



## **OPTIMIZING ENTREPRENEUR SUPPORT ORGANIZATION IMPACT THROUGH PROGRAM EVALUATION**

Stacey Williams | February 2021

At Forward Cities, our research and evaluation team is poised to help you evaluate your programs through a lens of racial equity. Whether you are a national support organization operating in cities across the United States, or a grassroots organization servicing your local community, we invite you to [reach out to us](#) for consultation on program evaluation.

# UNDERSTANDING THE EFFECTIVENESS OF YOUR ENTREPRENEUR SUPPORT PROGRAMS

As the coronavirus pandemic sweeps through our country, the inequities in accessing and maintaining economic prosperity through entrepreneurship are stirring at our conscience. Small and young businesses have struggled to maintain operations and closed their doors at a record rate. In February-April 2020 alone, during what seems now like the infancy of the pandemic, [22% of all businesses \(3.3 million\) closed](#). The disproportionate effect on business owners of color was dramatic: 41% of Black owned businesses and 32% of Latin-x owned businesses ceased operations.

The longer term effects are bound to be even more devastating. While the coronavirus has increased the visibility of these inequities, the legacy and persistence of systemic racism that severely hampers who can access economic opportunity through entrepreneurship traces back to the birth of this nation.

The goal of increasing equitable opportunities for aspiring entrepreneurs and small business owners from underserved, racial and ethnic groups is becoming more prominent in discussions around economic development and resilience. For example, the new [“Start Us Up: America’s New Business Plan,”](#) a bipartisan, public policy roadmap for local, state and federal governments to support local entrepreneurs, lists overcoming inequities in accessing business opportunities front and center as a key pillar of economic recovery and growth. While evidence for the need to address inequities is strong, program and policy evaluation lag behind in the research literature.

Organizations that support entrepreneurs have been doing the work to increase equitable access to business ownership for decades. Many organizations have done their own program evaluations but the broad dissemination of evidence-based practices is limited, especially in the case of programs focused on reducing inequities. Sometimes these program evaluations are presented in reports and white papers published online. Moving existing evaluations to “prime time” through peer-reviewed publications should be a long term goal to inform efforts in the United States. In the short-term, formal program evaluation within organizations should be a priority in order to ensure the best and most effective use of resources to increase equity in entrepreneurship.

## **BEST PRACTICES FROM OUR WORK**

At Forward Cities, we assist local stakeholders through the assessment of the needs of entrepreneurs in their community and work with them to design, implement, and evaluate solutions that are responsive to those needs. Through this experience, we have learned about a broad range of programs being offered by support organizations across the country and experienced first hand the struggle to evaluate existing programs while managing the high demand for services, especially during times like now. We have also come to understand that many data elements of a formal program evaluation are often already being collected by program administrators, needing only a fresh set of trained eyes to design a comprehensive evaluation plan that uses limited data collection to supplement the existing evidence.

A well defined evaluation plan includes information on several topics: the population who will be served, the program components (including inputs/outputs), how the outputs are expected to impact participants in the short term (immediate outcomes), and the desired longer term changes expected as a result the program changes expected (primary outcomes).

## **PROGRAM EVALUATION PLAN**

To illustrate our process for program evaluation, we present an example evaluation plan for a 90-day, 0% interest, small loan program using a character-based, rather than credit-based, accreditation system. The goal of this program is to provide small, short term loans for businesses with limited operating capital. A major barrier to the growth of small businesses is their ability to compete for and deliver on contracts where payment is delayed until well after services are rendered by the business. For example, a small catering service may incur hundreds if not thousands of dollars to

prepare and serve food at a large event, after which a 30-day invoice may represent an unbearable burden on their operating cost. Using this program idea as an example, we illustrate the evaluation planning process through a series of questions below.

**1. Who is served by this program? A clearly articulated target population is necessary to define and assess the program's success. A diffuse program population is hard to evaluate due to a large number of outside factors affecting the participants' success.**

The loan program was designed to serve small business owners from disadvantaged neighborhoods, characterized by low median household income with the predominant majority of residents identifying as Black or African American. We identified three zip codes in which eligible participants were required to live and/or operate their business. To ensure the program reached the businesses most in need of support, we required their annual revenue to be less than \$100,000.

**2. What will participants receive through the program? Components of the program should be outlined with detail to ensure all program facilitators are clear on the activities participants are receiving the same set of services.**

The loan program was specifically designed for small, short term loans to help new or very small businesses bolster their limited operating capital. Program funders provided \$100,000 for the loan fund and aimed to serve at least 50 business owners. Loans were limited to between \$500 and \$5000 per business owner. During the 90-day period of the loan, no interest accrued on the loan.

The short term time frame allowed for delivery of contracts while keeping the loan fund replenished to serve additional borrowers. All participants received comprehensive credit counseling and support through the organization managing the loan program. Through the repayment of the short term loan, businesses would be able to build and strengthen their credit history. Once one loan was paid off, businesses could apply for additional loans through the program as needed.

**3. What changes are expected for program participants? And when should these outcomes be expected? Outcomes, specifically short and long term goals, for the program participants are articulated with metrics identified for evaluation.**

The primary goal of the program is to allow businesses to increase their clientele and revenue, growing their business over time while building their credit history. This is a long term goal for the program that would be best measured after businesses had been in the program for a minimum of 1 year. Measures of success include:

1. An increase in revenue
2. An increase in staff
3. Improvement in credit status
4. An increase in operating capital.

In order to meet the primary goals of the program, several short term outcomes would need to be met. Specifically, businesses would be expected to increase the volume of contracts received and loans would need to be repaid on time. Measures of program success in the short term include:

1. An increase in the number contracts
2. An increase in the revenue generated from contracts
3. The vast majority (>75%) of loans paid off within the 90-days of zero interest.

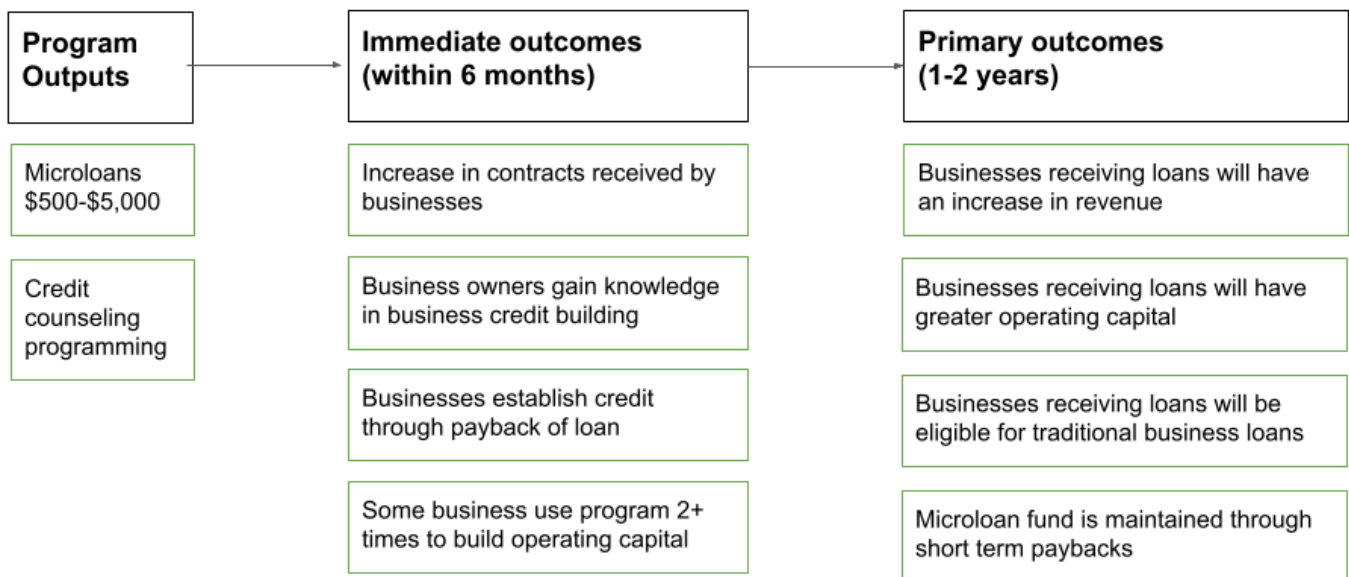
The evaluation of these outcomes would take place six months after participants received their loan.

## PROGRAM FRAMEWORK

### Microloan (0% Interest) Fund

**Key program specifications:** A \$100,000 fund for the microloans was established with a local credit union who provided credit counseling. Microloans for \$500-\$5,000 with a short term (90 day) zero interest loan period were disbursed. Loans were accessible to all borrowers, include subprime borrowers, through character-based (vs. credit-based) underwriting

**Program participants:** Registered businesses in the focus zip codes with annual revenue up to \$100,000 were eligible



Before we can attribute any changes to a program, it is also imperative that we examine the fidelity of program implementation. Was it implemented according to the pre-defined criteria defined? Did the program reach the business owners it aimed to reach? Examples of program fidelity measures include (1) the total numbers of loan applications and recipients, (2) the proportion of loan recipients from the zip codes identified, and (3) the proportion of loan recipients meeting the less than \$100,000 annual revenue criteria at program entry.

Proof of concept for the program's value requires evidence that the need identified was being met by the program. Programs implemented without fidelity are difficult to evaluate. In such cases, a process evaluation may be important to understand *why* the program was not implemented according to specifications and whether that is a problem associated with program administration or evidence that the need was not actually there as expected.

In some cases, the program evaluation may identify previously unrecognized barriers that also need to be addressed in order to amplify the success of the program. For example, a potential barrier that may have been overlooked with this sample loan program was the inclusion of businesses that met criteria to be listed as a Minority or Woman Business Enterprise (MWBE), but who did not have that designation. Even with the additional funding available to support operating costs for the catering business in our earlier example, acquiring designation as an MWBE would further enhance their ability to secure contracts. If many of the program participants were eligible as MWBE, but did not have that designation, adding a technical assistance component to the program to help businesses get a MWBE designation could be a huge asset for participants. Identifying this type of opportunity for improvement is a great example of how a program evaluation might lead to a relatively small revision to the program components that would likely result in a significant improvement in overall program effectiveness.

## **NEXT STEPS TO UNDERSTAND YOUR PROGRAM'S EFFECTIVENESS**

Support organizations are often strained to meet the needs of diverse populations seeking assistance with their business aspirations due to limited budgets and staff capacity. Finding time to invest in program evaluation may seem like a luxury but ensuring the effectiveness of your efforts and, if necessary, pivoting to better meet the needs of your clients, is an extremely worthwhile endeavor to extend the impact of your organization in the community.

One-size-fits-all programming is unlikely to have the same effect in underserved and resource-limited populations as it might in populations with greater access to capital. To strengthen access to entrepreneurship for groups impacted by a long history of systemic racism, intentionality to address the institutional factors preventing access to opportunity is necessary.

The evaluation process outlined above requires detailed planning and a priori decision making; however, many components of the evidence are likely already being collected by your organization. At Forward Cities, our research and evaluation team is poised to help you evaluate your programs through a lens of racial equity. Whether you are a national support organization operating in cities across the United States, or a grassroots organization serving your local community, we invite you to reach out to us for consultation on program evaluation.

