

# Findings Report

*from FIELD*

## Focused on Growth

Scaling Business Development Services  
in the United States

**AUTHORS:**

ELAINE L. EDGCOMB

TAMRA THETFORD

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## ACKNOWLEDGMENTS



The microenterprise development field in the United States has grown on the shared wisdom of its practitioners. As with others that FIELD has produced, this document captures the wisdom, borne out of hard experience, of leading business development services practitioners. Members of the Scale Academy for Microenterprise Development – focused on growing their business development services – met in person and virtually during the course of a year to describe and reflect on their strategies, structures, products and services, and their efforts to sustain and grow their programs in these challenging times. Their aim was to learn from each other and to document their learning for others in the field. The result is this document, which captures the experience of three Academy grantees and three members of the Academy’s Learning Group, newer participants in the program.

We want to thank the following contributors to this process: Angie Hawk Maiden and Leslie Schaller, Appalachian Center for Economic Networks (ACEnet); John Haines, Anthony Gromko, and Scott Onder, MercyCorps Northwest; Jeff Jones, Samantha Mafchir, and Jinell Smithmyer, MicroMentor; Shaw Canale and James Beasley, Mountain BizWorks; Sharon Miller and Oscar Dominguez, Renaissance Entrepreneurship Center; and Agnes Noonan, Wally Drangmeister and Claire Zurawski, WESST. Each has contributed generously to the content of this publication. In addition, we acknowledge Tammy Halevy of the Association for Enterprise Opportunity, who has represented this partner in the Scale Academy and shared in these discussions.

We also thank the funders that have made this publication possible. The Charles Stewart Mott Foundation and the Citi Foundation have provided substantial funding to support the Scale Academy for Microenterprise Development and its program of grantmaking, peer learning and documentation. We acknowledge with gratitude the personal engagement of Jack Litzenberg of the Mott Foundation and Graham MacMillan, Amy Feldman and others of the Citi Foundation, who have offered their insights and helpful comments throughout the Academy’s existence. We are especially grateful to the U. S. Small Business Administration, which has provided special funding under its Program for Investment in Micro-entrepreneurs (PRIME) program to support the participatory learning process and writing that has resulted in this publication.

No document can capture the full richness of the experience of these leading organizations. We hope, however, that this publication sufficiently captures their lessons in a way that encourages others to embark on their own path to scaling business development services in the United States. And, if there are any errors in recording that experience or lessons, they are ours alone.

Elaine L. Edgcomb  
Tamra Thetford

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# Executive Summary

For years, U.S. microenterprise practitioners have identified scale as one of the field's principal challenges. The Scale Academy for Microenterprise Development, managed by the Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD), in partnership with the Association for Enterprise Opportunity, is designed to address this challenge by offering organizational development grants, technical assistance and peer learning to leaders in the field. The initiative, funded by the Citi Foundation and the Charles Stewart Mott Foundation, also incorporates careful documentation of the experiences and lessons learned so that others can benefit. Launched in 2007 with support for eight grantees, the Academy has now grown to include five additional organizations that have joined the peer learning process.<sup>1</sup>

This document, whose development has been funded with the additional support of the U.S. Small Business Administration's Program for Investment in Micro-entrepreneurs (PRIME) program, summarizes the experience and lessons of six Scale Academy members with substantial focus on business development services. Business development services is the term used to define the full array of non-financial services offered by microenterprise development organizations to those who seek their services. Designed to help entrepreneurs start and grow their businesses, they include training and technical assistance, but also coaching and mentoring, financial literacy, access to market services, and many others. Representatives of these organizations have engaged in a year-long peer process exchanging their experiences and reflecting on the lessons that emerge.

## Scale Academy Business Development Service Organizations

**ACEnet (Appalachian Center for Economic Networks)** – Athens, Ohio

**MercyCorps Northwest** – Portland, Oregon

**MercyCorps/MicroMentor** – San Francisco, California

**Mountain BizWorks** – Asheville, North Carolina

**Renaissance Entrepreneurship Center** – San Francisco, California

**WESST** – Albuquerque, New Mexico

For Academy founders, and its members, scale describes the goal of serving large numbers of individuals. In addition, it incorporates the concepts of increased market penetration and of achieving economies in service delivery, which, in turn, can lead to greater sustainability and social impact. Scale should be about transformative rather than incremental growth, involving a significant leap forward in an organization's way of doing business. To that end, at the time of their selection, Academy members were judged to have already made significant progress in increasing their scale and to be pursuing strategies with the potential to yield further significant advances.

## Institutional performance

All of the Scale Academy business development services organizations demonstrated positive growth in the number of individuals served from 2006 to 2009 and remain among the largest in the industry. In aggregate, the Scale Academy business development service providers served 8,758 participants in 2009, defined as those who received any level of service in a given fiscal year. They also served 3,958 clients, that is, the subset of participants who received substantial services in that

<sup>1</sup> Grantee members include: ACCION New Mexico•Arizona•Colorado, ACCION USA, ACEnet, Justine Petersen, Mountain BizWorks, Opportunity Fund, and WESST. Learning Group members include: ACCION Chicago, Appalachian Community Enterprise, MercyCorps Northwest, MercyCorps/MicroMentor, and Renaissance Entrepreneurship Center. Microbusiness Development Corporation of Colorado was funded in the first year of the Academy, but has since ceased operations. More on these organizations can be found at: <http://fieldus.org/Projects/ScaleAcademy.html>; Internet.

year. (This would include those with an outstanding financing product, or who have participated in a level of services the program believes is adequate to produce observable outcomes. The rule of thumb is 10 hours or more.) From 2006 through 2009, the aggregate number of participants served increased at least 192 percent,<sup>2</sup> and the number of clients served increased 73 percent during that same period. In 2008, the median number of individuals served by these organizations was five times that of 260 other business development services providers that completed a field-wide survey conducted by FIELD. The mean was almost 2.5 times that of others.

## Experience and Lessons

As Academy business development services organizations have endeavored to scale these services, they have worked on a number of areas that span organizational development and strategy. Their experience offers lessons for practitioners and funders.

### *The Drive for Scale*

The Scale Academy members have demonstrated that the impetus for scale can come from several places within an organization, but it must be connected to market demand. The internal driver must be the CEO, but the leader can not do it alone. The board must be behind the vision for scale and actively support it, as must staff. Support from either of these sources can not be assumed, however, and scaling organizations must work to build their commitment. Academy members have found that the right metrics can help create a convergence of understanding among staff, board, management and clients. They have also found that the question “can it scale?” must be front and center in strategic planning around any new product or service.

### *Market Research and Marketing*

Scale Academy members have invested in market research for a variety of purposes – for advocacy, for understanding the characteristics of new markets, for developing outreach strategies, and for informing product offerings and pricing. Their approaches have tended to be low-cost, and have focused on secondary source data, using interns, and, most importantly, on mining interactions with current clients.

On the other hand, several have invested substantial resources in rebranding their institutions, seeing this as essential to their scale-up strategies, which depend upon expanding both their target markets and their services. The rebranding expresses their broadened vision of themselves, communicates their organizational mission more clearly, and is designed to attract a greater diversity of entrepreneurs. In some cases, the rebranding also serves to build staff cohesion and fosters more uniform messaging. Academy members have also used other strategies, which range from the most physical (leveraging their bricks and mortar presence in communities, increasing staff presence in community events) to the virtual (using all forms of new media). Within a well thought-out marketing plan, all these efforts help build a strong and consistent image and message in their target markets, and recruit growing numbers of entrepreneurs to their programs.

### *Business Development Services Products*

The Scale Academy members exemplify a trend observed among other large-scale business development services (BDS) organizations. They grow through the addition of services and not just through the expansion of their core training and technical assistance offerings. This type of growth is more challenging as it requires adding new capacities and, sometimes, structures to deliver new services. Investments in technology, incubators and access to markets services, in particular, demand substantial resources to do well.

A number of drivers have propelled this growth in products and services: responses to market demand, the need to develop efficient ways to work with certain groups of clients, and a

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<sup>2</sup> Because of missing data on participants from ACEnet for 2006, it is assumed that the number of participants would be higher by at least 578 and possibly more.



recognition of the value of client retention services to both clients and organizations. The goal is to develop a continuum of services that provides opportunities for more types of entrepreneurs to use an organization's services, and allows the organization to vary the level of intensity of its services to match client needs, goals and readiness.

Scale Academy BDS providers strongly emphasize the importance of charging for products and services. Their intent is two-fold: ensuring that the clients have "skin in the game" and partial cost recovery. All stand by the generally accepted principles that people see greater worth in products that have a cost to them, and that paying for services is a proxy for the level of commitment of the participant. Because the institutions are aware of the varying economic levels of their customers, they charge more to those who are more capable of paying and less to those who are financially challenged. This is often reflected in the pricing strategy for different products.

Four of the members provide, or have experimented with, distance learning or distance services, seeing these as a natural for scale. Although each member's experience is at a different stage of development, each has had to grapple with similar issues: developing an appropriate platform for the delivery of services, determining the right content for users, and learning how to build communities of practice. The development of distance-learning products has been an iterative process, and programs developing them can expect that they will require substantial experimentation.

### *Client Retention and Customer Satisfaction*

Most Scale Academy members have determined that retaining at least some segments of their clients is important to their scale-up efforts. They have found that engaging with entrepreneurs at various points along their business development path fosters greater business success, supports job creation, and converts the entrepreneurs into advocates and financial supporters. Successful clients can both give back to other entrepreneurs within the program as well as create business-to-business markets among themselves. And, as an added benefit, organizations can earn income through services for more developed businesses. In consequence, Scale Academy members have developed several models to effectively retain clients, including membership programs, advanced coaching services and access to markets services.

Academy members also recognize that retention depends on customer satisfaction and have implemented a number of mechanisms to track client feedback. Their approach to customer service is grounded in these principles: providing multiple access points for client feedback, striving for quick and empathetic responses, and managing client expectations through clear descriptions of their short- and long-term plans to respond to any concerns raised.

### *Geographic Expansion*

Scale Academy business development services organizations have grown not only by expanding the services they offer, but also by expanding the target markets they serve. One member has a national target market. The others have statewide or region-wide target markets. Over time, the organizations have added offices and services for populations beyond their headquarters' markets, and have focused on deepening their penetration in existing areas.

Scale Academy members have used several strategies for expansion, including circuit riders, regional offices, mergers and acquisitions, the development of partnership strategies, and technology. Effective geographic expansion demands effective infrastructure, and the organizations have networked their phone systems and computers, and adopted Web-based management information systems and other document sharing and collaboration tools. Because business development services organizations function with streamlined staff at all locations, good infrastructure is needed to make it easy for remote offices to do mundane tasks and to enforce consistency where needed, yet be free to tackle important work in the way staff deems fit.

Members recognize that physical presence tends to facilitate trust-building with communities, which can speed the rate at which a program is accepted and can penetrate the market.

When organizations expand virtually, they also need to incorporate mechanisms to increase communication and build that trust. These can include demonstrating credibility through publishing success stories and making good resources available, making e-mail and phone numbers visible to virtual users for easy contact, and being quick to respond. Designers of virtual services also need to identify those moments when “high touch” is required to achieve positive outcomes and build that into the process accordingly.

### *Staffing and Structure*

Microenterprise development organizations are generally lean. Two of the Scale Academy members illustrate that leanness with two and six staff members respectively. The other four are relatively large, with staff sizes that range from 13 to 25. The organizations with the largest staffs all have multiple offices and multiple services. Each has developed structures that incorporate a growing range of skills to match its growing number of services, and that are designed to strengthen and support management. The organizations have also worked (or are working) to increase standardization of services. Several have created positions with responsibility for promoting that standardization. They have also documented policies and procedures, and job responsibilities, and have created inventories of tools for common use among client-facing staff.

It appears to take time to develop a nonprofit business development services organization of some substantial scale and capacity. In FIELD’s study of business development services organizations, 87 percent of the large scale organizations started before 1998. Only 46 percent of the small-scale organizations started during the same period. Among the Scale Academy BDS organizations, WESST is 22 years old. It has taken the organization time to grow to its current size and structure.

### *Sustaining and Growing a Business Development Services-Focused Program*

The financial crisis and economic recession that the country has faced for the last two years has had many impacts. For nonprofit programs, these twin crises have increased the traditional challenges in raising funds to sustain, much less grow, programs. The Scale Academy business development services providers have experienced the challenges that down-scaled foundation support has engendered. Yet, these organizations have, in the majority, found the funding environment in 2010 more welcoming. Even in an improving environment, however, the Scale Academy BDS organizations acknowledge that sustainability remains a challenge.

In search of greater sustainability, the members are expanding the teams that work on development, strengthening boards’ capacity in resource mobilization, adding development staff, and tapping the expertise of staff in earned income ventures. They are working to maintain current institutional sources of support, while building new individual donor bases. They are developing technological capacities to facilitate revenue generation and experimenting with new approaches to earned revenue. Although business development services organizations are often seen to be heavily subsidy-dependent and not as interested in earned revenues as microlenders are, this set of organizations is extremely committed to charging for its products and services and exploring multiple paths to increasing earned revenue.

Their experience suggests the importance of having a clear picture of the costs and revenues generated by each product and service offered. This type of cost accounting has often proved challenging for microenterprise development organizations, but it is essential to understanding which services are “loss leaders,” which “profit centers,” which have greater earned revenue potential, and which will demand donor support for survival.

## Conclusion

The industry-wide survey of microenterprise development programs conducted by FIELD in the fall of 2009 found that only a small number of business development services programs reach 500 or more individuals a year. Thirty-eight organizations, out of 266 respondents, reported serving at least that many in 2008. Among them are the Scale Academy business development services providers whose mean number of individuals served that same year was 1,033 and whose median was 1,041. On the one hand, growth for business development services providers has been easier than for microlenders. There are always many people trying to pursue the American Dream through business ownership, and the barriers to entry for business development services are, naturally, lower than those that entrepreneurs face when trying to access loans. On the other hand, generating the resources to provide robust, effective programs serving many different types of aspiring entrepreneurs is challenging.

The Scale Academy members demonstrate how to take on that challenge and grow. They have added services, grown their client base, and mobilized substantial resources year after year to pay program costs. They have done this while remaining committed to impact and scale, or impact with scale, and decisions regarding strategy always include calculations regarding the extent to which services produce both benefits.

Where do scaling business development services go next to continue to grow? The experience of organizations featured in this document point to technology-based strategies and to the development of clusters (sector-based and member-based) that offer entrepreneurs an array of options for staying plugged in and accessing services on a need basis. There will be continued efforts to serve new markets, such as ex-offenders and Latinos, with customized products and services, alongside efforts to standardize other, more developed services. There will be further testing of earned revenue strategies with social enterprise dimensions and continued building of infrastructure to keep services relevant, attractive and in demand.

Can other business development services organizations emulate these organizations' push to scale? Certainly, the path is not easy. Along the way, several Scale Academy members have had to face serious funding issues. Others have struggled with innovative programs that either have not worked as planned, or are taking longer to develop than ever anticipated. Yet, they have stayed in the game and persisted despite these challenges. Vision and persistence are characteristics available to others as well. The field needs more organizations that demonstrate these qualities and are willing to try new things to help grow the field to serve the many hundreds of thousands aspiring entrepreneurs that are out there.

# Introduction

Everyone in the United States aspires to the American Dream. And, one of the most commonly accepted paths to that dream is business ownership — a path strewn with hard work and many obstacles, but one that holds the promise of autonomy, respect, personal achievement, material well-being and family legacy. Millions across the country have taken this path, and many others want to. Estimates made by the Aspen Institute’s FIELD program (Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination) suggest that 10 million entrepreneurs and potential entrepreneurs face barriers in their pursuit of this dream, and find it challenging to access mainstream capital and other business development services.<sup>3</sup>

The microenterprise development field has emerged in the United States to help these 10 million. Recognizing that successful business ownership requires that entrepreneurs have strong skills, good connections to markets, networks and other resources, the field has emphasized the provision of training, technical assistance and an array of other business development services. Yet, recent research shows that their efforts have touched only a small part of this market. Responding to an industry survey that FIELD conducted in 2009, 270 programs reported that they collectively assisted 116,944 individuals in 2008. The mean number of individuals served per program was 433 and the median was 200. FIELD also documented the existence of 696 programs across the country, and based on submitted data, estimated that overall, 274,128 individuals likely received services that year.<sup>4</sup>

How can more be served and helped to build strong businesses? This question has become even more pressing as the country faces a high and persistent unemployment rate, and as data suggest the importance of small business to job creation.<sup>5</sup> Throughout the years, there have been a number of efforts undertaken by individual microenterprise development organizations (MDOs), and by institutions working collaboratively, to work on this challenge. The Scale Academy for Microenterprise Development, managed by FIELD, in partnership with the Association for Enterprise Opportunity, is designed to build on the lessons from these efforts and advance scale through a combination of operational grants targeted toward organizational capacity, technical assistance and peer learning. The initiative, funded by the Charles Stewart Mott Foundation and the Citi Foundation, with additional support from the U.S. Small Business Administration’s Program for Investment in Micro-entrepreneurs (PRIME) program for research, incorporates careful documentation of the experiences and lessons learned so that others can benefit. Launched in 2007 with support for eight grantees, the Academy has now grown to include an additional five organizations, which have joined the peer learning process.<sup>6</sup>

This document summarizes the experience and lessons of six Academy members — those that have focused on scaling their business development services. Representatives of these organizations have engaged in a year-long peer process exchanging their experiences and reflecting on the lessons that emerge. Their performance demonstrates what high-volume business development services look like in the United States right now, as well as what the frontiers of practice look like.

<sup>3</sup> Elaine L. Edgcomb and Joyce A. Klein, *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States* (Washington, D.C.: The Aspen Institute/FIELD, 2005), 16; available from <http://fieldus.org/Publications/FulfillingthePromise.pdf>; Internet.

<sup>4</sup> *U.S. Microenterprise Census Highlights FY2008 Data* (Washington, D.C.: The Aspen Institute/FIELD, 2010); available from <http://fieldus.org/Publications/HighlightsFY2008.pdf>; Internet. This document summarizes survey findings, presents some trend data on the growth of the field, and provides an estimate of the field’s size. Details on the estimation methodology are included.

<sup>5</sup> “According to the U.S. Department of Labor Bureau of Labor Statistics, small businesses create about 65 percent of the net new jobs (Business Employment Dynamics figures); according to the U. S. Census Bureau, they create about 90 percent (Statistics of U.S. Businesses.)” U.S. Small Business Administration Office of Advocacy, *Small Business Research Summary: An Analysis of Small Business and Jobs* (March 2010), No. 359, 2.

<sup>6</sup> Grantee members include: ACCION New Mexico•Arizona•Colorado, ACCION USA, ACEnet, Justine Petersen, Mountain BizWorks, Opportunity Fund, and WESST. Learning Group members include: ACCION Chicago, Appalachian Community Enterprise, MercyCorps Northwest, MercyCorps/MicroMentor and Renaissance Entrepreneurship Center. Microbusiness Development Corporation of Colorado was funded in the first year of the Academy, but has since ceased operations. More on these organizations can be found at: <http://fieldus.org/Projects/ScaleAcademy.html>; Internet.

## Scale Academy Business Development Service Organizations

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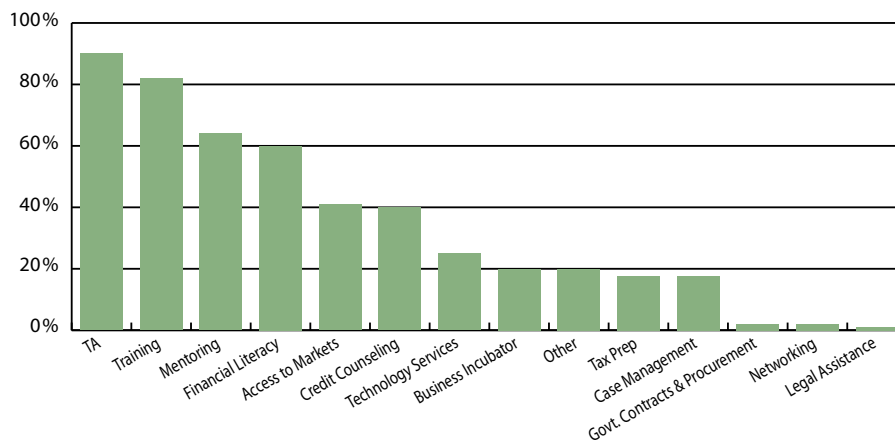
## Defining Scale

Any conversation about scale in the microenterprise industry invariably leads to the question: “What do you mean by scale?” The research and literature review conducted in preparation for the Scale Academy identified multiple definitions used by the industry.<sup>7</sup> For the purposes of the Academy, scale describes the goal of serving large numbers of individuals. In addition, it incorporates the concepts of increased market penetration and of achieving economies in service delivery, which, in turn, can lead to greater organizational sustainability and deepened social impact. Academy founders and participants also envisioned that scale is about transformative rather than incremental growth, and that it involves a significant departure or leap forward in an organization’s way of doing business. The members selected were judged to have already made significant progress in increasing their scale and to be pursuing strategies with the potential to yield further significant advances.

## Defining Business Development Services

Business development services is the term used to define the full array of non-financial services offered by MDOs to those who seek their services. Designed to help entrepreneurs start and grow their businesses, they include training and technical assistance, which are the most common services, but also many others. FIELD’s industry survey found that 92 percent of reporting organizations (n = 266) provided one-on-one technical assistance, and 85 percent provided group-based training. Additionally, many programs offered more specialized services such as coaching and mentoring (66 percent), financial literacy (61 percent), and access to markets services (42 percent). Figure 1 below illustrates the range of business development services offered.

**Figure 1: Business Development Services Provided**



Source: U.S. Microenterprise Census Highlights FY2008 Data (Washington, D.C.: The Aspen Institute/FIELD, 2010), 3; available from <http://fieldus.org/Publications/HighlightsFY2008.pdf>; Internet.

<sup>7</sup> “FIELD-AEO Scale Survey Findings” (Washington, D.C.: The Aspen Institute/FIELD, 2006), 3; available from <http://fieldus.org/Projects/pdf/ScaleSurveyFindings.pdf>; Internet. A survey of 135 microenterprise practitioners found that, while a majority defines scale as the number of clients served in a given fiscal year (73.9 percent), many also define it as market penetration, cost-efficiency, loans outstanding, organizational size as defined by budget, and in other ways.



## The Context for Scale

One important lesson from the first years of the Scale Academy is that an organization’s ability to reach scale will be deeply affected and conditioned by the context in which it operates. One of the significant changes that occurred since the launch of the Scale Academy is the eruption of the twin crises in the financial markets and in the U.S. economy. Interestingly, some initial warning signs of these emerging problems surfaced in early discussions among the Scale Academy members, perhaps a year before the crises hit. Even then, Academy microlenders were beginning to see increasing numbers of clients burdened by heavy levels of consumer and, in some cases, mortgage debt. As the crises continued to unfold, these lenders experienced increased demand from loan applicants, especially from business owners shut out by banks, as well as increased portfolio quality issues as borrowers experienced economic reversals. Business development services providers have also seen their markets change. Stressed businesses have sought help with survival strategies, looking for guidance on how to access new markets as well as reduce costs and improve balance sheets. Many unemployed have decided to explore business ownership and seek help with feasibility analysis and business planning. This has fueled growth in numbers served for several Scale Academy members. At the same time, not all markets are the same. Some Scale Academy business development services providers have reported that caution has seized aspiring entrepreneurs in their target areas, reducing a traditional client group.

Business development services organizations are also highly subsidized. While they generate some earned revenue, many depend substantially on philanthropy. And, a number have experienced constrictions in the funding available to them. In addition, more attention has been focused on the capital needs of entrepreneurs, and Federal dollars have tended to flow in that direction, while less has been made available for training, technical assistance and other services. This has increased the challenge for MDOs seeking to expand their business development services.

## The Progress Made

ACEnet, Mountain BizWorks and WESST entered the Scale Academy in mid-year 2007. MercyCorps Northwest, MicroMentor and Renaissance entered in mid-year 2009. The table below documents their scale in terms of the number of individuals assisted. There are two categories of individuals included in the chart. Participants include all who received any level of service during a given year (from short course to consult to long-term training and support). Clients represent a subset of that number and include only those who have received substantial service in a given year. (This would include anyone with an outstanding financing product, or who has participated in a level of services that the program believes is adequate to produce observable outcomes. The rule of thumb is 10 hours of service or more.)

**Table 1: Participants and Clients Served by Business Development Services Providers**

	FY06	FY07	FY08	FY09	Percent Change 2006-2009
<b>ACEnet</b>					
# of Participants	n/a	1,015	1,094	1,279	26%
# of Clients	578	943	1,094	1,279	121%
<b>MercyCorps Northwest</b>					
# of Participants	289	372	561	641	122%
# of Clients	195	253	344	382	96%

*(continued)*

**Table 1: Participants and Clients Served by Business Development Services Providers**  
(continued)

	FY06	FY07	FY08	FY09	Percent Change 2006-2009
<b>MicroMentor</b>					
# of Participants	116	135	743	1,410	1,116%
# of Clients	32	45	409	847	2,547%
<b>Mountain Biz Works</b>					
# of Participants	699	1,527	2,152	2,017	189%
# of Clients	661	744	1,173	1,266	92%
<b>Renaissance Entrepreneurship Center</b>					
# of Participants	759	861	949	1,075	42%
# of Clients	356	323	431	439	23%
<b>WESST</b>					
# of Participants	1,138	1,267	1,527	2,336	105%
# of Clients	499	595	725	592	19%
<b>Totals</b>					
# of Participants	3,001	5,177	7,026	8,758	192%
# of Clients	2,321	2,903	4,176	4,805	107%

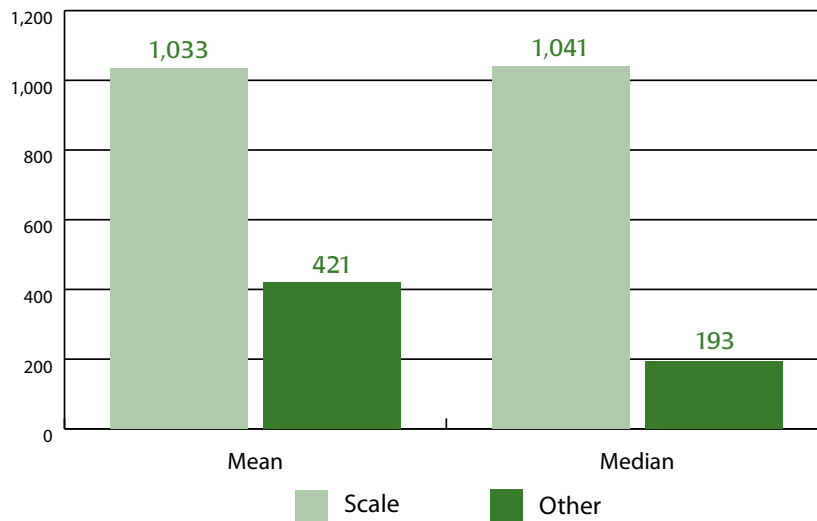
As the numbers show, in aggregate the Scale Academy business development services providers served 8,758 participants in 2009. They also served 4,805 clients. From 2006 through 2009, the aggregate number of participants served increased at least 192 percent,<sup>8</sup> and the number of clients served increased 107 percent during that same period.

All of the organizations have reported positive growth between 2006 and 2009. Four have more than doubled the number of participants served. Four have doubled or nearly doubled the number of clients served. The increase in the number of participants is not surprising. As these organizations have grown, they have added differentiated services allowing people to more specifically access what they need – from a few hours of service to many. As the economy has worsened, many programs also have seen more seekers – individuals pursuing a business idea in substitution for, or in addition to, a job. Many of these drop out as their further analysis, with the support of the programs, makes it clear that business is not for them, or that the timing is not right. In addition, MicroMentor’s growth has accelerated as it has improved its platform and increased its marketing. And, ACEnet and Mountain BizWorks have grown as they have developed structures that support clients’ long-term engagement with the organizations.

A second way to assess the results of the Scale Academy business development services providers is to compare them to those of the industry as a whole. Although comparative data on non-Academy members is not available for 2009, a recent survey captured information on the 2008 performance of 260 other business development services providers across the country. These data demonstrate the size of Academy members relative to others in the field. Figure 2 on the next page reports the median and mean number of individuals served by Academy members versus the others that provided business development services. As can be seen, the differences are considerable. The median number of individuals served is over five times that of other survey respondents. The mean is almost 2.5 times that of others.

<sup>8</sup> Because of missing data on participants from ACEnet for 2006, it is assumed that the number of participants would be higher by at least 578 and possibly more.

**Figure 2: Number of Individuals Served by Scale Academy and Other Business Development Services Providers – FY2008<sup>9</sup>**



Although trend data for the years 2006 to 2008 are not available for the overall field, MicroTest does have longitudinal data for 30 other business development services providers for this time period.<sup>10</sup> During the three years, the six Academy business development services organizations increased the aggregate number of individuals served by 192 percent, while the others tracked through MicroTest experienced an aggregate increase of 4.7 percent. The aggregate number of clients served by Academy members increased by 107 percent, while that of the others increased by 9.7 percent.

Median data from MicroTest also illustrate the differences in growth between the two groups. The median number of participants for Scale Academy members increased 46 percent from 2006 to 2008, compared to an increase of only 4 percent in the median for 28 MicroTest members. The median number of clients served by Scale Academy members increased by 35 percent, compared to a 10 percent increase in the median for 30 MicroTest members.

The following pages summarize the experience of the Scale Academy business development services organizations during the past three years and offer lessons for practitioners and funders based on that experience. Discussions focus on their efforts to build strong organizations, provide a broad menu of products and services, retain clients and help their businesses grow, structure their organizations for efficiency and effectiveness, and work towards sustainability. Their progress toward scale is incomplete, but the models they offer, and the approaches they are trying, provide valuable insights for others also seeking to scale their services to help more achieve the American Dream.

<sup>9</sup> Figure 2 provides the number of individuals served. This differs from the “participants served” measure reported in Table 1. The MicroTest participant measure specifically excludes inquiries, whereas “individuals served” data collected in the field-wide survey did not explicitly exclude inquiries, and may have been included by some respondents.

<sup>10</sup> MicroTest, an initiative of FIELD, is a management tool that empowers microenterprise practitioners to gauge and improve the performance of their programs and the outcomes of their clients.



# The Drive for Scale

Where does the drive for scale come from? The Scale Academy business development services providers cited several loci within their organizations.

For some, like MicroMentor, the drive for scale is embedded in the organization's mission. The intent of the mentoring service is to work nationally connecting aspiring entrepreneurs with the right mentors, wherever each might be. As a national platform, volume increases the potential for better matches, the impact on businesses across the country, and the efficiency of the operation.

For others, the drive often comes from the CEO, whose vision is to increase the impact of the organization through reaching more clients and growing the number of services offered to create a more integrated or holistic strategy that can support entrepreneurs at different stages of development.

Several organizations have been driven to scale by the demand coming from the market. ACEnet clients and potential clients have pressed the organization to create more spaces in its kitchen incubator and to provide more help in accessing markets and increasing revenues. WESST experienced requests from entrepreneurs four and five hours from its headquarters in Albuquerque, leading it to expand geographically. Sometimes the characteristics of clients also confront an organization with the need to look for new, scalable approaches. ACEnet found itself facing requests for help from more and more small-scale "lifestyle" businesses and needed an approach to help them efficiently. Its brands strategy, which has propelled the organization's growth over the last few years, was designed, in part, to aggregate these clients into a program that provided value for them and fit the organization's capacity.

On a few occasions, the board may be a driver. MercyCorps Northwest, for example, had a board member interested in pushing the organization forward to greater growth. But, whether the board initiates the vision for scale or not, its role as a collaborator in defining and executing that vision is critical. Because scale requires greater resources, and can also involve institutional transformation, the board must be engaged in the strategic planning that forms the roadmap for the organization and in helping raise the funds to execute it. As one executive director noted, "An organization cannot even attempt to try to go down the scale path without active sustained involvement of the board." To that end, several Scale Academy members have focused on board development as a key element in the organizational work they have done to support their scale strategy, seeking to incorporate members with entrepreneurial characteristics and a stronger commitment to resource mobilization.

The support of staff for scale is less given. Several Academy members have observed that staff commitment can not be assumed. Strategies aimed at scale may raise discomfort. Long-term staff members have feared that the changes may translate into less attention to individual clients or an orientation away from those who are most disadvantaged. Others are concerned about increased work loads if new ways of doing things are not incorporated. Renaissance Entrepreneurship Center contracted with an external consultant to design and facilitate a visioning session with staff to address concerns like these, and has created other opportunities for staff discussion.

No matter where the initial drive for scale comes from, sustaining the vision requires mechanisms that keep all components of the organization focused on achieving it. All the Scale Academy members use the word accountability to describe their approaches to defining, tracking and assessing performance in accordance with key metrics. The emphasis is on organizationally-defined, as opposed to funder-defined, metrics, and ones that focus the institution on both numbers and client impact. Renaissance Entrepreneurship Center uses a monthly dashboard report to its board members, including progress to date on strategic planning goals, staff changes and key financial data, along with fuller annual reports, to keep them connected to institutional progress. Others have created similar tools for staff. WESST has observed that tensions can arise when numbers become a focus, and, therefore, it is important for an organization to balance quantitative tracking with qualitative assessment of progress as well, "We need to be constantly evaluating on the quantitative without losing our heart."



These experiences suggest several lessons for business development services organizations and funders:

- The impetus for scale can come from several places within an organization, but must be connected to market demand.
- The internal driver must be the CEO, but that leader can not do it alone. The board must be behind the vision for scale and actively support it, both intellectually with skills and connections, and financially. Organizations with ambitions to scale must populate their boards with members who get this vision and accept the responsibility that goes along with it. Attention to board development, then, is a key to making any scale strategy work, and where board capacity is lacking, this must be the first step.
- Staff support for scale can not be assumed. In fact, resistance can come from those who fear a transformation in the way things are done. Leaders need to overcome the impression that is sometimes held that scale implies less value for clients, and emphasize that it implies new approaches that more efficiently and effectively match needs and services. It is important for organizations to engage in staff development to build cohesion as well as create the competencies required for new approaches.
- Keep numbers front and center. The right metrics can help create a convergence of understanding among staff, board, management and clients. Regular check-ins are essential as the institution pushes toward longer-horizon goals.
- Funder collaboration and alignment is critical to ensuring that their financial investments enhance the overall mission and strategy for scale. To that end, thoughtful consultation with funders within the context of strategic planning can increase their understanding of how institutional investments can contribute to their aims of greater client impact.
- Build the criterion of scale into all decisions: when considering adding a new product or service, ask if it can scale. As ACEnet has done with its brands strategy, and MicroMentor with its technology platform, as Mountain Biz Works has done with the development of a membership association for clients – each of which has the capacity to absorb growing numbers – building an assessment of scalability into product design can sharpen the decisioning around each step the organization takes.

# Market Research and Marketing

## Market Research

Market research has been a constant preoccupation of scaling microlenders. Given how challenging it has been for them to find increasing numbers of viable borrowers, most have sought resources to help them better understand market characteristics and demand, to improve messaging, and to increase the attractiveness of products and process to applicants. Although the barriers to access to business development services products are lower (and, therefore, recruiting promising clients less an issue), scaling business development services providers have also found it important to invest in market research for several purposes:

- *For advocacy:* ACEnet collected data on the numbers of active businesses and rates of business formation in a three-county area and found their numbers falling, which raised an alarm for increased support to this sector. WESST has also collected data to document the role of small business in New Mexico's economy and, in particular, in job creation.
- *For understanding the characteristics of new markets:* Mountain BizWorks is collecting data on the Latino market in western North Carolina as it expands its services to that population. Renaissance Entrepreneurship Center completed a needs assessment in one target region, and, finding substantial numbers of home-based businesses, has developed a proposal to support that market.
- *For developing outreach strategies:* MicroMentor has surveyed organizations that could potentially serve as partners, and has launched an affiliate program based on the results.
- *For informing product offerings and pricing:* MicroMentor has also surveyed current users of its platform to assess their willingness to pay a user's fee and what the pricing might be. Because of a high negative response rate, the organization has decided against instituting a fee structure at this time. MicroMentor also runs continuous reports using its Salesforce-based management information system, which feeds staff's understanding of client outcomes and helps them understand where to make changes on their Web site. This feedback also led staff members to understand that entrepreneurs were seeking access to more general networking, and so they created communities' pages and a question and answer site in response.

In doing this work, these Scale Academy members have faced the usual challenge of resource scarcity. Funding for in-depth market research is hard to come by. Because of that, they use the most cost-efficient methods possible: drawing on secondary sources of data, using interns and data collected through regular interaction with clients. But, even having staff time to collect and analyze secondary data is challenging for some. At the same time, organizations like Mountain BizWorks recognize the value of being seen as an expert on these issues in their regions. The organization is seeking to incrementally grow its capacity to analyze and use this data.

## Marketing

All of the Scale Academy members have invested in marketing and seek to expand the methods used. Several in the group have engaged in full-scale rebranding to complement their broadening vision of themselves, their target markets or their services. Mountain BizWorks changed its name from the Mountain Microenterprise Fund and adopted a tagline, "training, financing, opportunity," to communicate more clearly what the organization was about. It found that the term "micro" was off-putting to many potential clients. The term "fund" implied that financing was its principal offering, when, in fact, training and technical assistance were the more common services, and when it wanted to convey that it had a range of offerings. The new name was also easier to say

and remember. Along with the new name and tagline, the organization created a new logo and Web site, and invested in smart, more attractive collateral materials.

WESST also decided that the launch of its multi-million dollar Enterprise Center was an important moment for rebranding. As the Center included an incubator, new training facilities, and space for video production and other services, WESST wanted to make clear its more ample mission and increased services. Its tagline – “the place to **start** and **grow** your business” – conveyed a message that the organization now offered services along the continuum of entrepreneurial development. In its full name, Women’s Economic Self-Sufficiency Team, it still emphasizes its core focus on low-income women and on minorities, but its overall messaging welcomes a broader range of aspiring entrepreneurs.

After expanding through mergers and acquisitions, Renaissance Entrepreneurship Center also needed to rebrand and ensure that the combined entity used the same name and messaging. The organization worked with a Taproot Foundation pro bono team to develop and implement its rebranding strategy. The organization’s mission is described as empowering and increasing the entrepreneurial capacities of women and men of socially and economically diverse backgrounds.

In all three instances, a key part of the intent was to broaden external perceptions of what the institution offered and to whom it was offered. While not denying their roots in microenterprise development, the organizations wanted to connect with a broader market of entrepreneurs who do not self-identify as microentrepreneurs (whether they are or are not such), and to demonstrate in clearer, livelier looks and messaging their value as entrepreneurial support organizations.

In addition to these major rebrandings, Scale Academy business development services organizations have used other tools to increase their outreach:

- *New media:* Mountain BizWorks, MicroMentor, MercyCorps Northwest and others are using FaceBook and Twitter. ACEnet is posting on blogs to announce events and send other messages to its clients and potential clients. MicroMentor is reaching out to low-income entrepreneurs using MySpace and to mentors using LinkedIn. ACEnet is using more e-mail blasts to its markets.
- *Increasing community presence:* All Mountain BizWorks staff are expected to sign up for, and attend, community events. The organization aims to cover as many as possible. WESST has opened up its new center for the meetings of other groups. ACEnet has used partners to increase its visibility.
- *Leveraging Bricks and Mortar:* Both WESST and ACEnet have business incubators housed in buildings owned by the organizations. Both reported positive effects from having a physical presence, including increased visibility and credibility with entrepreneurs and other stakeholders in the community.
- *Connections with local press:* MercyCorps Northwest has strong connections with several local publications and works to place stories of its clients in them. Mention of MercyCorps is, of course, embedded within them. Mountain BizWorks has had the editor of the major Asheville newspaper on its board. Its communications director, based in Asheville, has also adopted a strategy of working within each regional office on a regular basis helping those offices develop outreach to the key local press in each of their locations. This has resulted in expanded coverage across the area.



These experiences suggest several lessons for business development services organizations:

- Market research is essential, but, given scarce resources, it needs to be well-targeted. Methodologies and investment of resources should follow purpose, and business development services organizations should seek partners that can help them collect or access key quantitative and qualitative data.
- Funder investment in market research could be critical to helping business development services organizations scale, as it can help them understand and define new markets, fine-tune products and services, and develop better pricing and resource mobilization strategies.
- Find ways to mine all interactions with clients to generate useful data. Finding out how clients come to programs will help identify effective communication channels. Tracking clients' use of – and feedback on – services will help fine-tune products and services. Beta testing is also valuable in developing new services.
- Rebranding campaigns have been effective for organizations in increasing visibility and repositioning in the marketplace. While costly, most institutions that have been through the experience report that it has been worthwhile.
- It is important not to underestimate the importance of a marketing strategy and plan. Planning ensures the development of a strong and consistent image and messaging, understood and used by all staff. It is essential to taking advantage of all media in a thoughtful way and in helping prioritize those most likely used by target markets.

# Business Development Services Products

For many years, the centerpieces of business development services have been business plan training and one-on-one technical assistance. As microenterprise development organizations have grown, they have expanded the range of training offerings and incorporated mentoring services, incubators, tax preparation services, financial education and credit counseling, technology services and others. The most recent industry-wide survey of microenterprise development organizations found that large-scale MDOs offering business development services tended to offer more services than small-scale organizations.<sup>11</sup> Growth has come for these organizations, not just by extending a few core products and services, but also by adding services to their programs. This type of growth is more challenging as it requires adding new capacities and, sometimes, structures to deliver new services. Investments in technology, incubators and access to markets services, in particular, demand substantial resources to do well.

Many of the Scale Academy business development services (BDS) members exemplify this growth through addition of services. WESST, for example, has, since joining the Scale Academy, built the WESST Enterprise Center, which houses its offices, training facilities, a new incubator and soon a distance-learning studio to enhance its video production capabilities and distance-learning offerings. Mountain BizWorks, always an organization with a strong training program, has added a strong membership program and two new coaching programs tailored to specific client niches. ACEnet has expanded from its work in the foods sector to the artisan sector, and has broadened the services to both by creating brands that serve as the umbrellas for an array of access to market strategies. Table 2 below summarizes the products and services of each Academy member and the pricing that they have set for each of them.

**Table 2: Scale Academy Business Development Services (BDS)**

ACEnet		
BDS Service	BDS Description	BDS Pricing
Food entrepreneurship workshops	12 modules or six-part series as a package, focused on designing or expanding specialty food businesses	\$20 per workshop, \$15 per Webinar; \$200 for the series (including five hours of technical assistance)
Business art workshops	6 modules focused on business development for art entrepreneurs	\$25 per workshop, \$20 per Webinar; \$125 for the series (including five hours of technical assistance)
Farmers' Market	6 Food Ventures workshops and 3 Webinars designed to help food entrepreneurs access farmers' markets	\$15 per workshop, \$15 per Webinar; \$100 for the series (including two hours of technical assistance)
BEST (Business Education and Support) general business training	30 modules designed for people interested in starting or expanding their businesses. Business planning, market research and marketing, finances and accounting, legal issues and human resources are covered.	\$20 per workshop; \$200 for 12 workshops
Student entrepreneurship training	Business education support and training for high school students – 10 weeks, 40-80 hours	Pricing variable based on contracts with schools
Business Development Institute	12 workshops over 10 months designed to help strengthen businesses at startup or transition stages	\$200 per package (including an additional 10 networking sessions and 20 hours of technical assistance)
Retail-Ready	3 modules designed to assist entrepreneurs prepare products for sale in grocery stores, restaurants or to institutions	\$25 per workshop; \$25 per Webinar
Regional Flavor strategies	3 modules designed to help entrepreneurs understand how regional flavor strategies can be applied to build markets	\$25 per workshop; \$25 per Webinar

(continued)

<sup>11</sup> Large-scale organizations were defined as having served 500 or more individuals with training and technical assistance services in 2008. Small-scale organizations served fewer than 500. More comparative analysis of the two groups can be found in: Elaine L. Edgcomb and William Girardo, *Key Data on the Scale of Business Development Services* (Washington, D.C.: The Aspen Institute/FIELD, April 2010); available from <http://fieldus.org/Publications/KeyDataBDS.pdf>; Internet.



**Table 2: Scale Academy Business Development Services (BDS) (continued)**

<b>ACEnet</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
Practitioner “train the trainer” workshops	Package of train-the-trainer workshops for partner organizations seeking to use ACEnet content in outlying markets. Package includes sessions for trainers and co-trained sessions directed to entrepreneurs	Variable depending on contract
Art of Ohio	A package of services to train, register and market someone under the Art of Ohio brand. Services range from intake processing to listing in the on-line and print artist directory to participating in art fairs as part of the Art of Ohio brand	Fees range from a \$20 directory listing to a \$20 event vendor fee. Members pay a commission of 30% on all Web site sales and 15% of retail sales with a \$250 annual maximum.
<i>Food We Love</i>	Marketing, branding, and limited distribution of shelf-stable food products through the <i>Food We Love</i> brand	Participants sell product cases 15% below standard wholesale cost to ACEnet
Office services	Includes services such as copying, fax, label design and printing, marketing services and conference room rental	Fees range from \$0.10 a copy to \$35 for the first hour of marketing services, to a \$50 fee for label design services
<b>MercyCorps Northwest</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
Business plan training	Basic business plan training based upon the <i>Foundations</i> curriculum developed by Mountain BizWorks	\$150
Seminars	Short workshops on many business-related topics. Subjects range from specific trainings on payroll and marketing to broader topics like writing for the Internet and good presentation skills.	\$10 (increasing to \$25)
Mentoring	Mentoring services provided through MicroMentor	Free
<b>MicroMentor</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
Mentoring	On-line matching of entrepreneurs with volunteer mentors	Free
Affiliate programs	Access to mentoring platform for microenterprise organizations implementing locally-managed mentoring programs	Basic access to the MicroMentor Affiliate Program is free and includes access to a database of mentors, the ability to create a group page that can be used to manage and communicate with clients, and 1-2 hours of program consultation. A more in-depth affiliate administrative portal is being planned with an annual subscription fee.
<b>Mountain BizWorks</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
Business plan training	Basic business plan training using <i>Foundations</i> curriculum developed by Mountain BizWorks (24-hour course)	Sliding scale - clients pay \$95-\$350
Short-term training classes	Financial tools using QuickBooks, payroll, social media, marketing and sales	\$40-\$170 (depending on the length of the course and status of the client). Each class has 3 prices: member, alumni, public. 3 hour course: \$40, \$65, \$90 3-5 hours: \$55, \$80, \$120 6-8 hours: \$65, \$100, \$140 9-11 hours: \$75, \$120, \$160 12-15 hours: \$85, \$140, \$170

(continued)

**Table 2: Scale Academy Business Development Services (BDS) (continued)**

<b>Mountain BizWorks</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
GO: "Growth through Objectives" coaching program	Coaching program designed for graduates of <i>Foundations</i> course needing help in implementing business plan OR existing business looking for help to solve a problem	\$250 (15 hours over three months), plus membership required
EDGE coaching program	Coaching program designed for growth-oriented, profitable, existing businesses	\$350 assessment, then \$75 per hour for coaching
Networking opportunities	Artist Alliance, Green Business Alliance, Asheville Business Alliance, SheBiz, Latino Business Networking Forum, Women's Business Alliance, Black Business Alliance	\$5-\$25 to attend (includes food and a speaker); discount or free for members.
Membership	Annual Membership (includes access to marketing opportunities through MBW, 3 hours of professional assistance, 3 hours of in-house coaching, access to 1-1 coaching as well as access to a range of other services)	\$120 a year
<b>Renaissance Entrepreneurship Center</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
Business feasibility training	4-week class for pre-business clients	\$25-\$150
Business planning and start-up training	14-week, 80-hour course	\$25-\$750
Advanced business classes	10-week, 24-hour course	
Green business training	3-4 weeks, 12-16 hours	
Financial workshops and technical assistance	One-on-one assistance and workshops on financial literacy and other business development topics	Workshops average \$15; no charge for technical assistance
Topical and skill-building workshops		
Women's Business Center, training and technical assistance	One-on-one consulting, training classes, workshops	\$10-\$750
Incubator	Low-cost office space and business support services	Price varies depending on office space and services provided
<b>WESST</b>		
<b>BDS Service</b>	<b>BDS Description</b>	<b>BDS Pricing</b>
Start Smart	4-part series on business feasibility for pre-business and start-up clients	\$49-\$75
Business planning	6-week, 1-hour course on basic business planning	\$120-\$150
MarketLink	6-week course designed to help clients develop more effective marketing strategies	\$200
Individual workshops	Internet marketing, search engine optimization	Free-\$39
Distance-learning workshops	Webinars and video training	Free-\$29

(continued)



**Table 2: Scale Academy Business Development Services (BDS) (continued)**

WESST		
BDS Service	BDS Description	BDS Pricing
Training for other organizations	“Train the trainer” services for other nonprofit organizations on business development services content; WESST also provides technical experts for other organizations that promote and host a training event	\$1,000-\$2,500 a day
Women’s Business Center technical assistance	One-on-one consulting	Free-\$50 an hour
Web marketing consulting	One-on-one technical assistance in search engine optimization and Internet marketing	\$25-\$1,500 per project depending on scope and scale
Incubator	Office space and services for growth-oriented businesses	\$599 a month and up

There are a number of drivers that have propelled the growth in products and services:

- *Response to market need or demand.* WESST, for example, found in working with women artisans that, although these clients had great strengths in terms of their craft, their understanding of and approach to marketing severely limited their financial opportunities. MarketLink, a special course that acknowledged the artisans’ needs for skills building and attitudinal change, was launched in response.
- *Need for increased efficiencies in meeting specific client needs.* One size does not fit all. As the MDOs have experienced a broad array of aspiring entrepreneurs coming to their doors, they have sought ways to channel them to services that meet their needs and to dedicate more staff resources to those with the highest potential positive impact. So, several have created short-term business feasibility classes for explorers, rather than include them in longer-term business planning classes. Mountain BizWorks’ two coaching services give it vehicles to focus on the particular needs of start-ups on the one hand (often graduates of its *Foundations* business planning course), and growth-oriented businesses on the other.
- *A recognition of the value of connectedness and networking to training graduates.* Business development services programs understand that business success is partly related to skills building, which training provides. But, it is also about access to networks and current information, connections to market opportunities, and just-in-time support. It was to serve these ends that Mountain BizWorks’ membership program was designed. The package includes: access to marketing opportunities through Mountain BizWorks, three hours of professional assistance, three hours of in-house coaching, access to one-to-one coaching, discounts on classes and seminars, as well as access to a range of other services. The membership program also provides benefits to Mountain BizWorks: the close and ongoing contact provides vital information on client needs as they change over time. ACEnet’s brands strategies, *Food We Love* and *Art of Ohio*, also enable its clients to participate in marketing programs that include access to a community, to retail opportunities, and to specific types of technical assistance. These brand strategies are designed to help businesses increase brand awareness and revenues, improve access to markets, and attract more entrepreneurs to ACEnet.

The intent, overall, is to offer a continuum of services that is responsive to the needs of entrepreneurs at different stages of development, and matches the intensity of the services to the goals, potential and commitment of the entrepreneur. (See Figure 3.)

**Figure 3: Relationship between Stage of Business and Service Intensity**



As they develop these services, Scale Academy members seek to balance effectiveness and efficiency. Getting this calculus right is challenging, and raises continuing questions about the approaches that should be taken to screening those who seek their services,<sup>12</sup> to guiding staff with respect to time allocation, to deciding which aspects of mission should get the most focus: is it poverty alleviation and serving the neediest? Is it job creation? Staff members of these organizations are consistent in their position that scale for scale's sake – as defined by numbers served – is an insufficient metric to assess the value of business development services. Achieving impact – through the creation of successful businesses, increases in jobs, movement out of poverty, and revitalized communities – is as important as the numbers served. At the same time, the higher the number of clients demonstrating one or more of these impacts, the more effective the organization is. While managers recognize that it is a both/and and not an either/or, they do experience tension as they push to implement a robust continuum of services.

A second consideration in developing services is, obviously, for scaling organizations, the scalability of new products and services. While not all products are expected to be scalable (an incubator can hold only so many tenants at a time; a coach can manage only so many clients at a time), all the organizations seek to create one or more products that are. As Gregory Ratliff and Kirsten Moy have argued in their research on scale in the community development financial institutions (CDFI) industry, scale requires the development of products that have strong market demand, that are developed over time using an iterative process of testing and refinement, that can be standardized and rolled out systematically and thoughtfully.<sup>13</sup> This process has to start at the idea stage (it is much harder to think about scaling a product after the fact if it was not designed with that notion in mind), and requires multiple rounds of trial and learning. MicroMentor's approach to its on-line mentoring program most exemplifies this approach. The organization has revamped its Web site, its backend, its methodology for matching, and its approach to supporting matched pairs of mentors and protégés multiple times as it has learned what has worked and what has not. Other organizations may not have as much experience with the product development process as MicroMentor, but ACEnet, WESST and Mountain BizWorks each have developed services that start with the notion of scalability and are evolving in response to experience. WESST's and ACEnet's experience with distance learning will be discussed below. ACEnet's brand strategy and Mountain BizWork's membership program also were conceived from the start as scalable services. Each has similar components: clients are clustered based on common interests (in ACEnet's case, it is sectors, in Mountain BizWorks', it is participation in the

<sup>12</sup> Most of the Scale Academy members are struggling with the issue of screening. Some, as discussed above, are trying to channel seekers to business feasibility classes or other, less intensive introductory services. Some, like MicroMentor, do not have a service for pre-business clients and are struggling to develop something that would make sense. Those with incubators (WESST, ACEnet and Renaissance) perforce screen applicants to select those who can best take advantage of the services. Most are trying to focus more of their resources on existing businesses with the belief that this will provide the greatest opportunity for impact, but still maintain pathways for start-ups.

<sup>13</sup> Gregory A. Ratliff and Kirsten S. Moy, et. al., "New Pathways to Scale for Community Development Finance," *Profitwise News and Views* (December 2004); available from [http://www.aspeninstitute.org/sites/default/files/content/upload/12\\_2004\\_pnv\\_new\\_pathways\\_to\\_scale.pdf](http://www.aspeninstitute.org/sites/default/files/content/upload/12_2004_pnv_new_pathways_to_scale.pdf); Internet.

organization's other services); they are offered a menu of services to select from depending on their needs with the expectation that there will be variability in use; and, there are networking opportunities for all members. Each organization continues to fine-tune these services to increase their scalability and their sustainability by working to match revenues and expenses more closely.

These business development services organizations are all still at the early stages of working through the scalability of their strategies, but their initial experience points to the paths that scale might imply for others.

## Pricing

Scale Academy BDS providers strongly emphasize the importance of charging for their products and services.<sup>14</sup> Table 2 above includes the pricing for most of the products offered by these organizations. There are two goals the organizations pursue with their pricing: ensuring that clients have "skin in the game" and partial cost recovery. All stand by the generally accepted principles that people see greater worth in products that have a cost to them, and that paying for services is a proxy for the level of commitment of the purchaser, or participant in this case. Students who pay for classes are more likely to attend classes, complete assignments and achieve graduation than those who do not. They are also more likely committed to the goal of business development.

The organizations also depend on at least partial cost recovery for their services to sustain their organizations. Because institutions are aware of the varying economic levels of their customers, there is an orientation to charging more to those who are more capable of paying and less to those who are more challenged. This is often reflected in the pricing strategy for different products. Renaissance Entrepreneurship Center offers a sliding scale for training workshops. WESST participants in MarketLink classes pay \$200, while incubator tenants pay \$599 a month and up, depending on the space and services used. Mountain BizWorks charges clients participating in its GO ("Growth through Objectives") coaching \$250 for 15 hours of one-on-one coaching over three months, helping implement the business plan developed through the organization's *Foundations* course. It charges more experienced, growth-oriented businesses a \$350 assessment fee and then \$75 per hour for its EDGE coaching services.

In addition, Mountain BizWorks offers payment plans for its Latino clients, allowing them to pay as they go when participating in long-term training. The organization uses these clients' performance in terms of "on-time" payment as an indicator of creditworthiness, and their track record informs the organization's response to their loan applications.

For some organizations, the earned revenue is substantial. ACEnet reported that 55 percent of its total budget came from earned revenues in 2009, including incubation rental fees and lease agreements. But, \$42,000 came from other business development services, including: fees and memberships from regional brands, industry specific fees (for product testing and assistance with product innovation), and workshops. For others, certain product lines are closer to self-sufficiency than others. Mountain BizWorks' EDGE program, for example, pays for itself.

More on how earned revenues fit within organizations' larger strategies for sustainability will be discussed in a subsequent section.

## Distance Learning

Four of the Scale Academy BDS members provide, or have experimented with, distance learning or distance services.

MicroMentor is fundamentally an Internet platform that matches aspiring entrepreneurs seeking mentors to volunteers with relevant experience, wherever they are located in the country. The organization also supports partner organizations (called affiliates) to use its platform for locally-managed mentoring programs and for creating communities of users.

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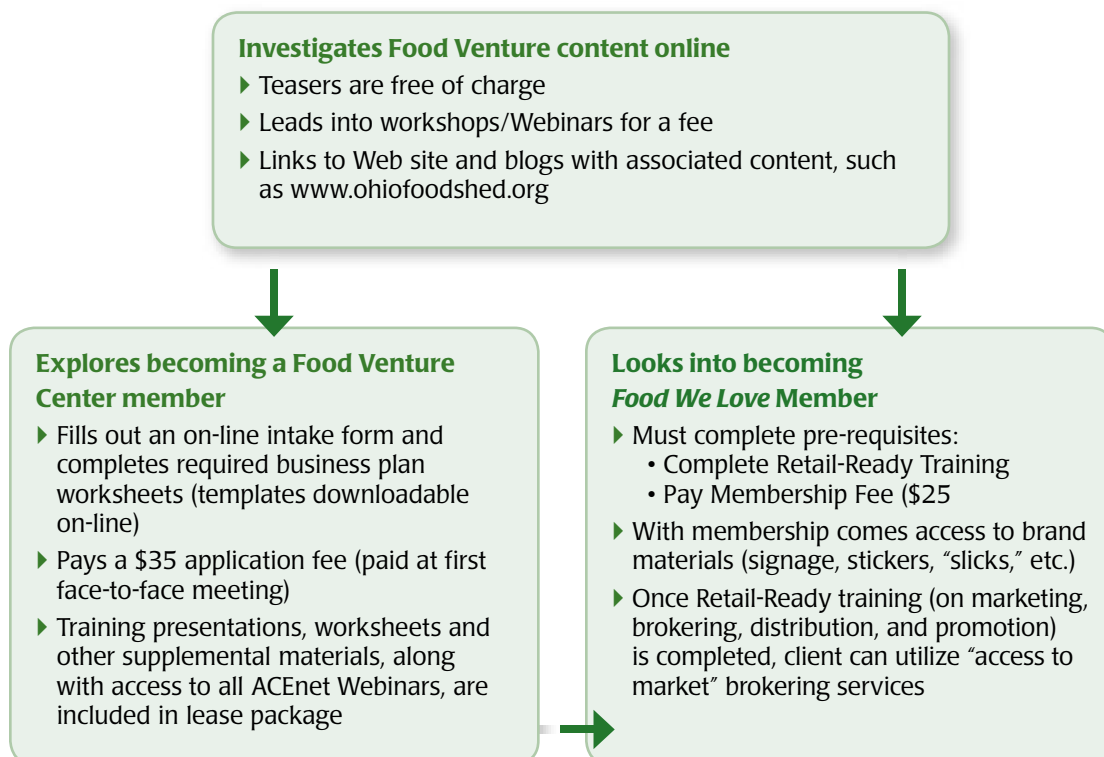
<sup>14</sup> All except MicroMentor charge for their core services. MicroMentor, however, is in the process of determining how best to monetize its mentoring service, and is philosophically committed to the same principles that the other Scale Academy members are with respect to charging for services.

WESST established [www.WESST.TV.org](http://www.WESST.TV.org) as a platform to deliver Webinars and video training. Designed first with the view to reaching entrepreneurs across the sparsely populated rural regions of New Mexico, WESST staff also has envisioned the program expanding to serve entrepreneurs nationally, especially in partnership with other MDOs. Because of the limitations of the technology platform on which WESST.TV.org was based, the organization is now transitioning distance-learning content to its own site and a second called [www.BizLearn.org](http://www.BizLearn.org), which it hopes to develop with partners.

ACEnet has incorporated distance learning tools into its services to expand the capacities of a small staff and to channel clients to less-intensive services until they require more customized assistance. To these ends, staff has used social media tools, like blogs, to market services and communicate basic content, often “teasers” to attract clients. Webinars reach both new clients exploring ACEnet services or specific issues, as well as longer-term clients seeking efficient ways to gain additional content or skills training. Staff also direct entrepreneurs, especially those in the foods industry, to tools and guides posted on-line, which they request be completed prior to technical assistance. Worksheets and business plan drafts then form the basis of phone and e-mail technical assistance. The organization’s core business planning curriculum, BEST (Business Education Support and Training), is now on-line at <http://www.acenetworks.org/training/general/>. Class members review content between weekly- or monthly-scheduled sessions. This curriculum is available free on-line, although the full value of the material is when it is used in conjunction with participation in training or technical assistance. (The food, farm and art curricula, on the other hand, remain proprietary.) Typical “pathways,” using the example of foods services clients are outlined in Figure 4.

MercyCorps Northwest developed a Web site, [www.pdxbizhelp.org](http://www.pdxbizhelp.org), to provide entrepreneurs access to quick content and some tools, as well as build a community among the users who could seek and get access to information from their peers. The site has received less attention as MercyCorps has moved to using MicroMentor, but the organization remains interested in building communities of like-minded entrepreneurs.

**Figure 4: Typical Pathways of Food Services Clients**



Each of these experiences is at a different stage of development. Each organization, however, has had to grapple with similar issues:

- *Developing the appropriate platform for the delivery of services.* Platforms are defined in different ways. In technology terms, they are frameworks on which applications can be run. They often integrate tested systems and processes for getting things done. MicroMentor, WESST and MercyCorps have all had to develop platforms to implement their services, post content, create communications vehicles, and provide tools. MicroMentor has been through several iterations of its platform as it has worked to improve the effectiveness of the matches that it makes (it has moved from algorithm-determined matches to more of a “dating service” strategy) and the efficiency and ease of the process for both mentors and protégés. It has integrated Salesforce to increase the capacity of the system to collect data, monitor activity and document effectiveness.

WESST also has used and discarded one technology platform. Its first distance learning effort, [www.WESST.TV.org](http://www.WESST.TV.org), was built on a platform – Clip-Share– which enabled staff to quickly post content and use it as a pilot, but its limited capacities for data collection and e-commerce make it problematic for long-term development. WESST is now upgrading its own Web site for enhanced audio and video capabilities, and is also testing a second site with better functionality and that can support a collaborative service with other MDOs. Several Scale Academy members are now exploring how to develop this platform together.

- *Determining the right content for users.* The Scale Academy members are exploring and testing which content works best in distance-learning settings and where gaps are in the marketplace. ACEnet has initially focused on the food sector and is working to modularize much of its content designed to help food entrepreneurs increase their market readiness. As discussed above, its focus has been on creating efficient ways to attract and introduce new clients to ACEnet services and to serve some ongoing technical assistance needs of longer-term clients.

WESST has experimented more broadly. [WESST.TV.org](http://WESST.TV.org) was put out into the market with a broad range of content. The organization was both testing how to reach new markets, as well as how best to integrate distance-learning products into its work with its current clients. In addition to basic business planning content, it placed special focus on its technology and marketing content. In about 18 months, [WESST.TV](http://WESST.TV) had 18,127 views and the limited data it was able to capture suggested that traffic was coming from a variety of sources, driven by news reports on ABC-TV’s affiliate in Albuquerque, WESST’s Twitter postings and others. The organization was not able to capture more data on the demographics or connections of these viewers to WESST, but the numbers suggest that the service was reaching a broad market. More data was captured on participants in live Webinars, however. A third of these users had received some in-person service prior to attending the Webinar, and 17 percent received one additional service from WESST over the following year.

User evaluations that WESST captured did suggest that the more tightly focused the content, the higher the satisfaction ratings from the participants. ACEnet videos focused on proper labeling for retail-ready products would be one example of that type of focus. As the organizations consider providing offerings to others beyond their current clientele (a natural interest for scaling organizations), the challenge is to determine which are those tightly-focused products that meet their clients’ needs and those of others.

- *Building communities of practice.* Communities of practice are groups of people who share a common interest or profession. Designed to help the members gain knowledge and develop their skills, they have been fostered in real and virtual settings. MercyCorps Northwest’s interest was to use its platform both to push content out to entrepreneurs in easily digestible ways, and to build a community among the entrepreneurs who came to the site and who could learn from each other. MicroMentor is also helping its affiliate programs develop communities of practice among their protégés and mentors, and has seen



user-generated groups form among its broader base of users as well. Current communities on the MicroMentor site are structured to facilitate networking among group members, provide a place for public conversations, highlight mentoring needs and questions, and offer access to other resources (videos, articles, templates, etc.) But developing a successful group is not the automatic consequence of creating a public space for connections to be made. MicroMentor's estimation of the groups it has helped form to date has been that although there have been some positive effects,<sup>15</sup> none has yet taken off, and that it will take staff at least a year to assess how best to support these structures. While the success of these communities depends ultimately on the members' interests and engagement, how they are structured and facilitated can make or break the group.<sup>16</sup> Among other things, as MicroMentor has found in observing its strongest communities, this requires a strong leader to promote the group to potential users, focus attention to conversation in the group, stimulate return engagement through refreshed content, and provide opportunities to participate at different levels.

While each of the four Scale Academy members discussed in this section are at early stages of offering distance services (except for MicroMentor, which was started in 2002), they all plan to increase their initiatives in these areas. WESST, in particular, has recently raised substantial funding to build out a distance-learning studio in its Enterprise Center, which will allow for high quality video production for live broadcast and recording in a dedicated 175-seat auditorium-style classroom. ACEnet has forged relationships with a university program to gain access to young talent to help produce content. Because they see distance learning as an opportunity for greater outreach, more efficient use of their human resources, and some revenue generation, this will continue to be an area of focus for scaling business development services.

## LESSONS FOR SCALE



These experiences suggest several lessons for business development services organizations:

- Developing a continuum of services is key. It provides opportunities for more types of entrepreneurs to participate, contributing to the scale of the organization. It also allows the organization to vary the level of intensity of its services to match client needs, goals and readiness. And, it supports the organization's efforts to increase effectiveness by having services that support entrepreneurs beyond the start-up stage.

- The design of business development services needs to be considered through multiple frames: (1) market need, (2) institutional capacity with a special focus on the unique attributes that the institution brings – or can bring – to the marketplace, (3) the relationship between volume, cost and efficiency, and (4) the potential for earned revenue.

- Charging for services is essential. Charging communicates value to clients, and a client's willingness to pay is also a signal of quality to others. In addition to signaling the client's estimation of the value of the services, payment increases commitment to, and accountability in, the training or technical assistance process, and it supports organizational sustainability. Developing the right pricing strategies is important. Match amounts to clients' capacities to pay and develop mechanisms to help lower-income clients pay.

*(continued)*

<sup>15</sup> Staff has observed some active participation among groups with strong leaders. In addition, staff has observed that participants who belong to a group tend to receive multiple answers to questions posted on MicroMentor's question and answer pages, and that the "answers are often well thought-out and considered."

<sup>16</sup> See Etienne Wenger, Richard McDermott, and William M. Snyder, *Cultivating Communities of Practice* (Cambridge: Harvard Business Press, 1st edition, 2002).

## Lessons for Scale *(continued)*

■ The development of distance-learning products is an iterative process, and programs developing these products can expect that they will require experimentation. Scale members' experience underscores the importance of using the most flexible technologies possible to avoid "tech lock in." As the organization learns, it will want to change its approaches; it may want to include features that it had not considered earlier, and it may want to capture data that it did not foresee. All of these functions will be harder or easier depending on the flexibility of the technology selected.

■ While technology is a key part of distance learning services, it is only a part. Organizations cannot assume that content that works in the classroom can be delivered in the same way. Designers will need to consider every aspect of the content to determine how it might need to be divided into modules, how key messages are best conveyed in a virtual setting, what tools can support user interaction, how to build relationships over distances, and how to provide strong customer service support.

■ Finally, distance learning is an area where collaborative work among MDOs can pay off in terms of increasing available content, expanding the market for products and services, and developing an efficient and effective infrastructure for delivery.

# Client Retention and Customer Satisfaction

To what extent are client retention and customer satisfaction integral parts of a scale strategy? Providing valuable products and services that result in positive client outcomes is clearly an end all Scale Academy members desire. Customer satisfaction increases the chance that clients will maintain their participation in services and achieve those outcomes. But how important is client retention? Who should MDOs want to retain and for how long? For some Scale Academy BDS organizations, this is not a simple question to answer.

## Client Retention

Some programs are intentionally designed to offer time-limited services to clients: incubators, for example, are designed to help emerging businesses with the expectation that they will outgrow incubator space and services and be ready to move on. One staff person noted, “You have to move some clients on or you’re just a landlord.” Mentoring programs, like MicroMentor, are designed to provide timely mentoring services to entrepreneurs with specific business development needs. Once clients obtain the targeted assistance they are seeking, they leave.

Most Scale Academy members have determined that retaining at least some segments of their clients is an important component of their scale-up efforts, and have identified three reasons why:

- Engaging with entrepreneurs at various points along their business development path allows an organization to:
  - Fulfill organizational mission not only by assisting entrepreneurs with the hard work of starting and formalizing nascent businesses, but also by helping them become strong and successful;
  - Generate earned income through products and services aimed at more developed business – funding which can be used to supplement highly-subsidized services for start-ups; and,
  - Support job creation and strong business growth for local economic development – a growing interest among MDOs and stakeholders.
- Clients can serve as ambassadors for the organization, allowing it to strengthen its outreach into target communities and build visibility and stakeholder support. In some instances, successful clients also become financial supporters of the MDO, leveraging “success stories” beyond grant writing and marketing efforts.
- Connections among entrepreneurs can create opportunities for both giving back and for developing business-to-business markets. For instance, one of ACEnet’s more established businesses, a graphic design firm, is available to design the first food label of newer food businesses assisted by ACEnet, as well as offer other services. In addition, increasing the connection to the communities in which they have been established, and where they have received services, can offer long-term economic benefit to those communities. These connections can encourage growing incubator graduates to stay close as they take the next steps in their development.

In consequence, Scale Academy members have developed a variety of models to effectively retain clients.

Mountain BizWorks focuses on providing *access to networks and an array of just-in-time resources*. As discussed in a previous section, its membership program includes up to three hours of coaching and three hours of professional referral services a year, deep discounts on training, access to computer labs, and office space and equipment. Members also are included in both a hardcopy and on-line business directory. Membership is required to participate in the GO! or EDGE program and encouraged for graduates of its training programs, and for borrowers. The



organization's experience indicates that clients do not take advantage of all the services offered by the program. In particular, the professional referral services that generate the greatest costs are least used, suggesting that the program is possibly viewed by members as an insurance policy. More frequently attended are the networking events and marketing opportunities (including being featured in the "member spotlight" section on Mountain BizWorks Web site and in the e-newsletter) that provide access to an already assembled community of like-minded entrepreneurs. From the perspective of Mountain BizWorks, this membership program enables it to efficiently promote entrepreneurial development across its target market, ultimately increasing the success of its participants.

MicroMentor and MercyCorps Northwest are also exploring developing communities of practice among entrepreneurs engaged in specific sectors or industries. As described earlier, these communities would enable entrepreneurs to learn from others engaged in similar businesses and share resources.

ACEnet offers sector-specific programs that increase access to markets for small-scale entrepreneurs through its brands for specialty foods (*Food We Love*) and artisan goods (Art of Ohio). These programs generate greater awareness and sales for individual entrepreneurs through the umbrella brands, enabling them to reach markets difficult to penetrate individually. For example, the *Food We Love* brand is prominently featured in Kroger supermarkets – something individual producers would find very challenging to accomplish. In addition, ACEnet is able to deliver technical assistance and training more efficiently through these clusters of brand members. The organization has developed standard tools and services for interested entrepreneurs, who need to follow precise guidelines to participate. Overall, this strategy not only benefits the individual entrepreneurs, but also helps build growing foods and crafts industries in the local economy.

Mountain BizWorks also provides *individualized coaching or technical assistance to growing and developing entrepreneurs* through its Growth through Objectives (GO!) and EDGE programs described in the previous section. These formal, multi-part coaching services are tailored to different market segments in its business portfolio, and support each type of business (developing or growth-focused) to move forward. The GO! Program offers opportunities for new businesses, upon graduation from the *Foundations* eight-week business-planning course, to have one-on-one guidance implementing key concepts from the class. The EDGE program provides more established businesses with assessments and coaching to solve critical problems or implement growth-oriented practices.

## Customer Satisfaction

While customer satisfaction is a prerequisite for client success and retention, it is also crucial for organizations that count word-of-mouth as a key marketing strategy. The BDS Academy members use both formal and informal means to gauge client satisfaction. They include:

- Evaluation forms applied by WESST, ACEnet, Mountain BizWorks and Renaissance Entrepreneurship at the conclusion of training sessions to collect feedback on how to improve future trainings and to solicit input on new topics of client interest.
- Surveys of targeted groups of clients done by ACEnet and Mountain BizWorks. These surveys capture data on client businesses as well as their use of, and interest in, specific services.
- Focus groups by ACEnet to get detailed feedback on needed services and large-scale physical improvements.
- A feedback "button" and short on-line survey form are used by MicroMentor – fitting as the majority of client interactions take place via their Web site.

The most common client requests – as gathered through these tools – vary by institution but include:

- *Demand for quicker response times.* Many of the Scale Academy members mention this as a constant source of give and take between the organizations and their clients. Entrepreneurs with immediate problems with their businesses express unwillingness to wait for the next scheduled class – certainly understandable from the client perspective. But for staff juggling already full dockets, there may not be an instant solution, so managing expectations is key. As one staff member commented, “They think they’re walking into an ER.” And, while MicroMentor has leveraged technology to automate the matching process of linking an entrepreneur and a mentor, it has likely upped the expectations that, like most other technology today, the match will happen immediately.
- *Demand for improved infrastructure.* ACEnet has two incubators. The physical spaces need constant maintenance, and upgrades and the equipment for the kitchen facility must be updated as well. For a program with an incubator – especially one like a kitchen incubator or shared-use facility – physical upgrades are likely to be a focus of satisfaction (or dissatisfaction) with the organization’s service.
- *Demand for more or better content.* Clients seek content that is specific and relevant to their issues. They also seek current content that allows them to succeed in a rapidly changing environment, leading to demands for more technology-based services, marketing support, and other themes. In the case of Mountain BizWorks, for example, Latino entrepreneurs are seeking specific help with how to develop and give estimates for work bids.

Each set of these issues demands a different response, but, no matter the issue, Academy members find four principles guide their approach to customer service. These include:

- **Multiple access points:** ensuring that clients can provide feedback in-person, on the phone, and via the Web makes it easier for their voices to be heard and presents the attitude of openness to, and interest in, comments;
- **Quick response time:** even if the response is only that the customer’s issue has been heard, there should be mechanisms that enable the organization to acknowledge client input when it is made;
- **Empathetic response:** a response that makes the client feel that he has been genuinely listened to increases client appreciation; and
- **Managed expectations:** a clear description of what can be done in the near term versus what might be tackled in a longer-term response increases the likelihood of satisfaction with the response.



These experiences suggest several lessons for business development services organizations:

- Customer retention is a valuable tool for fostering more growth businesses, for creating advocates and financial supporters, and for creating coaches and mentors to other clients.

- Customer retention depends on having products, services and structures in place that welcome ongoing interaction and that offer services that entrepreneurs value. What they value can be both tangible and intangible. They may seek tangible services, including access to additional knowledge, skills development, coaching and marketing assistance. They may also seek intangible, but important, benefits, such as a sense of security (knowing that access is there if needed) and community (knowing that they are connected to like-minded entrepreneurs, supporters and resources). Organizations should consider how retention strategies address both types of need.

- Organizations need to provide multiple channels through which clients can express their needs or issues, and develop a system that ensures timely responsiveness to issues raised and minimizes or eliminates issues being dropped.

# Geographic Expansion

Scale Academy business development services organizations have grown by expanding the services they offer, but also by expanding the target markets they serve. MicroMentor has a national target market, and it has been the mission of the organization to offer services nationally since it was founded. The others have statewide or region-wide target markets. Over time, the organizations have added offices and services for populations beyond their headquarters' markets, and have focused on deepening their penetration in existing areas. Table 3 describes the geographic target markets of each organization.

**Table 3: Geographic Target Markets**

Organization	Geographic Target Areas
<b>ACEnet</b>	Athens County: incubators in Athens and Nelsonville; also serves 32 Appalachian counties in Ohio with partners serving as “field offices” in far northern and far western areas.
<b>MercyCorps Northwest</b>	Statewide in Oregon and Washington. Offices serve the metro areas of Portland and Seattle. An on-line application reaches loan applicants statewide, and rural clients served through collaborations with economic development partners and connecting to sector-specific communities of practice.
<b>MicroMentor</b>	National: states with highest enrollments of entrepreneurs and mentors include: California, Oregon, Washington, Texas, New York, Georgia, Florida, Illinois, Maryland, Pennsylvania, Massachusetts and North Carolina. Offices located in Portland, San Francisco and Washington, D.C.
<b>Mountain BizWorks</b>	12-county area that includes Asheville and Buncombe, Clay, Cherokee, Graham, Haywood, Henderson, Jackson, Macon, Madison, Polk, Swain and Transylvania Counties.
<b>Renaissance Entrepreneurship Center</b>	San Francisco Bay Area: offices located in East Palo Alto, South-of-Market and Bayshore. Classes also offered in Richmond and San Mateo.
<b>WESST</b>	New Mexico and Navaho Nation in Arizona and New Mexico. Offices located in Albuquerque, Gallup, Las Cruces, Rio Rancho, Roswell and Santa Fe.

Beyond an interest in serving more people, two considerations have sparked these geographic expansions – need and opportunity. Observed need has led WESST, ACEnet and Mountain BizWorks to physically expand their presence in rural counties, and Renaissance into more urban markets. The opportunities provided by funding – in the case of Renaissance, where its identification of a disadvantaged community matched the city of San Francisco’s interests in improvements – and by partnerships – in the cases of MicroMentor and ACEnet, which have found organizations interested in collaboration – have also driven organizations to focus in certain markets.

Scale Academy members have used several strategies for expansion, including:

- *Circuit riders*: WESST started its expansion using circuit riders or employees who periodically provided services across the vast, sparsely populated state of New Mexico, cooperating with partners for infrastructure and outreach.

- *Regional offices:* Renaissance Entrepreneurship Center, Mountain BizWorks, MercyCorps Northwest and WESST all have multiple offices located across their target markets.
- *Mergers:* Renaissance added another physical location through a merger with an existing nonprofit organization
- *Partnership strategies:* Organizations interested in collaboration – and tools to support these collaborations – have enabled ACEnet and MicroMentor to leverage lean organizations and expand to new markets. Partnerships with MDOs have allowed MicroMentor to bring in larger cohorts of mentors and entrepreneurs in specific markets without expanding staff. New components on its Web site allow partners to customize sites for their constituents, control participation, and monitor activity. This strategy serves MDOs that want to manage their own mentoring programs, but makes it easier for them. And, it serves MicroMentor’s interest in deepening its presence across the United States. Similarly, ACEnet had some coverage across the 32 counties in Appalachian Ohio, but sought to deepen its penetration. It has found willing partners in food and farm nonprofit organizations, agents from The Ohio State University Extension, or small business development centers interested in acting as field agents for ACEnet. As the partnerships have matured and trust has been built, ACEnet and the partner organizations have moved from simple tasks like shared marketing to cooperative grant writing. ACEnet is now working to develop standard training packages that will enable it to more efficiently deploy its staff resources and support partners’ assumption of training and technical assistance roles.
- *Technology:* MicroMentor leverages its on-line presence to reach those beyond the numbers its small staff could service in a bricks and mortar location. Although MicroMentor has found that in the areas where it has a staff presence (Oregon and California), it does have increased usership – its technology allows its service to be offered everywhere, and users currently come from 50 states. Its affiliate program, based on new components of its platform, is designed to replicate the same penetration it has achieved in staffed locations, where it attributes affiliate partnerships and word of mouth as stimulating increased participation. ACEnet and WESST also are now using distance-learning strategies to reach outlying markets.

In most instances, these expansions were not informed by detailed market research but by empirical knowledge of an organization’s target areas. In the case of MicroMentor, the program design was based on earlier research identifying gaps in the capacity of programs to connect entrepreneurs to sector and business-specific resources, information and support. WESST observed clients driving long distances to attend classes at the Albuquerque office and eventually opened a network of statewide offices. Focus group research (conducted in 2002 with specific demographic groups) informed Mountain BizWorks that a physical presence in rural communities was required to establish the trust that would increase entrepreneurs’ participation in its programs. And so, the organization proceeded to create regional offices that would put staff closer to these communities.

Others have used similar, informal approaches to assessing market demand. As discussed in the earlier section on market research, these approaches contrast with those of scaling microlenders that have invested heavily in market research and testing marketing strategies. They have been used, not because Academy members would consider them the most desirable approaches to research, but because they fit with institutional resources. Insufficient funding for market research and marketing has been a gap reported by most scaling microenterprise development organizations, and Academy members are no different in that respect.

Not surprisingly, strategies evolve over time based on practice. As discussed above, WESST moved from circuit riders to regional offices and now has added distance learning. Mountain BizWorks opened regional offices based on its market research, but has found that in the far west region of Sylva, long-term residents were less likely to seek services than Latino entrepreneurs. The organization has increased its Spanish-language offerings in response to serve a market that

was not in the original business plan. Because the regional office has not lived up to expectations in terms of client volume, and despite earlier market research findings, Mountain BizWorks may move to grounding expansion programmatically rather than geographically.

Effective geographic expansion demands effective infrastructure. Renaissance and ACEnet have networked their phone systems and computers. Renaissance also adopted VistaShare as its management information system (MIS), because its Web-based format allows staff access at all sites. MicroMentor uses Skype and Basecamp for impromptu conversations, document sharing and collaboration. MicroMentor also uses a Web-based MIS, Salesforce.com, which allows staff located in two separate offices to keep track of all interactions with participants. ACEnet, recognizing that expansion depends on effective marketing and outreach, is using social media, in addition to traditional tools, to support its marketing efforts.

Although geographic strategies have had some effect on fueling the client pools of each organization, it is hard to quantify their effect separately from other factors influencing client demand, such as the economic recession – which has seemingly increased Renaissance Entrepreneurship Center’s participant numbers, and which may have changed the characteristics of participants in WESST’s case. Still, most of the organizations assess their geographic expansions as necessary to their efforts to achieve scale.

## LESSONS FOR SCALE



These experiences suggest several lessons for business development services organizations:

■ Getting results from geographic expansion takes “more time than you plan.” Even with the due diligence and analysis that scaling BDS organizations have done, many find that their initial understanding of what the gaps are is not always clear. This may be due to the limited investments in market research that these organizations have been able to make. But it also may be due to the fact that market research needs to be iterative, no matter the starting point. Expect to invest in continued market research, and in more marketing, to grow beyond the initial penetration of new markets. Also expect to have to test different strategies for marketing and service-delivery models.<sup>17</sup>

■ Physical presence tends to facilitate trust-building with the community, which can speed the rate at which a program is accepted and is, therefore, able to penetrate the market. In instances where services are provided remotely, such as through distance learning and distance mentoring, programs have to think specifically about incorporating mechanisms to increase communication and build trust. Strategies tested by MicroMentor include: publishing success stories and outcomes and providing good additional resources, publishing its e-mail address and phone number to enable users to get in touch with staff quickly, and engaging with users in a “high touch” way at important moments, such as the start of the mentoring relationship and when users report that the mentoring relationship has not taken off.<sup>18</sup>

■ Communication among staff at different locations must be intentional. As one staff member said, “Over-communicate and under-assume.” In a conventional physical office, intentional, clear communication is important; when implementing an expansion (continued)

<sup>17</sup> Scaling microlenders have found this as well. When entering new markets, there is an initial burst of response that leads to a number of microloans. But, continuing the pace of expansion after that first round is much harder as “need” does not translate into “demand.” See Elaine L. Edgcomb, Joyce A. Klein and Luz Gomez, *Dollars for Dreams: Scaling Microlending in the United States* (Washington, D.C.: The Aspen Institute, May 2010), 41.

<sup>18</sup> MicroMentor staff report that users who send e-mails to them are “always surprised at the speed of our response and often say something like: ‘there is a real person on the other end.’ This obviously helps build trust for those who choose to take advantage of contacting us...”



## Lessons for Scale *(continued)*

strategy that involves multiple offices, even more focus on communication is critical. One Executive Director commented that, “When you can’t have the water cooler stuff, you have to have formal ways to transmit important information. You need to be really careful about what language you use and what things mean when you say them.”

■ Sufficient infrastructure, including technology, policies and procedures, and administration, needs to support remote locations. Because business development services organizations function with streamlined staff at all locations, good infrastructure is needed to make it easy for remote offices to do mundane tasks and to enforce consistency where needed, but allow remote offices to be free to tackle important work in the way staff deems fit.

■ While good hires are always crucial, the ante is upped when staff is not on-site. As one staff member commented, [it is] “so difficult to unwind the missteps if you make the wrong hire.” In addition to seeking to select the right staffer based on credentials (and in some cases, testing), organizations need to find effective ways to transfer the skills particular positions need. Three-step processes that incorporate observation (and in the case of training positions, participation), practice with a veteran partner, then solo implementation, as Mountain BizWorks does with trainers and coaches, can strengthen the chances that a new hire will succeed.

■ Partnerships can be critical to making geographic expansion work, but it is crucial to find partnerships where both parties can contribute and benefit. Healthy partnerships also depend on clear, written expectations, roles and responsibilities, and a budget. In particular, expectations need to be communicated about how the expansion will be evaluated, what success will look like, and what the exit strategy will be if success is not reached.

# Staffing and Structure

Each of the Scale Academy BDS organizations has served large numbers of people, and yet, the numbers of staff and staffing structure vary considerably among the organizations, as indicated in Table 4.

**Table 4: Individuals Assisted and Staff Size**

Organization	Staff Size (FTEs)	Number of Clients	Number of Participants Served	Staff to Participant Ratio
<b>WESST</b>	25	592	2,336	1:93
<b>Mountain Biz Works</b>	20	1,266	2,017	1:101
<b>Renaissance Entrepreneurship Center</b>	21	439	1,075	1:52
<b>MercyCorps Northwest</b>	13	382	641	1:49
<b>ACEnet</b>	6	1,279	1,279	1:213
<b>MicroMentor</b>	2	847	1,410	1:705

The field-wide survey found that staff sizes across the industry are quite small. Organizations serving fewer than 500 individuals had a median staff size of 2.5 FTEs (and a mean of 3); organizations serving more than 500 individuals had a median of 6.3 individuals and a mean of 10.2 FTEs.<sup>19</sup>

Within this context, four of the Scale Academy members have large staffs. On the other hand, two – ACEnet and MicroMentor – have very small staff sizes given the number of people they serve. Their staff to participant ratios are 1 to 213 and 1 to 705, respectively. The business models of these two groups of programs differ from each other. WESST, Mountain BizWorks, Renaissance Entrepreneurship Center and MercyCorps Northwest are all organizations that offer long-term core business training classes as well as one-on-one technical assistance. Three have staffed regional offices that support their services across their target market and offer an array of distinctive services.

On the other hand, MicroMentor uses technology to extend its staff resources and depends on a cadre of 2,400 volunteer mentors to deliver services, as well as nonprofit partners to recruit a portion of its clients. ACEnet’s model is not technology-based, but the organization amplifies its reach in a couple of ways. Only two full-time staff deliver the training and technical assistance. But partnerships allow staff to focus on training, while in outlying areas of their target market, partners are responsible for outreach, recruitment and organizing training classes. Partners also deliver ACEnet training, after having been trained by ACEnet staff. In addition, ACEnet uses its two brands to cluster and support groups of clients selling under the same banners. And while ACEnet is certainly efficient, staff would acknowledge that they are understaffed in relation to the scale they have achieved.

The complexity of the larger organizations can be seen in the following sample organizational charts. WESST’s chart illustrates an organization with multiple physical sites to manage, as well as additional program components (the incubator, labeled WESST Enterprise Center on the chart; the lending program; the IDA program; and a special refugee program). Each of WESST’s offices is a Women’s Business Center (WBC) under the U. S. Small Business Administration’s Office of Women’s Business Ownership (OWBO) program. As a result, each office is staffed with a program manager and

<sup>19</sup> Elaine L. Edgcomb and William Girardo, *Key Data on the Scale of Business Development Services* (Washington, D.C.: The Aspen Institute/FIELD, 2010, accessed 22 July 2010); available from <http://field.us.org/Publications/KeyDataBDS.pdf>; Internet.

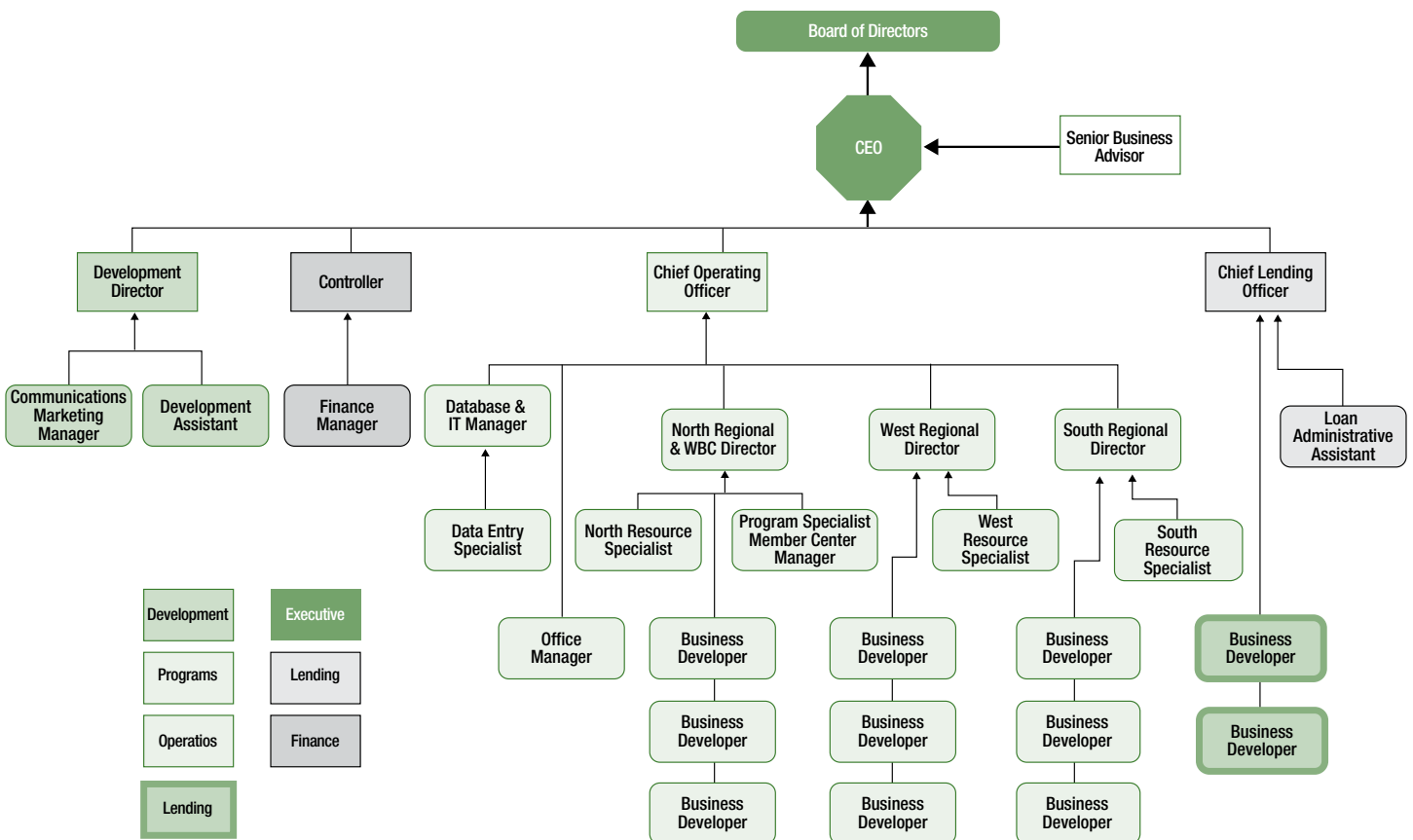


typically at least one other staff person dedicated to the operations of each individual office. WESST is facing the challenge of how to leverage skills and specializations across its offices and how best to increase cross-referrals from one office to another based on staff capacities and specialization at different sites. To paraphrase a WESST staff member, if a budding internet entrepreneur goes to an office led by a talented small-town business person, a strong referral mechanism needs to exist to make sure the internet entrepreneur is provided with resources tailored to his or her needs.

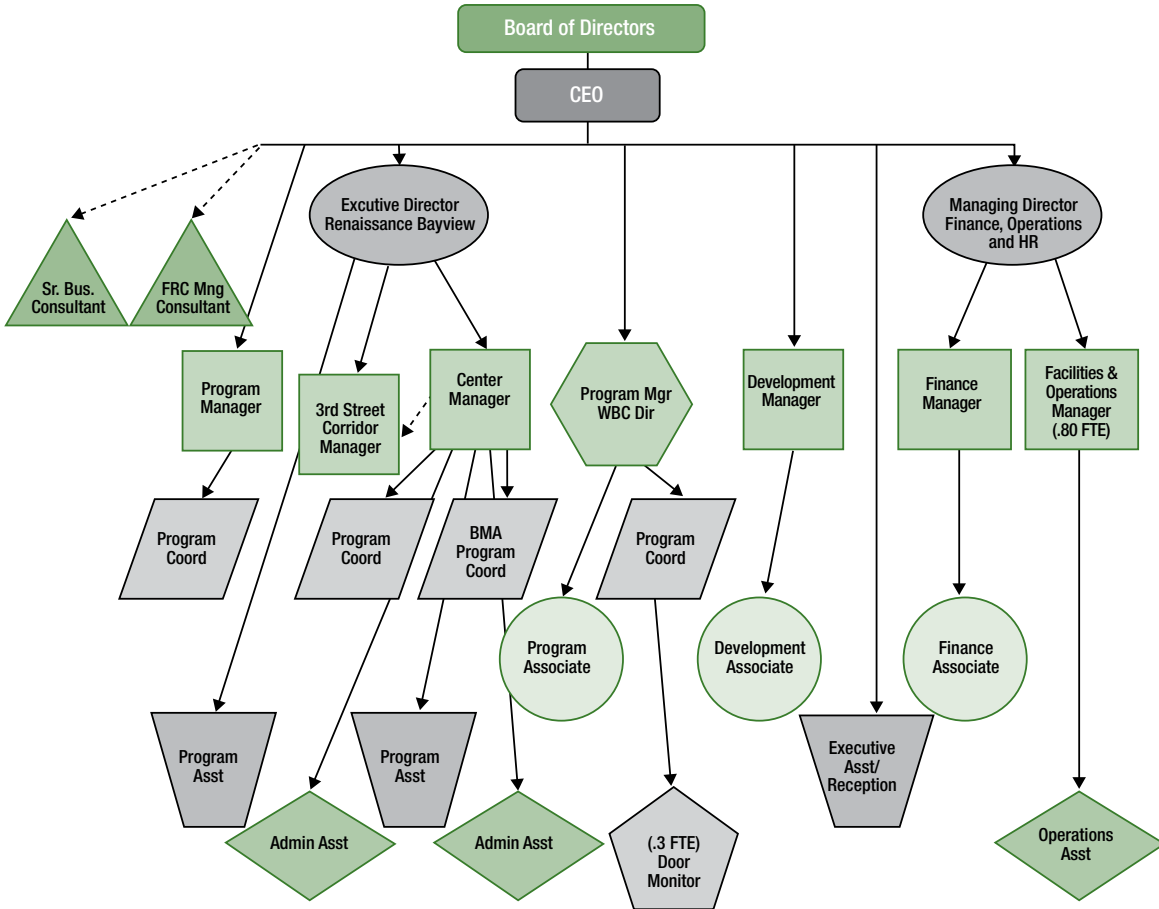
Renaissance Entrepreneurship Center’s chart also illustrates an organization that has grown with the addition of program sites through merger and acquisition, as well as expansion based on program opportunity. The organization has an incubator at its main site and has training managers in each of its locations, as well as functional staff. Staff capacity is further expanded through consultants hired to deliver training by each office manager. The organization is working to develop the right balance between consistency of practice and appropriate autonomy at each of its sites, and is considering doing this through the creation of a Training Director position that would be focused on evaluating curricula and improving training practice across all of the sites.

Mountain BizWorks’ organizational chart is defined as transitional. Following the appointment of a new CEO, the organization is engaged in a thorough strategic planning process that may color the ultimate structure of the organization. The interim chart reflects the organization’s attempt to develop a hierarchy that reduces the number of direct reports to the CEO, while ensuring strong leadership and support to each of the key organizational functions. It also creates a separation between the lending function and the organization’s financial function in recognition of the distinct roles and perspectives that these two entities should have in the institution (the first, proactive and risk-taking; the second, conservative). Mountain BizWorks also extends its capacity through hiring trainers, coaches and loan counselors as part-time employees, paid based on the work they perform. In addition to their substantive training or lending responsibilities, these employees market and recruit new clients to Mountain BizWorks. The organization has been able to use this structure to capture high capacity staff, distribute staff over the entire Western North Carolina region, serve clients, and foster growth.

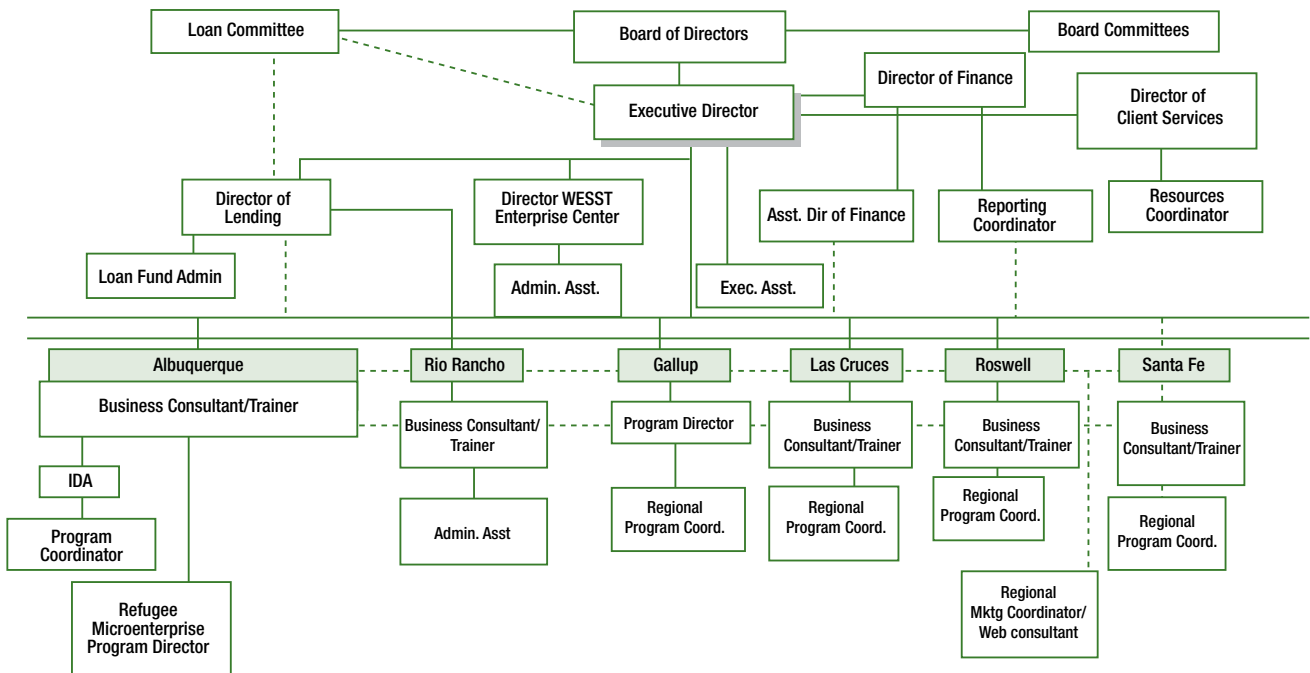
**Figure 5: Mountain BizWorks Organizational Chart “Transitional Organization” (April 28, 2010)**



**Figure 6: Renaissance Entrepreneurship Center Organizational Chart**



**Figure 7: WESST Organizational Chart**



Although the Scale Academy members have different staff sizes and structures, as they have grown, they have had to:

- *Add new skills:* One set of these skills relates to business development content. As discussed in earlier sections, as organizations have expanded their target markets from start-ups to growth businesses (and all in between), they have had to increase the quantity and sophistication of the training and technical assistance content they provide. To that end, Mountain BizWorks has brought on staff with more expertise in specific, advanced business development topics and, in particular, talent that is able to work closely, and in detail, on specific business problems presented by businesses in difficulty, or with a growth goal. WESST has increased its capacity to provide training and technical assistance in Internet marketing and other technology skills as its rural clients have found that increasing access to markets outside their localities can be the most likely avenue for growth. This fits with the findings from FIELD's industry survey, which revealed BDS programs grow, not just by serving additional people through existing service, but by adding additional services, which entails adding new talent to implement those services.<sup>20</sup>

A second set of skills relates to functional capacities. ACEnet staff had to learn "train the trainer" skills to leverage their partners to deliver training. WESST added an experienced incubator manager to operate its new Enterprise Center. It has also added staff capacity in distance-learning technologies and strategies. Renaissance is hiring a new Development Director to support the CEO in this critical area. Renaissance has also increased its staff capacity in information systems and outcomes tracking to ensure that it can generate the data it needs to support its development function.

In many instances, these skills have had to be added through new hires. In others, the addition has been through professional development for staff, a path that also requires resources often in short supply in microenterprise development organizations. Nevertheless, these scaling organizations have emphasized the continuing upgrading of capacities to meet the needs of a growing organization and a diversifying customer base.

- *Strengthen management:* This is especially a focus of the larger organizations as they necessarily move from "flat" institutions to more "hierarchical" ones. Programs have worked to strengthen the management skills of current staff and created new management positions. Mountain BizWorks added a Chief Operating Officer (COO), who supervises the Regional Program Managers and can focus on standardizing and improving operations, curriculum and management across their three sites. As a Mountain BizWorks staff member said, "I used to report to the CEO, but now adding the COO pushes me down one level. But what's interesting is that it has been helpful to have one person thinking about the issues, seeing what's common, what's unique and what's okay; the COO is helping us define reasonable differences." Mountain BizWorks has also added a Director of Lending and clarified the responsibilities of this team. As discussed above, both moves reduced the number of direct reports to the CEO, which the organization feels will allow the incumbent to focus more on strategy and fundraising, and less on operations.

However, adding a management layer can be challenging. Renaissance Entrepreneurship Center lost a layer of staffing in downsizing because of falling funding levels in the wake of the economic recession when it hit California's Bay area. ACEnet also has reduced staff over time, in response to declining funding, and its highly efficient operation depends on both creative strategies and an extraordinarily committed team. Both examples demonstrate how challenging it is to maintain strong institutions when they are dependent on outside, and variable, funding streams.

- *Standardizing processes:* As organizations grow, they can no longer depend on closeness to ensure the consistency and quality of operations. Strategy and operations, and institutional lessons, need to be codified. Renaissance's search for a training director is one example of both the need for that standardization and how to capture it. WESST's Director of Client Services also is intended to provide a locus for thinking about how to standardize services and get staff

<sup>20</sup> Edgcomb and Girardo, 9.

in disparate locations working in consistent ways, and integrating new strategies and tools. Mountain BizWork's COO position is another. In addition, Mountain BizWorks requires each employee to create a step-by-step document detailing how to perform his/her job. WESST has developed a documented training program regarding its reporting processes and procedures. This has allowed WESST to meet the reporting requirements of its numerous funders in a timely and accurate fashion, even in times of employee turnover.

Both WESST and Mountain BizWorks also have used technology to help standardize practice among multiple offices. WESST implemented quarterly staff on-line training sessions to keep all personnel current on organizational practices. Mountain BizWorks developed an on-line repository of templates, standards, curricula and other materials. Business developers can access these materials anywhere, ensuring universal access to standardized materials.

- *Develop effective contractor (or volunteer) deployment mechanisms:* Renaissance Entrepreneurship Center and Mountain BizWorks incorporate consultants into their regular operation. MicroMentor does the same with volunteer talent. Working with contractors and volunteers helps the programs access talent in cost-effective ways and extends the range of the organization across different geographic areas. But, contractors can bring a diversity of content knowledge and approaches to delivering services. Organizations that want to ensure consistent quality and customer experience need to develop mechanisms that help consultants and volunteers align with the organization's strategy. Mountain BizWorks' EDGE and Go coaching programs offer an example of how that can be done, as they establish a common structure that all coaches use with clients. In addition, the lead coach and designer of the program works closely with the coaches to further enhance that consistency.

## LESSONS FOR SCALE



These experiences suggest several lessons for business development services organizations and funders:

- It takes time to develop an organization of some substantial scale and capacity. In FIELD's study of business development services organizations, 87 percent of the large scale organizations started before 1998. Only 46 percent of the small-scale organizations started during the same period.<sup>21</sup> For example, among the Scale Academy BDS organizations, WESST is 22 years old. It has taken the organization time to grow to its current size and structure.
- Scarcity of resources heightens the importance of strong staff hires. Clear roles and responsibilities for different positions are crucial as there is little room for overlap or duplication of effort.
- Funding some key functional positions is a challenge. Strong development staff, for example, is essential to building the organization's long-term sustainability, but is hard to finance. Microenterprise development organizations need supporters who will finance organizational investments that can contribute to long-term growth and stability of the organization, but which are not tied to any specific program or initiative. If such supporters are not available, accumulating the necessary resources for these investments can be a slow process.
- Documentation can be liberating. While duplication is to be avoided, cross-trained staff provides resilience to an organization in case of short- or long-term gaps in staffing. Written documentation also is key in helping staff, who need to operate autonomously, feel grounded in decisions they make and understand where uniformity is important and where differences are acceptable.
- Growing nonprofit organizations require structure, infrastructure — and a culture of flexibility. And all of these pieces require nurturing. As one Executive Director said, "There can be no such thing as 'it's not my job' in a growing organization with a large mission and significant goals."

<sup>21</sup> Edgcomb and Girardo, 8.

# Sustaining and Growing a Business Development Services-Focused Program

The financial crisis and economic recession that the country has faced for the last two years has had many impacts. For nonprofit programs, these twin crises have increased the traditional challenges in raising funds to sustain, much less grow, programs. The Scale Academy business development services providers have experienced the challenges that downscaled foundation support has engendered. Yet, these organizations have, in the majority, found the funding environment in 2010 more welcoming. Several factors seem to be driving this.

Several Scale Academy members have benefitted from the continued availability (and in some cases, increased availability) of government funding — federal, state, regional and county. In addition, one organization, MicroMentor, has found that an increased appreciation of the value of social networking as a tool, and of social capital as an important resource in entrepreneurial development, has made its work more understandable and interesting to donors. Two organizations also have found that changes in their institutional homes had positive spin-off in terms of their increased visibility and attractiveness to others. WESST's new building and MercyCorps Northwest's move to new offices are prime examples of this. But, changes to MicroMentor's virtual home — its Web site — have also benefitted the organization in terms of making its model more accessible.

This improving funding environment is important for organizations that depend largely on external sources of support for their work. As Table 5 indicates, the median and mean organizational budgets for the six organizations in 2008 were \$1.2 million and \$1.4 million, respectively. The median budget for these six organizations was over six times larger than the budgets of small-scale business development services organizations, whose median budget was \$192,500, and whose mean budget was \$301,928 in 2008.<sup>22</sup> The median and mean cost recovery achieved by the Scale Academy BDS providers was 13 percent and 17 percent. Although this compares favorably to the median and mean cost-recovery rates of small-scale BDS providers — .01 percent and 13.4 percent, respectively — the fundraising burden remains substantial.

**Table 5: Operating Budgets and Cost Recovery**

FY08	Operating Budget	Cost Recovery
ACEnet	\$699,400	62%
MercyCorps Northwest	\$700,403	11%
MicroMentor	\$250,184	0%
Mountain BizWorks	\$1,666,449	17%
Renaissance Entrepreneurship Center	\$2,900,000	15%
WESST	\$2,060,174	6%
<i>Median</i>	<i>\$1,183,426</i>	<i>13%</i>
<i>Mean</i>	<i>\$1,379,435</i>	<i>17%</i>

Even in an improving environment, the Scale Academy BDS organizations acknowledge a continuing set of challenges in their efforts to sustain their organizations. Members face a continuing mismatch between funder expectations for deliverables and the funding provided to make them happen. Expected to do more with less, Academy members find that their lean operations are

<sup>22</sup> Edgcomb and Girardo, 11. One hundred and three organizations serving fewer than 500 individuals in 2008 reported their organizational budgets in response to the field-wide survey.



regularly stressed to accomplish what they need to do to meet donor requirements.<sup>23</sup> Inadequate staff capacity focused on development also hinders their longer-term financial position. It is a continuing circle that needs to be broken: few resources dedicated to development reduce the resources coming in; limited resources make it challenging to invest in additional development staff to increase fundraising initiatives. Business development services organizations need to find ways to break this un-virtuous circle. Some do it through a gradual process of husbanding some funds to invest in staffing. Others occasionally can convince a donor or donors to help them with this capacity building. Finally, some Scale Academy members have confronted increasing pressures from donors to be able to speak to the outcomes, or impact, of their work. This pressure has increased as economic development and job creation interests have been added to traditional poverty alleviation goals. One Scale Academy member reported a meeting in which a donor asked six to seven questions in a row that they could not answer about their costs and performance, forcing them to re-evaluate their data collection and evaluation processes.

In response to these challenges and in search of greater sustainability and self-sufficiency, the scaling BDS providers have set the following strategic directions:

- *Expanding the team that works on development.* WESST, ACEnet and Renaissance Entrepreneurship Center have identified new board leadership, and/or invested in board development, to increase the board's capacity in resource mobilization. Renaissance has also added a new staff position to support the executive director with fundraising. And Mountain BizWorks has tapped the creator and leader of its coaching team to help it develop new earned revenue generation strategies (see more on this below).
- *Expanding the sources of support for the organization.* All the Academy members are committed to maintaining or growing current funding sources (both governmental and foundation), while working to build new individual donor bases (WESST, Renaissance and MicroMentor) and increase earned revenues.
- *Developing technological capacities to facilitate revenue generation.* WESST and Renaissance Entrepreneurship Center both accept donations on-line, and others are exploring this option. WESST has found that even if this does not generate many new donors, at least at first, it makes it easier for current donors to contribute, and this can translate into more regular support for the organization. WESST is also exploring ways to build a payment model into the next iteration of its distance-learning platform. MicroMentor has increased the back-end components of its platform, which will increase its usefulness to practitioners for managing their own mentoring programs, and expects to earn revenues through this mechanism.
- *Experimenting with new approaches to earned revenue.* Although business development services organizations are often seen to be heavily subsidy-dependent and not as interested

## Sustainability and Self-Sufficiency

Sustainability implies that an organization has the ability to meet current needs without jeopardizing its ability to continue serving its market in the future. It can be achieved by mixing philanthropic, governmental subsidy and earned income, by achieving efficiency, and by building an appropriate capital structure.

Self-sufficiency implies that an organization can cover all its costs with earned income, and has no need for ongoing subsidy.

Elaine L. Edgcomb, Joyce A. Klein, Tamra Thetford, *Pursuing Sustainability in the Microenterprise Field: Findings from a Literature Review by FIELD* (Washington, D.C.: The Aspen Institute/FIELD, March 2007), <http://fieldus.org/Projects/pdf/sustainability.pdf>; Internet.

<sup>23</sup> As mentioned in the section on staffing and structure, the field-wide survey found that the median number of FTEs in large-scale organizations was only 6.3 and the mean was 10.2. Even though most Scale Academy members are larger than that, their staff-to-client ratios demonstrate how lean they are.

in earned revenues as microlenders are, this set of organizations is extremely committed to charging for its products and services (see the chapter on business development services products) and exploring multiple paths to increasing earned revenue. These have varied from institution to institution, but most have articulated goals for this component of their strategy.

As the organizations have worked on external fundraising and internal revenue generation, they have launched a variety of initiatives and are exploring others. WESST is working to build an individual donor base, capitalizing on contributors who stepped forward for the capital campaign that preceded the opening of the WESST Enterprise Center. Renaissance Entrepreneurship Center has also installed new software that will support an individual donor strategy.

MicroMentor is exploring ways to integrate on-line donations into its process. While users, particularly protégés, expressed resistance to a paid service, MicroMentor believes that it can convert mentors (and ultimately some protégés) into contributors by integrating an “ask” into the process, especially when users are providing positive customer feedback.

ACEnet and Renaissance Entrepreneurship Center are increasing their efforts to generate contract revenue. ACEnet hopes to grow this source of revenue by developing standard packages that it can offer, thereby increasing the efficiency of what has been a customized process so far. Renaissance has found that contracts enable it to expand its target area without establishing offices, which can increase the efficiency of its services.

MicroMentor seeks to expand corporate sponsorships by expanding the options available to corporations for participating with the program: grants and volunteer support, contracts for managing a portion of the human resources department’s volunteer initiatives, etc.

ACEnet is seeking to increase the revenues it already earns from its distance-learning efforts (mostly Webinars). WESST expects to build a payment mechanism into its second distance-learning platform. Both organizations feel that these services provide unique offerings in the marketplace and can provide users access to valuable content at more reasonable prices.

Mountain BizWorks generates revenues through a variety of its services, but most are only partially cost-recovering. Mountain Made, its social enterprise – a retail store featuring artisan goods of its clients – has broken even at times although the recent economic recession has negatively affected its bottom line. Its EDGE coaching program, however, designed for growth-oriented, and currently profitable, businesses, is structured so that every coaching hour returns twice what it costs the organization to provide. This first, revenue-positive program offers value to the businesses in the form of less than market-rate consulting, to the community in terms of increased job creation, and to Mountain BizWorks in terms of increasing self-sufficiency.

Mountain BizWorks has tapped its lead coach – an experienced businessman – to generate additional revenue-generating ideas that offer similar benefits. He is exploring the development of a third coaching program that would offer limited packages to small, established bricks-and-mortar businesses; more systematic ways to sell *Foundations*, the organization’s business planning curriculum (which is currently available to others); and, potentially, on-line services. The organization is focused on examining each component of its program as an individual line of business to understand better what it offers its clients, and how each works in terms of supporting the organization’s sustainability. The focus is on making each line of business more valuable to the client and more self-supporting for the organization. This viewpoint is shared by the other Scale Academy business development services providers, but Mountain BizWorks’ approach demonstrates the value of tasking a talented staff member to take an exhaustive and creative look at the issue.





These experiences suggest several lessons for business development services organizations and funders:

- Before an organization can improve its sustainability, it needs a clear picture of both how money is coming in and how it is being spent in relationship to each line of business. This type of cost accounting often has proved challenging for microenterprise development organizations, but it is essential to understanding which services are loss leaders, which are profit centers, which have greater earned revenue potential, and which will demand donor support for survival.
- Diversify both funding sources and earned revenue streams.
- Look at each earned revenue stream as an independent entity and develop a mini-business plan for the most promising ones.
- Diversify the businesses that receive assistance from the organization. Earlier chapters referred to the movement of scaling business development services organizations into a broader number of services designed to create a continuum to help entrepreneurs from start-up to growth. This movement is designed to achieve greater economic impact for target communities, but it also can help sustain the organization. Higher-end, existing businesses can produce greater revenues for the organization as they benefit communities through their growth.
- Document outcomes. Being able to demonstrate both poverty alleviation and economic development outcomes is becoming more important all the time. Organizations that can speak effectively to a range of metrics will demonstrate competence and open the doors to broader sources of support.

# Conclusion

The industry-wide survey of microenterprise development programs conducted by FIELD in the fall of 2009 found that only a small number of business development services programs are reaching 500 or more individuals a year. Thirty-eight organizations, out of 266 respondents, reported serving at least that many in 2008. Among them are the Scale Academy business development services providers whose mean number of individuals served that same year was 1,033 and whose median was 1,041. Their client numbers – that is, counting only those who received a substantial amount of service that year – were also high. The mean was 696 and the median was 578. From 2006 to 2009, these organizations grew at dramatic rates compared to others in the industry, almost doubling the aggregate number of individuals served and increasing the number of clients served by 107 percent.

On the one hand, growth for business development services providers has been easier than for microlenders. There are always many people trying to pursue the American Dream through business ownership, and the barriers to entry for business development services are lower than those that entrepreneurs face when trying to access loans. On the other hand, generating the resources to provide robust, effective programs serving many different types of aspiring entrepreneurs is challenging. The industry-wide survey suggested that the ability to mobilize substantial resources year after year to help subsidize program costs was critical. Because traditionally business development services providers generated little earned revenue, this meant developing strong fundraising capacities and a growing roster of supporters.

The Scale Academy members documented in this report have clearly demonstrated the capacity to sustain and grow their programs through fundraising. But, they also demonstrate a focus on earned revenue that is interesting. This document summarizes the strategies that are in use or under consideration and attempts to capture the focus of these institutions on looking at their services in business-like ways. Challenges in cost-accounting notwithstanding, several are focused on analyzing each service as a line of business and assessing them in terms of their value to clients and to the organizations, and developing earned revenue strategies that make sense to both.

The industry-wide survey also documented that large-scale business development services providers have grown by adding services to their programs, and not just by extending the market for their core services. The Scale Academy members demonstrate that characteristic. They have added services to reach an ever-broader range of entrepreneurs from start-up to high growth with several goals in mind: to enhance the success of their emerging entrepreneurs by being able to help them farther along in their journey; to help strong businesses become stronger, thereby creating employment and other economic development effects in local communities; and of course, to scale. Scale Academy business development services organizations are committed to impact and scale, or impact with scale, and decisions regarding strategy always include calculations regarding the extent to which services produce both benefits. While most organizations are larger than the average in the industry (the mean across the industry was 4.08 FTEs; the mean in this group is 14.5), their staff-to-client ratios are generally high, illustrating that their size remains lean given the number of services offered and the diversity of clients served. The document illustrates the creative ways that organizations have approached extending the impact of their scarce human resources to achieve this goal.

To what extent have these business development services organizations remained microenterprise development programs and to what extent are they pushing the boundaries of what that means? More program services have been developed for growth-oriented businesses. WESST and ACEnet's incubators, Mountain BizWorks' coaching and MicroMentor's movement into small and medium-sized businesses suggest that these institutions have become broad-based business support organizations. And their branding strategies highlight that focus on business growth and business success. At the same time, these organizations continue to push into underserved markets (geographic and target group) and maintain offerings for seekers, start-ups

and ongoing small businesses moving at varying rates of development. They pursue a both/and strategy that welcomes entrepreneurs of all shapes and sizes. In the end, their hope is to create strong communities of entrepreneurs that can serve as engines of their own development and that of their economies.

Where do scaling business development services go next to continue to grow? This document has pointed numerous times to technology-based strategies to extend learning and other services and to build communities. It has pointed to the development of clusters (sector-based and member-based) that offer entrepreneurs an array of options for staying plugged in and accessing services on a need basis. There will be continued efforts to serve new markets (ex-offenders are a target for MercyCorps Northwest and Renaissance Entrepreneurship Center; Latinos are a target for Mountain BizWorks) with customized products and services, alongside efforts to standardize more developed offerings (as ACEnet seeks to do with its training services). There will be further testing of earned revenue strategies with social enterprise dimensions and continued building of infrastructure (WESST's new video studio, ACEnet's upgrading of incubator facilities) to keep services relevant, attractive and in demand.

Can other business development services organizations emulate these organizations' push to scale? Certainly, the path is not easy. Along the way, several Scale Academy members have had to face serious funding issues. Others have struggled with innovative programs that either have not worked as planned or are taking longer to develop than ever anticipated. Yet, they have stayed in the game and persisted despite these challenges. Vision and persistence are characteristics available to others as well. The field needs more organizations that demonstrate these qualities and are willing to try new things to help grow the field to serve the many hundreds of thousands of aspiring entrepreneurs that are out there.

## FOR MORE INFORMATION



### **Two other publications capturing the experience of Scale Academy members include:**

- Findings from the Scale Academy – *Forging Ahead: Early Lessons* (2009), <http://fieldus.org/Publications/ScaleApril09.pdf>
- *Dollars for Dreams: Scaling Microlending in the United States* (2010), <http://fieldus.org/Publications/DollarsForDreams.pdf>

To learn more about the Scale Academy for Microenterprise Development, please see: <http://fieldus.org/Projects/ScaleAcademy.html>

For more resources on scale, published by FIELD and others, please see the resource list at <http://fieldus.org/Projects/direction3.html>

### **Additional publications on Scale Academy grantees featured in this study include:**

- *FIELD forum Issue 19: Blazing a Trail to Sustainability through Social Enterprise: A Case Example* (2008), on Mountain BizWorks, <http://fieldus.org/Publications/FIELDForum19.pdf>
- *FIELD forum Issue 21: Building Sustainability by Increasing Earned Revenue* (2008), on ACEnet, <http://fieldus.org/Publications/FieldForum21.pdf>

For more on business development services in the United States, see *Key Data on the Scale of Business Development Services* (2010), <http://fieldus.org/Publications/KeyDataBDS.pdf>

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The Aspen Institute  
One Dupont Circle, N.W.  
Suite 700  
Washington, D.C. 20036  
Phone: (202) 736 1071  
Fax: (202) 467 0790  
Web site: [www.fieldus.org](http://www.fieldus.org)  
E-mail: [fieldus@aspeninstitute.org](mailto:fieldus@aspeninstitute.org)

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