

As part of the review of A.I.D.'s activities in management education and training in the LAC region, the author conducted a series of case studies using secondary sources.

Case Studies

Costa Rica and Nicaragua Case Study
Instituto Centro Americano de Administración Empresas

Honduras Case Study
Gerentes y Empresarios Asociados de Honduras

Bolivia Case Study
Instituto para el Desarrollo de Empresarios y Administradores

Barbados Case Study
University of West Indies/Cave Hill Campus

Instituto Centro Americano de Administración Empresas

Type of Organization

The Central American Institute of Business Administration (Instituto Centro Americano de Administración Empresas/INCAE) is a private, nonprofit, multinational, multipurpose institution that provides long-term academic programs at the graduate level in management and administration for both the public and private sectors and offers executive seminars, industry specific short-term training, and consulting services. USAID missions in Central America have drawn upon INCAE capabilities for numerous types of specialized training.

Physical Facilities

INCAE has two excellent physical facilities: the original campus and former headquarters in Managua, Nicaragua, and the new campus and current headquarters in Costa Rica, built in 1983. The facilities were constructed with financial assistance from the Ford Foundation and A.I.D., among other donors.

Organizational Relationship with A.I.D.

INCAE has had a long, and almost continuous, relationship with A.I.D., both directly through institution-building projects and indirectly through contracts to provide training support for A.I.D. projects and programs.

INCAE was established in 1964 through the initiative of the Central American business community with support of A.I.D. and the Harvard Business School. The original A.I.D. grant program, lasting from 1963-1972, had total expenditures of $1.9 million and established the basic campus; initiated the MBA program, Advanced Management Program, and seminars; and developed the faculty. The INCAE programs (design, standards, staffing, and methods) were based directly on the methods and structure of the Harvard Business School, including an emphasis on case studies.

In 1972, the original grant program was replaced by a USAID/ROCAP (Regional Office for Central America and Panama) loan to strengthen the administrative, teaching, and research capabilities of INCAE; improve the quality and relevance of the programs; improve INCAE's long-term financial viability; and expand the scope of the educational programs. By this time, the challenge of establishing a financially independent INCAE was already understood. One of the principal objectives of the 1972 loan was to develop a long-term financial plan that would result in an operating surplus by 1977. The projected total cost of the four-year project was $8.9 million, $3.9 million of which was A.I.D.'s contribution.

Soon after the loan was approved, an earthquake destroyed much of Managua, where the INCAE campus was based. This delayed the planned construction of physical facilities for well over a year. Subsequent inflation and material shortages further delayed construction and raised costs. Over the next several years, enrollment in the MBA program was much lower than anticipated, in part because of postearthquake fears that INCAE could not provide adequate living facilities and because of rising rental costs. The shortage of classroom space was a serious detriment, limiting the expansion of the program. A reprogramming of the loan funds was needed to enable completion of some of the classroom construction.

In 1976, USAID/ROCAP contracted an overall evaluation of INCAE to determine whether the 1972 loan had been effective (Coleman 1976). The evaluation concluded that INCAE had developed an international reputation for high-quality instruction. The campus was well-planned, the faculty highly qualified, and the alumni supportive. The report concluded that INCAE was, without doubt, the best graduate school of business administration in Latin America. However, the financial status of INCAE had not improved at all by this time. Indeed, all of the strategies to improve INCAE's financial performance (economies of scale, development of a consulting business, student loan fund, and fund-raising) had proven unsuccessful. The evaluation concluded that most of the basic structural and strategic decisions about INCAE's development (multinational presence, residential facilities, case-study methods, high-cost faculty, and lack of endowment) were serious impediments to financial solvency.

From the mid-1970s through the early 1980s, INCAE suffered from a series of major financial losses. The combination of a civil war in Nicaragua, the deterioration of economic and political conditions in other client countries in Central America, and the ongoing financial problems had cut MBA enrollments by more than 50 percent. By 1980, INCAE was virtually bankrupt. A.I.D. approved an emergency cash transfer of $1.8 million as part of a new Management Development grant to help INCAE develop a five-year turnaround management plan. The objectives of the plan were to significantly increase INCAE activities, achieve geographic diversification of INCAE activities, restore financial viability by cost cutting and increased productivity, create an endowment fund, and improve fund-raising in Central America. Many of the improvements began immediately. By 1982, enrollments had substantially increased, and INCAE was operating almost at full capacity with 168 MBA students and a full schedule of Advanced Management Programs.

In 1982, the INCAE Expansion Project approved a $3.5 million (increased to $4 million) grant to construct a new campus in San José, Costa Rica. In 1986, the Regional Export Management Training Project invested $6.5 million in assisting INCAE to develop export management training, assistance to other schools of business management in the region, and intersectoral policy dialogue. These new activities were in support of new A.I.D. initiatives in the region. The grant also included funding for work-study programs and scholarship assistance for other Central American professors to attend INCAE. These activities were not necessarily intended to be sustained. The overall plan for financial sustainability of the various activities was that all recurring expenses would be absorbed by increased levels of general revenues from the endowment fund and by increased fees that would be possible as Central America moved out of economic crisis.

The Project Paper for developing the export management program and the public-private dialogue on exports did not discuss the overall financial feasibility or sustainability of the training programs. Rather, the project outputs were to establish an export management training program, train 5,000 managers and 150 faculty, provide low-income scholarships, conduct intersectoral policy dialogue, expand the library and offices, publish a newsletter, and provide U.S. internships. A midterm evaluation of the activity calls for "realistic planning for the sustainability of project activities."

Organizational and Management Structure

Through its structure, INCAE has tried to facilitate participation between key sectors of society and faculty/staff. INCAE has two advisory bodies: the Foundation and the Harvard Advisory Committee. The Foundation, composed of educators, executives, and INCAE graduates, most of whom are now in the United States, provides strategic advice, broadens awareness of INCAE programs, and participates in fund-raising. The Harvard Advisory Committee, the primary linkage to the Harvard Business School, is composed of Harvard professors and sends interested faculty to provide academic consulting to INCAE.

The board of directors, which consists of the representatives from the national committee of each member country and the rector of INCAE, is responsible for shaping strategic direction of school operations and monitoring academic and financial operations.

Personnel

The multinational INCAE faculty is composed largely of individuals with PhD degrees, more than half of which are from U.S. universities. About 72 percent of the faculty are Latin Americans and some visiting faculty are usually working on research. INCAE salaries are relatively high for the region, which helps in recruitment and retention of qualified faculty. The combination of salary, prestige, and the continuing relationship with Harvard has enabled INCAE to maintain a first-class faculty.

INCAE data indicate that 80 percent of the graduates have stayed in Central and Latin America and that many have assumed important leadership roles in both public and private sector organizations. In the 1982 survey, 68 percent of the graduates worked in the private sector, 17 percent in the public sector, and 16 percent were unknown. In general, the placement of graduates is not difficult because INCAE has an excellent reputation for high-quality graduates. In most years, all of the students receive excellent job offers before they graduate.

Range of Activities

The INCAE program portfolio is centered on graduate-level MBA and economics programs that are the primary work for the core faculty members and provide the base from which the other programs are developed. In addition to the original two-year MBA program, which enrolls about ninety people a year, INCAE offers a Master of Managerial Economics, an annual Advanced Management Program, and numerous executive seminars and other workshops. In addition to the training courses held on its campuses, INCAE also presents programs in its member countries.

During its first decade, INCAE focused on training private sector managers. It then expanded into training public sector managers, recognizing the extensive involvement of the public sector in Central American economies and the relationship to the potential development of the private sector. INCAE has developed many special training programs: export policy, export management, small business management, energy management, cooperative management, assistance to private sector, intersectoral policy dialogue, management in crisis, applied economics and policy studies, public enterprise program, agribusiness, and development banking.

In 1983, INCAE developed an Agricultural Management Program for a specific client: the Nicaraguan Ministry of Agricultural Development and Agrarian Reform. After the Sandinista revolution, the landholdings of the former elite were turned into cooperative farms. The managers of these farms were not, for the most part, experienced in large farm management. The challenge was to develop an executive program to meet the special needs of a unique client with severe scheduling limitations. The program needed to be adapted for individuals who had very different knowledge levels and educational backgrounds and who had basic technical skills without managerial problem-solving orientation. INCAE's approach was to build a common language and framework for problem solving as well as to teach a series of management techniques. The program was designed to be taught in three-day modules. Each module had key learning objectives and skills that were identified by professors in extended field visits to familiarize themselves with critical management tasks in farm operations. Priority was given to cost control and accounting, budgeting, and financial management. Over time, the program was widely accepted, became a requirement for all midlevel managers, evolved into a full-time course rather than a modular one, and enabled INCAE to establish credibility with the new Nicaraguan government, which had viewed INCAE's business orientation with considerable suspicion.

This program used an approach that INCAE had used for developing special programs in public administration, such as family planning or integrated rural development. The programs had three integrated components: research, outreach (executive training and consulting), and postgraduate courses. Since research is built into all aspects of these programs, relevance of the training is assured.

In 1986 the Export Management Program developed a series of working hypotheses about barriers to export growth and developed case studies of Central America and Panama firms—dozens of firms were examined at a superficial level and twenty-five at a highly detailed, microeconomic case-study level. These data were developed into export management seminars that were offered in the region. One of the key findings of the studies was that the ability to develop competitive products was much more of a barrier to export development than was the ability to establish market contacts. Market knowledge is not sufficient just for contacts, but rather must be incorporated into design and implementation of strategy. The case studies formed the basis for developing a series of three-day seminars, a technical handbook, and three new MBA courses dealing with export management. The program was evaluated using reaction criteria. Although there was no indication that anyone started a new export business, all of the comments on the course were positive.

In the same project INCAE developed the Intersectoral Policy Dialogue Seminars that were jointly sponsored with a national counterpart in the cooperating country and consisted of a six-stage process that moved from private sector assessment to seminars with representatives from various sectors to create solutions to development problems. The program was highly successful in that it created a dialogue that had not existed before. The program has not been evaluated in terms of the results of the seminars.

A distinguishing feature of the INCAE approach is the strong commitment to developing local materials and case studies. The professors and case-study specialists devote considerable time to research and case development, particularly in developing new programs. This approach unquestionably results in high-quality, relevant training materials that are widely used throughout Latin America. At the same time, this approach is among the most costly alternatives for program development.

Financial Viability

In 1971, the development of a long-range financial plan to lead to self-sufficiency (for the period 1971-1984 using a cost center concept) showed an operating surplus by 1977.

Since the mid-1960s, the high cost of INCAE programs and the impact on sustainability has been a concern. A.I.D. support should be phased out, and the Central American private sector should be allowed to exhibit the willingness and ability to support INCAE. Project extensions and new support are often predicated on future demonstrated private sector support, which, unfortunately, has not materialized to the necessary scale. Of course, the history of the Central American region during this time period has made development of any institution difficult—civil wars and revolutions are not a good foundation for development.

In part, the cost of INCAE is directly related to the quality; at every stage INCAE has chosen the high-cost option for program development and implementation and has, thus, created a world-class academic program that has the potential to price itself out of existence.

In the past, some of INCAE's financial problems have been caused by poor financial management. However, much is also structural. In 1976, a study of INCAE after twelve years of operation identified the following challenges to financial viability:

- The multinational structure, with offices in five countries, was expensive to maintain.
- The case method pedagogy was costly.
- INCAE was overstaffed with professors who were highly paid and suffered from a high rate of turnover.
- The in-residence programs increased costs, and the loan program had a high delinquency rate.
- INCAE had not achieved economies of scale because it served small markets and maintained facilities that were underused.
- INCAE had continuously existed with operating deficits and had no long-term endowment.

Although INCAE has made substantial progress in financial management since that time, the basic problem of cost still exists. The high cost of INCAE programs can and does limit the market. An evaluation of the highly regarded intersectoral policy dialogue and the export marketing programs found that few countries would consider sending participants without the A.I.D. subsidy. Even in relatively wealthy Costa Rica, no more than 25 percent of the participants would be able to pay full costs. The costs inhibit other organizations from participating—an evaluation of CINDE in Costa Rica in 1985 found that training progress was slow because the banking association refused to pay the high fees demanded by INCAE.

Some of INCAE's financial problems are related to its primary focus on academics rather than on business management. INCAE has often had problems understanding the difference between contracts and grants. INCAE operates as a regular university that receives donations and grants and uses these funds for general funds. This is problematic when the donor funding is in the form of a contract. Equally important, contracts are not always negotiated with a clear understanding of the costs involved or the business impact of the requirements. For example, the export promotion program was contracted with the requirement that INCAE take steps to develop sustainability of the program. The fact that neither A.I.D. nor INCAE believed that a contractual obligation would resolve fundamental questions of financial feasibility was indicative of the failure to adequately analyze the program from a business perspective.

Many of the evaluations, including those that are optimistic about INCAE's financial future, recommend continuing to market to the USAID missions in the region as well as to other donor organizations and governments. Financial analyses showing a surplus from seminar activities count the subsidized attendance as real market demand. Whereas in some ways A.I.D. can be considered a legitimate market for high-cost training, it is by no means a secure one. At this point, an estimated 30 percent of INCAE revenues are directly or indirectly dependent on A.I.D. financing—either through direct grants, subsidized scholarships, or contracts.

Lessons Learned

In INCAE, A.I.D. has helped develop and support a uniquely valuable educational organization for the Latin America and Caribbean region. INCAE has provided first class education and training to a generation of Central American leaders. Moreover, INCAE has been a resource that A.I.D. has been able to draw upon for a wide range of special training needs—from the intersectoral policy dialogues of the 1980s to emergency training in public administration for the newly elected government in Nicaragua in the 1990s. Overall, INCAE is a considerable achievement of the foreign assistance program.

The future of the A.I.D.-INCAE relationship is yet to be written. The strengths of INCAE—top quality programs and faculty, localized curriculum, integrated research and consulting, and a multinational perspective—bring a high price tag. To date the regional community and governments have been unable or unwilling to fully shoulder the costs of maintaining and subsidizing this resource. Fund-raising has not been as successful as anticipated. The costs of the INCAE programs are frequently too high for the local market. The future tradeoffs will be either to find lower cost options that can still maintain some adequate quality or to continue to rely on international subsidies.

The optimal path for A.I.D. is not at all obvious. On the one hand, a continuing subsidy and support for a Central American university may appear in the 1990s to be an increasingly inappropriate use of foreign assistance funds. On the other hand, INCAE has proven itself to be valuable not only to the Central American countries, but also to A.I.D. itself in promoting its own foreign policy objectives.

Gerentes y Empresarios Asociados de Honduras

Type of Organization

The Managers and Entrepreneurs Association of Honduras (Gerentes y Empresarios Asociados de Honduras/GEMAH) is a private, nonprofit national organization that supplies management and technical training to private firms in Honduras.

Physical Facilities

GEMAH has adequate training facilities in the two main cities of Honduras: San Pedro Sula and Tegucigalpa. The headquarters are in San Pedro Sula, the main commercial city. San Pedro Sula's physical plant is rented rather than owned and represents a high proportion of the fixed costs.

Organizational Relationship with USAID

The GEMAH institutional strengthening project came about after a series of meetings between the USAID education officer and numerous business owners and managers in Honduras. These meetings began with the general objective of discussing constraints to business development in the country and eventually focused on vocational training and management training as important needs. The vocational training project materialized first in 1983; the management training, in 1984.

In 1984, GEMAH was a small association of managers with an annual income of approximately $23,000. Despite its modest size and level of activity, key members of the organization had the confidence of both the USAID education officer and the business owners.

The USAID grant was designed "to assist GEMAH to become a self-supporting institution capable of providing high-quality management training services essential to its members and to Honduras managers in general." The key indicators were that GEMAH was to establish formal linkages with private sector training institutions in other countries, a management library and magazine for members, and in-plant management training programs and consulting services; to increase its membership to 200; and to expand the portfolio of training courses.

The Operating Program Grant of $1,080,000 was primarily used to contract with the American Management Association (AMA) to provide technical assistance and management courses that could be implemented immediately. The AMA costs were high—representing over 60 percent of the total costs of the project. However, this approach provided GEMAH from the beginning with the advantage of having high-quality courses that could be presented with confidence. The linkage with the AMA gave the GEMAH courses instant credibility.

While the technical assistance was clearly an important element in GEMAH's ability to rapidly gear up to the training needs of the private sector, the qualities of the executive director and training coordinator were the key to GEMAH's success as a business. The executive director who served for most of the project had a strong business background, rather than an educational background, which enabled him to focus on the business aspects of management training while the academic director focused on the training aspects. This arrangement helped GEMAH to become a viable, financially sustainable enterprise in a short time.

GEMAH has been careful about the selection and training of the local instructors. GEMAH hires and trains educated, enthusiastic, and experienced instructors on a part-time basis and provides instructors with training in both instructional techniques and the subject matter, if needed.

The original project goals were for GEMAH to have a membership of 400 members, to train 2,410 people, and to offer 67 training courses The actual performance in the first three years was that 2,830 people were trained, membership was 168, and 150 training courses were offered.

Organizational and Management Structure

GEMAH has a full-time executive director, an academic director, and other full-time staff. The nine-member private sector board of directors is elected from the membership for two-year terms. The board meets monthly; is responsible for appointing the executive director, approving budgets and plans, and setting overall policies; and is active in maintaining GEMAH's linkages to the business community.

The midterm evaluation found that administrative and technical capacity is good, that the staff overhead is reasonable and efficient, and that management applies all basic management tools for budgets and personnel. Management is effective because of two key issues: the skilled executive director with significant private sector experience and the information and accounting systems that provide relevant, timely data.

The management has been effective in reacting quickly and appropriately to both financial challenges and marketing opportunities. When initial project projections were not achieved, the staff was quickly streamlined to levels below those originally planned. As implementation continued, GEMAH management continuously demonstrated a responsiveness to market conditions—developing in-company training formats and community-service activities, responding to unanticipated public sector training demands, and adapting membership recruiting policies to be more effective.

GEMAH is a member of the World Management Council, an organization with regional bodies throughout the world. The regional body in this hemisphere is the Pan American Council (PAC). GEMAH will usually attempt to send two representatives to the PAC meetings to help develop and maintain linkages with over twenty other private sector training institutions in other countries. These contacts have helped GEMAH to diversify and expand the portfolio of course offerings, to obtain new ideas on recent innovations in training and consulting services, to be invited to regional meetings to present seminars on management training, and to be contracted to assist in training programs in other countries.

Personnel

Much of GEMAH's success is related to its ability to identify and develop local instructors who can maintain the quality of instruction after the technical assistance leaves. The instructors were carefully selected from a pool of potential candidates. This process resulted in a corps of part-time instructors with very good qualifications—many have advanced degrees in business and most have studied outside the country. In addition, the majority have significant management experience, as a general manager or as a small business owner. The instructors also have a good range of professional experience, including commercial, service, manufacturing, and government experience.

The selected candidates were then placed in a training program for AMA certification as qualified instructors. The training program consisted of three parts:

- completing the AMA "Training the Trainer" course
- developing a series of teaching modules for presentation before a group of GEMAH instructors
- working with AMA technical assistance in a tutorial mode

This combination of good selection and adequate training paid off. The evaluation sheets for the instructors indicated that they were effective. Formal evaluation ratings were very high, and the courses compared favorably with similar seminar programs in the region.

GEMAH also established the capability to continue training new instructors after the technical assistance contract was completed. Several key individuals participated in the AMA training courses in New York to learn to conduct the "Training of Trainers" courses in Honduras.

While the fees paid to the instructors are reasonable and competitive (if modest), the development of such a strong corps of instructors was not primarily due to the salary. Rather, they had developed personal enthusiasm for teaching, and this spirit was an important factor in attracting people of good quality.

Range of Activities

Initially, GEMAH purchased courses and technical assistance directly from AMA. The overall portfolio was weighted toward general management topics of wide applicability. Most programs were scheduled for two-day presentations. At the end of the USAID grant period, GEMAH had developed fourteen new courses and had purchased an additional fifteen courses from Mexico, Brazil, and Panama. By 1992, over 70 percent of the courses had been developed by GEMAH instructors, and the remainder had been purchased from AMA or other Latin American training institutions. GEMAH was offering over 100 different courses, including secretarial, computer, general administration, finance, marketing, and production courses. Although many of the courses were general, a few were aimed at specific industries.

In 1991 GEMAH started a two-year diploma program for nonuniversity graduates that is approaching profitability. Unlike most of the other courses, for which the employer pays the fees, over 80 percent of the diploma students pay their own way.

Initially, GEMAH's core course, in terms of revenue, frequency, and visibility, was the Management by Objectives program (Gerencia Participativa por Objetivos/GPPO). This training program included both classroom instruction and follow-up consulting for each firm attending the course. In the first several years, GEMAH had difficulty in meeting the commitments to provide follow-up consulting to course participants. However, this changed over time. The GPPO proved to be most effective when the management group of a specific company participated together to ease on-the-job implementation. In practice, this course evolved beyond a seminar to an intervention-oriented, organizational development consulting exercise. The exercise consists of four elements: diagnosis of organizational development problems and needs, course delivery (two-day seminar), implementation (fifteen days after courses), and follow-up.

Over time, the GPPO training program had reached most or all of the potential client base, and GEMAH had to expand. The in-plant training program was the best option to replace the core revenue earner. The current approach is to conduct a training needs assessment and management audit for member firms and present a training package for them. This is essentially a marketing service that helps the clients better understand what GEMAH can do for them. The in-plant training program was established with three full-time and two part-time professional staff members.

The current program includes training programs for small and microbusinesses, partly supported by a USAID contract, a major emphasis on in-plant training, and a number of other small training programs.

GEMAH uses a marketing strategy of promoting the training courses through salesmen and annual events. The salespeople are paid a base salary and given commissions as an incentive. Salespeople are carefully trained to be familiar with both the course content and the intended target audience so that they do not misrepresent the courses. In the early years, the relationship with the AMA was emphasized to establish credibility for an unknown local organization—this emphasis became less important as GEMAH's reputation developed. GEMAH has carefully identified its target audience and aims newspaper advertisements and course brochure mailings to it. All members are visited monthly by the membership director. GEMAH has no in-house marketing specialist.

The training policy is also a marketing strategy in that the initial training courses are aimed at the top decision makers for the firm. This strategy creates a favorable impression of the value of training among the people who authorize attendance of other employees.

The midterm evaluation recommended some additions to GEMAH's marketing strategy: develop new courses to meet gaps in training, experiment with price and schedule changes to reach new market segments, and review incentives offered to salespeople to emphasize public sector seminars.

GEMAH has a limited amount of ongoing evaluation and follow-up to the training courses. The best indicator of the quality of training is that most of its clients return for additional training and consulting services.

A midterm independent project evaluation analyzed the financial and economic benefits using seven alternative methodologies to consider the training costs from the perspective of management estimates, actual firm costs, and social costs. Benefits were calculated on the basis of a subjective management estimate of the time required to recover training costs, which implies an estimated return, profit improvements, and overall change in firm profits for the years before and after training. This analysis found that the net annual returns to this type of investment are quite high, averaging 749 percent for all eight firms, considering all seven methodologies. The average return per firm across the seven methods ranged from 121 percent to 1,878 percent. These returns are considerably higher than those commonly associated with vocational training, which range from 15 to 120 percent or from investments in physical capital, which average 12.8 percent.

The evaluation also estimated the impact of training on employment generation. Of the fourteen firms that received the GPPO course in the first several years, thirteen had increased employment for a net increase of seventy-four jobs.

In terms of project outputs, the project exceeded anticipated numbers of training courses offered and persons trained by 54 percent and 39 percent respectively.

Financial Viability

In the initial USAID project grant, GEMAH was expected to achieve financial self-sufficiency in three years. While it did not accomplish this in the specified time frame, it made substantial progress toward this goal in three years. The USAID project covered initial operating costs and funding of technical assistance and the purchase of course materials from AMA.

At the time of the 1987 evaluation (Renforth and Obaldia 1987), GEMAH was approaching financial self-sufficiency, with uncovered total training costs (exclusive of technical assistance) at only 17 percent of the training revenues in 1986. A surplus was expected for 1987. More than $1.2 million of total revenue and 80 percent of training contribution came from the GPPO in-company courses. Public seminars covered only their direct costs and made no contribution to overhead because of low average attendance. Membership income was consistently below the costs of funding membership services. The conclusions were that GEMAH, needing only attainable increases in attendance, sales, and membership to be viable, was technically close to self-sufficiency, but on a fragile basis. The Tegucigalpa office was already at self-sufficiency.

GEMAH membership was initially projected to be 400, but remained at about 168 for the first three years. An early decision to emphasize company, rather than individual, memberships reduced the number of potential memberships but increased the average income (company memberships cost $300 per year while individual memberships cost $150). In the first years, this membership level generated less than half of the revenue necessary to cover the administrative and overhead expenses related to membership services. Therefore, training revenues subsidized the membership, rather than the reverse situation in comparable institutions in other countries. Member services were limited to a discount on training courses, a quarterly publication, input into the GEMAH planning sessions, and a network of industry contacts. The evaluation recommended that GEMAH increase membership to 450, the number necessary to cover all membership costs.

By 1992, GEMAH's financial picture had changed. The organization is essentially self-sufficient, although the balance continues to be fragile. No longer receiving any direct project support from USAID or other donors, 90 percent of its revenue came from training fees and the remainder from membership fees. By 1992, the membership fees had been slightly reduced, the number of members almost doubled (to 300), and the dues covered the cost of direct services. The market for the GPPO course had been largely saturated, so this former core course was no longer a significant source of revenue. Rather, GEMAH began relying on its new in-plant offerings—PEREM (see Box VI-2) and Total Quality.

While GEMAH did not have any direct program support from USAID, it did have, however, a

USAID-funded contract, through a local private voluntary organization, to provide small-business training, six-week to eight-week courses, to 400-500 people each year. This contract represented around 15 percent of GEMAH's annual income. Therefore, despite the lack of direct grant-support, GEMAH continues to be dependent on having USAID funds available.

Lessons Learned

The GEMAH project design relied heavily on relatively costly technical assistance. The technical assistance represented approximately 60 percent of the total USAID investment. However, the technical assistance provided by the AMA was a key factor in enabling GEMAH to quickly establish a reputation for providing high-quality marketable training programs. The project was able to achieve a rapid startup due to the use of established programs.

Over the life of the project, the salary levels of the GEMAH executive director and instructional staff were also questioned as being excessively costly. However, experience demonstrated that the institutional leadership provided by the executive director and training coordinator were key elements in the project success.

The major lesson learned was that relatively high expenses were far more cost-effective than lower quality services would have been. The public sector ethic of finding the least expensive source of services is not necessarily appropriate for dealing with private sector organizations. While GEMAH may well have been able to save money by hiring a different executive director, the savings would have been a false economy if the management was less effective. The key measure is whether the enterprise is managed effectively enough to offset the salary costs. Donor project considerations should not be the determining factor in deciding executive compensation for private firms. In this case, the USAID project manager understood this lesson. This is a good reason not to use donor funding for operating expenses such as salaries.

The other lesson is that a three-year time span for achieving financial independence is too ambitious, even for a well-managed firm; a time period of four to five years is more realistic.

Instituto para el Desarrollo de Empresarios y Administradores

Type of Organization

The Institute for the Development of Entrepreneurs and Administrators (Instituto para el Desarrollo de Empresarios y Administradores/ IDEA) in Bolivia is an independent, nonprofit national organization established in 1985.

Physical Facilities

IDEA has excellent training and seminar facilities in La Paz and adequate training facilities in the regional offices.

Organizational Relationship with USAID

In August 1985, USAID/Bolivia approved a grant-financed project with the Confederation of Bolivian Private Businessmen to establish IDEA, a management training institute. The four-year project was budgeted at $3.1 million, of which $2 million was in USAID funding. The project was designed by a USAID project committee in consultation with numerous representatives of the Bolivian private sector.

The purpose of the project was to "establish a Bolivian management institute within the private sector which will provide specialized courses on business management." The end-of-project status was "a financially self-sufficient management training institute will have been established and will be offering a full array of business management courses designed to meet the needs of the Bolivian private sector." During the life of the project, IDEA was to conduct 222 courses and train a total of 5,140 individuals.

The project strategy was to start small with minimal costs and expand only as success and demand for services grew. The initial staff was to be limited to eleven paid staff, including regional representatives in Santa Cruz and Cochabamba. A technical assistance contract was signed with the Institute for Resource Development at Westinghouse Corporation.

The project got off to a rapid start. IDEA was established as a de facto institution before the Project Paper was signed. Within the first three months an executive director was hired, the RFP for technical assistance was issued, and the board of directors began weekly meetings. The staff was expanded over the next three months with a permanent project manager, an academic director, and a controller. Within nine months after the project was signed, the chief of party of the technical assistance team arrived in Bolivia, and the first courses were offered before the first year was completed. During the period from July to September, IDEA conducted twenty-one courses with over 1,000 participants and expanded to four cities rather than to two as originally planned.

The first amendment to the project was in September 1986, only thirteen months after the project began and after only three months of activity. The first amendment added $700,000 to the Life of Project (LOP) funding to cover higher-than-expected technical assistance costs, to expand to two additional cities outside of La Paz, and to increase the number of courses and students to be trained. The rationale for the amendment was that the demand for training was much higher than anticipated. The additional USAID funding was to increase the level of outputs from 220 courses to 344, and the number of people trained from 5,140 to 8,690. The objectives and timetable for sustainability remained the same.

Within a year, the IDEA project was amended again to add an additional $300,000 in USAID funding. By this time, the chief of party had been judged inadequate and replaced, and the contract costs had increased further. IDEA had expanded to seven regional offices, rather than the two originally planned, and required additional computer equipment, training facilities, and staff to manage the program. The justification of the second amendment was to "institutionalize the faster-than-expected growth of this innovative Institute." Again, the institute was judged to be a resounding success, having surpassed its training goals again.

In 1988, a year after the second amendment and three years after the start of the project, an evaluation was conducted by the International Science and Technology Institute. By this time, IDEA was offering ninety-six courses and had a staff of twenty-six full-time instructors and seven part-time instructors. The original project plans called for a full-time staff of eleven people.

The evaluation found that IDEA had surpassed the number of courses planned and that students were very satisfied with the quality of training. However, course demand has recently decreased by 5 percent, in part because some courses did not adequately reflect the needs of the Bolivian private sector. IDEA had also conducted a number of high-level fora with distinguished guest speakers from the United States and neighboring countries in South America.

The evaluation also found that USAID was paying for 93 percent of all expenditures, higher even than the 84 percent envisioned in the project design. USAID was covering 39 percent more of operating expenses than originally planned, including the total cost of all courses, while IDEA was covering 41 percent less. IDEA's revenues were less than 33 percent of the anticipated amount, membership had dropped by 75 percent from the earlier years, and financial self-sufficiency was not possible in the immediate future. Despite a much higher demand for training than was envisioned, the revenues were much lower because the fees being charged were much lower than planned.

The evaluation concluded that IDEA had performed well, both qualitatively and quantitatively, and that it satisfied a demonstrated need in the Bolivian economy for timely, high-quality training. The evaluation recognized the need for better training and evaluation of instructors, improved needs assessments and course development, better marketing strategies, and improved adaptation of courses to national conditions. Therefore, the evaluation recommended that the project be extended by one to two years, recognizing that even with major cost-cutting and revenue-generating measures, IDEA could continue for two or three more years with the USAID money available to subsidize operating costs.

In 1990, the IDEA project was amended for a third time. The LOP was extended by six years, and the total funding was increased from $3 million to $6 million. The additional funding was intended to cover IDEA's operating expenses for the remaining life of the project and included additional technical assistance. The rationale was that other USAID-supported training organizations, such as Escuela Superior de Administración (ESAN) in Peru and Instituto Centro Americano de Administración de Empresas (INCAE) in Central America, required long gestation periods and ongoing linkages with U.S. universities to become self-sufficient. The expectation was that the USAID funds would cover all operating expenses so that IDEA revenues could be channeled to a trust fund. IDEA would also develop new revenue-producing activities. In addition, a new USAID financial market project would contract with IDEA to manage the training elements, thereby generating additional revenue to add to the trust fund. At this time, IDEA was also receiving an annual contribution from the National Institute for Labor Training (INFOCAL), which was funded by a tax on private firms.

IDEA was still considered to be a resounding success by the mission. It was regularly praised by mission management and visited numerous times by the mission director. IDEA was offering 100 courses in seven regional offices. By 1990, 629 courses had been offered to more than 15,000 people, numbers that exceeded the project projections by large margins. The only type of training that had not met original projections was for executive seminars. The project design had not understood the structure of the Bolivian private sector, in which only 17 percent of the firms had more than ten employees, and most corporations are family enterprises. This weakness in market knowledge led to an overestimation of the need for this training.

Despite the large numbers of people attending training, the revenues generated were still considerably lower than anticipated, which seriously limited IDEA's progress toward self-sufficiency. Tuition fees were 65 percent lower than originally anticipated because, in the opinion of the IDEA staff, higher tuition fees could not be paid by the clients, and income from membership dues was only 13 percent of the projections. The mission analysis concluded that the Project Paper had underestimated the demand and overestimated the paying capacity of the clients.

The approach proposed in the third amendment was based on the belief that "such institutions simply cannot cover all cost without external assistance or . . . a trust fund." Therefore, the proposal was to establish a trust fund that, in combination with revenues and the annual contribution from INFOCAL, would be adequate to meet all costs. As part of the effort to make IDEA self-sufficient, the mission proposed giving IDEA the responsibility to manage all financial training for a new project. The expectation was that this would be "the first of what may be several USAID projects which will utilize the services of IDEA on a full cost payment basis."

By 1992, most of these proposals had not yet been realized. The mission eventually decided not to manage the financial market project through IDEA. IDEA had neither contracted for institutional technical assistance nor established linkages to a U.S. university. A study by a Chilean training organization concluded that IDEA's revenue generation problems were not generic to training firms but rather were derived from poor management and an inadequate product mix. The study compared IDEA to similar training organizations. Rather than comparing it to ESAN and INCAE, as the previous evaluation had done, this more appropriately used CINDE in Costa Rica, Gerentes y Empresarios Asociados de Honduras (GEMAH), and the Chilean firm itself as a basis for comparison. In these cases, the potential for self-sufficiency in a well-managed training organization was evident.

About the same time, the project management responsibility in USAID was transferred from the training office to the private sector office. The perspective of the project manager thus changed from an educational orientation, which gave priority to numbers of people trained, to a business orientation, which assigned greater priority to sound business management. Under these new criteria, the perception of IDEA in the mission changed from being a star project to being a problem project. This change was a jolt for many people in the mission and in IDEA because nothing had really changed except the relative importance of the self-sufficiency goal compared to the training goals.

By 1992, the executive director of IDEA, a capable educator with an academic background, had begun to understand the importance and requirements of financial viability. He understood that IDEA was not simply a training organization, but rather was a firm in the business of training. This perspective was not one that he had understood over the previous five years, in part because his background was not in business. Nor was the importance of financial management stressed in his discussions with the mission because IDEA was continually praised for exceeding the projected numbers of trainees.

A major contributing factor to the financial problems of IDEA was that the USAID project was never structured to encourage financial independence. Grant funds covered operating expenses as well as investment and development costs. When the funding was inadequate, more money was invested in the project. Expansion was always paid for from project funds rather than from earned revenues. By 1992, the mission had changed this strategy entirely.

Perhaps the most significant weakness in the analyses of IDEA in the first five years was the failure to understand the linkage between exceedingly high levels of demand and the low tuition fees charged. The most basic economic principles of demand response to price changes would indicate that higher fees could be charged. An economist would view the discrepancy between high demand and low revenues as prima facie evidence that fees were set too low. However, from the perspective of an educator, the achievement of training so many people outweighed the financial aspects. As of 1992, there had been no significant testing of different pricing structures to determine the demand response.

Organizational and Management Structure

The board of directors consists of five individuals; one board member is appointed by the Confederation of Bolivian Private Businessmen and four are elected by the general assembly. They serve two-year terms and are expected to meet every two months.

The executive director manages the institute. Other staff include an academic director and a financial director. Instructors are hired through short-term contracts and are not part of the IDEA permanent staff.

Personnel

The original project design was that IDEA would have a permanent staff of only three professionals, with more added, if necessary and affordable. The executive director and financial director were each to receive up to three months of training in the first three years of the project. The academic director and his assistants were to receive overseas scholarships for up to one year to strengthen the local staff as quickly as possible. Much of this training, however, was never completed, in large part because the time required for such training would have seriously depleted IDEA's ability to conduct training classes.

The staff size quickly grew beyond the core staff originally envisioned as three regional training centers were opened. By the time of the midterm evaluation, the staff had grown to twenty-six full-time employees, four part-time staff members, and several salesmen working on commission.

Instructor training was conducted by the technical assistance chief of party for the first several years of the project. By all accounts, this training was excellent. However, when this contract ended, no further training of new instructors was provided, and no means of assessing instructor quality was used.

Range of Activities

IDEA offers an array of short-term courses, ranging from secretarial training to executive seminars. The original plan was to have a three-track training system. The first track would be short courses aimed at senior executives of large- or medium-sized firms (which were not defined). (It turned out that there were very few Bolivian firms that fit into this category.) The second track would be courses for midlevel managers and the heads of specialized departments in market testing, export promotion strategies, customs laws, quality control techniques, and similar technical areas. The third track would be general business management courses designed for owners and managers of small- and medium-sized firms. The core curriculum for this track was basic accounting, record keeping, credit sources, loan application procedures, sales promotion, computer programming, organization of production, and similar basic business management areas.

By 1990, the curriculum had changed to adapt to the demands of market. Two major new programs were introduced: the Program for Microenterprise (Programa de Microempresas/ PME) and the Specialization Program (Programa de Especialización/PES). PME is a complete package of six training courses with technical assistance to help put lessons into practice. PES is systematic training for midlevel managers to focus on marketing, accounting, finances, and human resources. Each specialty requires the completion of five courses before certification. In addition to these two core courses, IDEA continued to offer almost 100 other courses.

IDEA never developed a clear marketing strategy or product mix. The initial strategy was to first offer courses for upper management to introduce the programs to the decision makers. Once this was done, however, there was no follow-up strategy to maintain the momentum. IDEA has no ongoing evaluation system to measure the quality or impact of the training. Although the project amendment anticipated the use of technical assistance to develop a full monitoring and evaluation system, this had not been initiated by mid-1992. There has been no effort to assess the impact of the training. The midterm evaluation noted that course evaluations were consistently favorable.

Financial Viability

As discussed above, the original expectation was that IDEA would be financially self-sufficient in the first five years from tuition and membership dues. IDEA had not achieved the anticipated degree of self-sufficiency in the first five years and was not expected to in the remaining five years. Under the most optimistic projections in the third amendment, assuming relatively drastic personnel reductions and cost-cutting measures, the annual deficit would still be $200,000. The 1995 target is that IDEA revenues would cover 38 percent of costs. IDEA has never been able to cover more than variable costs of some of the courses.

Membership dues were only 13 percent of the originally estimated levels. In part, this was because the schedule of tuition discounts and other services that were offered to member firms did not provide any incentive to join. For example, the 15 percent discount on tuition fees was meaningless given the low tuition—a large firm would need to send its employees to attend sixty-seven courses before the firm recuperated the cost of the membership fee. The impact was similar for medium and small organizations as well as individual members.

As discussed above, the primary challenge for IDEA was developing an appropriate mix of training products, at appropriate price levels, that would generate revenue. The background and skills of the directors were not in business, and they did not have the first idea of how to conduct a cost and revenue analysis of the courses.

At several points in the project, suggestions for augmenting training revenues with other activities were proposed in the project amendments. Among the "profit-based service menu" options were the following services:

- technology learning center—computer courses, rental of computer equipment after hours, sale of computers
- extension courses—home study instruction
- photocopy services—rental of copy machines
- consultant services for private businesses—one to two days of follow-up time after seminars for consultations with local businesses
- business services—the local instructors would offer basic business services such as feasibility studies, bookkeeping, inventory control
- training films—development of a series of films
- sale of materials through a bookstore and creation of a library
- telecommunications services (telex and fax)
- employment bank
- English language training
- conference center with simultaneous translation

Lessons Learned

The primary lessons learned from the IDEA experience is the need to have clearly defined objectives that are understood by both the training organization and USAID. In this case, the success in providing training to large numbers of individuals obscured the failure to effectively manage the financial side of the enterprise.

The project also illustrates the importance of carefully structuring a financial relationship between the donor and the training organization. By using USAID project funds for all operating expenses, the structure of the project shielded the IDEA management from the realities of business management and fostered dependence. The USAID funds were provided to support expansion based on perceived demand rather than on effective financial analysis. This source of funding made it unnecessary for IDEA to start small and grow with its revenues, as was initially planned. This experience argues for carefully distinguishing between financing of operating expenses and financing of start-up costs or other investments that can lower the initial fixed costs of the enterprise.

IDEA suffered from a problem common to many training organizations—the belief that clients are not able to pay. This leads to accepting the need for a USAID subsidy from the first. IDEA neither adequately tested this belief nor experimented with alternative pricing policies or marketing strategies to find an approach that produced adequate revenues.

Perhaps the key to IDEA's problems was that the executive director did not have the business background necessary to understand the business development process. Moreover, as an academic, he did not have the network or relationships with the private sector to draw in regular support. The financial director was interested in making the costs and revenues balance each year, regardless of the source of the funds. Therefore, no one was in a key position in IDEA with the necessary skills to develop a business. The inability of the board of directors and USAID to understand that the key people lacked these necessary skills and perspective was a crucial factor in how the project evolved.

University of West Indies, Barbados

Type of Organization

The University of West Indies (UWI)/Cave Hill Campus is a regional, public sector university. The Center for Management Development (CMD) is a semi-autonomous, private sector-directed organization affiliated with UWI/Cave Hill.

Physical Facilities

The physical campus and educational facilities available to the CMD, on the Cave Hill campus, are fully adequate.

Organizational Relationship with USAID

In 1985, USAID sponsored a study by the Caribbean Association for Industry and Commerce to assess the need for management training and development in the English-speaking Caribbean. The study concluded that the region had urgent need for specialized training of owners and managers of existing enterprises as well as a long-term need for university-level management training. The study estimated that 16,000 management jobs in the region were held by expatriates because of a lack of qualified local managers.

In 1986, the Regional Development Office in the Caribbean (RDOC) approved a $2.7 million Regional Management Training Pilot Project. The purpose of the project was to conduct a series of management education and development interventions to test their relative effectiveness. The target group of the interventions were existing upper and middle managers and owners in the Eastern Caribbean. The project was unusual in that there were no normal end-of-project status indicators or expected achievements beyond the knowledge generated by the pilot efforts. The benefits of training a cadre of existing managers and strengthening the capability of local education institutions were considered supplementary benefits rather than the primary focus of the project. If the pilot activities proved effective and indicated an effective demand for these types of management training, a follow-up project would be designed.

Specifically, the pilot was designed to accomplish the following:

- It would test the effective demand for top- and middle-level management training in the region. Effective demand was to be indicated by the willingness of top managers to attend seminars, to send the midlevel managers to specialized seminars, and to "make a significant contribution in meeting the cost of such advanced specialized seminars."
- It would introduce wider use of the case-method and action-oriented approaches to training and test their effectiveness relative to the lecture approach.
- It would strengthen the capability of UWI, BIMAP, and CARICAD to deliver specialized training.

Several pilot activities were included as project components. Pilot management training programs offered symposia for top managers, seminars for middle managers, and case materials development for top and middle managers. Existing management education programs were strengthened with conferences on management education, institutional assessments and curriculum review, case development workshops, teaching workshops, and publications. An evaluation of and a joint Jamaica/Barbados review (UWI) were included.

The pilot project was evaluated in 1989 and the following conclusions were reached:

- There was strong support for senior and executive development programs.
- Participants were willing to pay an increasing share of training and travel costs.
- Executive participants were willing to send their senior managers to seminars.
- A large number of case studies were developed.
- There was only marginal support for case writing and teaching workshops.
- There was virtually no change in the use of action-oriented teaching methods.
- The pilot did not achieve any institutional strengthening of UWI, BIMAP, or CARICAD.

In 1990, RDOC approved a $3.2 million, five-year follow-up project: the Regional Management Training Project. The purpose of the follow-up project was "to assist in alleviating the shortage of skilled upper and middle managers by enhancing delivery of management education, training, research, and consulting services to the private sector."

The amended project was intended to establish a CMD affiliated with the UWI/Cave Hill campus. The CMD was intended to deliver quality services to the private sector, including management seminars, consultancy services, an executive MBA (EMBA) program, instructor development programs for other training institutions, and research on business topics. The expectation was that the CMD would be fully self-financing within five years. The project would also strengthen the regular undergraduate programs in the Department of Management Studies in the university.

A notable aspect of the project design is that, although the CMD is expected to be self-financing within five years, the primary emphasis in terms of outputs, indicators, and goals is the number of people to be trained and improved academic programs. The mix of products and target groups is largely established by the project, and institutional outputs emphasize activities rather than financial or organizational development. Indeed, the project purpose statement itself emphasizes delivery of services over organizational development. It is too early in the project development to determine whether the rhetoric of the project will undermine the financial management aspects of implementation. This will probably depend a great deal on the experience and interests of the executive director.

Organizational and Management Structure

The CMD was established by UWI/Cave Hill as a semi-autonomous unit within the university. The center operates under the policy direction of a board of directors, the majority of whose members are from the private sector. The director of the CMD and the head of the Department of Management Studies (DOMS) in UWI serve as ex officio members of the board.

The role of the board is to give general policy direction, provide insights about the need for different types of training, seek private sector and donor funding for the center, promote cooperation between the center and other training entities, provide regional leadership, and identify collaborative technical assistance arrangements to extend the reach of the center's work. A high priority goal for the board was to develop and implement a fund-raising strategy to generate at least $50,000 of untied funds each year of the project. Another priority was to conduct detailed assessments of the demand and supply of management training in the region. While it is too early to determine the degree to which the board can meet these expectations, these tasks are rather operationally oriented for such a high-level board.

The CMD is expected to operate with a small core staff of four people, including a director, deputy director/training administrator, administrative assistant, and clerk. In the first four years, the project will provide a materials development specialist. This small core staff is the key to CMD's ability to become self-financing by the end of the project.

Personnel

The primary source for all professors, consultants, and other key training staff will be the faculty and staff from UWI and other regional management training organizations. All of the faculty will be contracted for each course.

Range of Activities

An estimated six seminars or symposia per year are expected during the project life; these will train an estimated 120 upper-level and midlevel managers each year and will be essentially the same as those conducted during the pilot phase. CMD will develop, market, and present a two-year EMBA for currently employed managers or people with a BA. The EMBA program will be taught by contracted faculty from the three UWI campuses, and classes will be conducted on the weekends or other times convenient to students. The center will conduct an analysis to assure that the program can be taught on a cost-recovery basis outside of Barbados. CMD will market research and consulting services in response to market demand. In part, this consulting will be a follow-on to training programs to assist firms in implementing the management innovations. The CMD will develop case studies in the Caribbean region, conduct teaching workshops, develop manuals and texts, and conduct supply and demand surveys to continually identify the gaps between demand and supply in each country.

The Project Paper established a full management information system and evaluation system to monitor progress at the following levels:

- the flow of perceived benefits—better jobs, production, salary, etc.
- the quality and relevance of training and educational programs
- the progress in each subcomponent of project providing specialized service (curriculum development, case studies, computer applications, training for advanced degrees, and courses)
- the status of CMD's financial health, including cost structure, marketing, income generation, fund-raising activities
- the development and dissemination of research findings and consultancies
- the development and analysis of training needs and training capabilities in Eastern Caribbean
- the strength and nature of the relationship between UWI and the regional private sector, and the strength of the leadership role played by CMD among management training and educational systems

The evaluation plan includes collecting baseline data for each country, including a profile of the private sector in target project countries and the training capabilities of all management training institutions. The critical indicators of success to be used in the evaluation plan are the following:

- increase or decrease of indicators of productivity within the firms that received assistance
- the effectiveness of management training as a methodology, particularly for primary beneficiaries
- an ongoing needs and training capability analysis for planning programs
- the cost benefit of training efforts and the cost effectiveness of different training methods and training sites
- the specific outputs of the project, including
  - number of curricula upgraded
  - number of staff upgraded
  - number of case studies developed
  - number of seminars held
  - number of tests and journals purchased
  - number of persons and institutions receiving training or technical assistance
  - amount of equipment and resource material acquired

In addition to the project activities and impact, the evaluation plan will monitor the underlying assumptions of the project, such as the economic climate, the ability of UWI DOMS graduates to find employment, the ability of trained managers to successfully apply modern management principles, the private sector support for the CMD, the demand for CMD services, and the degree of competition between CMD and other providers of management training.

Financial Viability

The evaluation of the first pilot project found that many of the top managers were increasingly willing to pay. However, the level of payments did not cover all fixed and variable costs of the programs and, in some cases, not even the transportation and per diem costs. In part, the high costs of running the program were dictated by geography—the scattered Caribbean islands present a unique challenge to achieving economies of scale. Moreover, much of the high cost of training that was included in the evaluation team assessment was caused by the expatriate technical assistance. Given both of these aspects, the evaluation concluded that the program could not be self-supporting without substantially curtailing participation of many organizations. They recommended that USAID continue to subsidize 50 percent of the costs.

However, the evaluation analysis was quite superficial. The evaluation scope of work asked for neither a serious financial analysis of cost and feasibility nor a breakdown of investment, development, and recurrent costs. Therefore, the analysis was, at best, a general view of financial possibilities rather than a rigorous cost and revenue assessment.

A primary criterion for the follow-on project was that the CMD be sustainable. The project strategy was that project funds would finance all development costs plus any deficit in operating expenses. This operating expense subsidy for the first several years was considered to be essential because of the need to develop a regional reputation. By the fifth year, the CMD was expected to be operating on a full cost-recovery basis, including the university's in-kind contributions and the results of a successful fund-raising operation. An important aspect of the financial plan is that participants attending the seminars and symposia would be paying the full cost of the course.

Lessons Learned

The amended project is still too new to really assess the success of this approach. At the time of this study, the EMBA was running behind schedule, and the evaluation system had not yet been established. The notable aspects of the project design were the heavy emphasis on pilot activities and research to test some of the basic assumptions of the supply and demand for management and the emphasis on evaluation and monitoring.