

# **Post-Loan Technical Assistance**

**Helping Create Sustainable and Healthy  
Small Businesses in Central Vermont**

**Emily J. Kaminsky  
Central Vermont Revolving Loan Fund**

**National Weekend Program 2003  
April 10, 2003**

*Project Advisor: Jolan Rivera*

## TABLE OF CONTENTS

|                                   |    |
|-----------------------------------|----|
| A. ABSTRACT                       | 1  |
| B. SUMMARY                        | 2  |
| C. DESCRIPTION OF THE PROBLEM     | 4  |
| D. PROJECT GOAL                   | 8  |
| E. METHODS                        | 11 |
| F. PROJECT RESULTS                | 13 |
| G. CONCLUSION AND RECOMMENDATIONS | 31 |
| H. BIBLIOGRAPHY                   | 39 |
| I. APPENDICES                     | 39 |

**A. ABSTRACT**

The Post-Loan Technical Assistance (PLTA) Project focused on improving the access of Central Vermont Revolving Loan Fund (CVRLF) small business clients (Borrowers) to the outside resources and support they need with the aim of increasing their opportunities to develop healthy and sustainable enterprises. The Project was designed in response to Borrowers' self-identified need for access to not only financial resources but also one-on-one sector-specific advice as well as learning and networking opportunities. The Project was implemented from September 2001 to March 2003 by Emily Kaminsky (CVRLF Fund Manager) in partnership with CVRLF Borrowers as well as public and private partners.

## **B. SUMMARY**

This Project was designed to address the challenges that Central Vermont Revolving Loan Fund (CVRLF) Borrowers face in starting and growing their businesses. The Project focused on two problems: 1) Poor business performance as a result of Borrowers' lack of access to appropriate outside resources and ongoing support and 2) weak organizational capacity to coordinate and deliver the non-financial support Borrowers need, such as one-on-one sector-specific advice and learning and networking opportunities, to succeed.

The Project Target Community consisted of twenty-four (24) businesses that were active in the CVRLF's portfolio during the 18-month Project period from September 1, 2001 to March 31, 2003. Members of the Project Target Community applied for CVRLF financing because they were unable to secure start-up or growth financing for their business from traditional sources such as banks due to the following shared characteristics: poor or no personal credit history, scarce personal resources, limited prior business experience, and little or no sales history.

Recognizing that Borrowers generally lack the resources, skills and experience they need to succeed, the Project Goal was to improve the access of CVRLF Borrowers to the outside resources and ongoing support they need in order to enhance their opportunities to create and sustain healthy businesses. With greater access to resources and support networks, it was expected that CVRLF Borrowers would enjoy improved business know-how and performance as a result of increased opportunities to:

- Know in advance what potential pitfalls they might encounter during startup and growth so they can plan accordingly;
- Identify and implement solutions to problems in a timely manner and with efficient use of resources; and,
- Grow their own pool of resources and networks that they can draw upon during their quest to create a healthy and sustainable small business venture.

In order to achieve the Project Goal, the following Objectives were established:

1. Raise awareness among Project stakeholders of the post-startup needs of disadvantaged entrepreneurs;
2. Design and deliver appropriate Post-Loan Technical Assistance (PLTA) to transfer needed skills and knowledge to at least 75% of all active CVRLF Borrowers;
3. Create sustainable forums through which CVRLF Borrowers can gain access to learning and networking opportunities with their peers; and,
4. Monitor and evaluate to gauge the effectiveness and impact of the Project.

By March 31, 2003, Objectives 1 and 2 were completely achieved while Objectives 3 and 4 were partially achieved. Project implementation yielded the following results:

- 100% of Borrowers identified a PLTA need in 2003 as compared to 65% in 2001.
- 13 Borrowers participated in annual interviews in 2003 as compared to 9 in 2002.
- 10 Borrowers attended 3 roundtable and networking events as compared to 4 Borrowers that attended one event in 2001.

- 18 sector-specific private and publicly-funded consultants were available for Borrowers as compared to 5 in 2001.
- 3 Borrowers pointed to technical assistance as having directly contributed to improved business operations and increased sales as compared to zero in 2001.
- 25% of Borrowers developed PLTA plans outlining technical assistance needs and identifying resources to help meet those needs as compared to zero in 2001.
- 3 Borrowers exceeded their projections in 2002 as compared to 2 borrowers in 2001.
- 13 people representing 6 organizations and 4 businesses participated in a Steering Committee to plan a Networking Event for entrepreneurs in Central Vermont.

The following six Conclusions were made as a result of Project implementation:

- **Capacity:** Project participants and the implementing organization must have sufficient capacity to effectively utilize existing resources to their advantage.
- **Criteria:** A set of criteria must be in place for selecting consultants and resources as well as monitoring their performance in order to insure quality services.
- **Community:** Active participation in group activities is more likely if relationships and a sense of community and common purpose have already been established.
- **Collaboration:** Project activities could not have been implemented without the support and participation of a wide variety of stakeholders and partners.
- **Continuum:** The provision of PLTA is most effective when it is delivered as part of a continuum of services from pre to post-start up and beyond.
- **Value of CED:** Participation, equality and sustainability, when integrated throughout activities, result in greater commitment of stakeholders to Project success.

Based on the above-mentioned conclusions, the Project yielded six recommendations that should be considered prior to further development of the PLTA program:

- **Build Capacity:** Undertake efforts to help entrepreneurs understand the benefit of accessing outside resources and how to take advantage of such resources. Commit an appropriate level of staff resources to implement and monitor service delivery.
- **Formalize Program Parameters:** Develop criteria and policies that promote consistency and quality in the delivery of services. This should include eligible uses, roles and responsibilities, and processes for identifying need, delivering services, and monitoring their progress and impact.
- **Linkage to Larger Networks:** Continue to develop and sustain larger networks of entrepreneurs so that CVRLF Borrowers have greater access to a wider variety of resources and opportunities.
- **Increase Impact Through Partnerships:** Developing collaborative arrangements with a range of private and public service providers reduces the cost of delivering service and increase impact on the performance of Borrowers.
- **Encourage Wider Spectrum of Services:** Entrepreneurs should be encouraged to develop their own network of advisors and mentors early on in the start-up phase so that these networks are already in place when they get to the CVRLF for financing.
- **Plan for Sustainability:** Consider offering PLTA services on a fee-for-service basis or building a portion of the cost into CVRLF's interest rate. Link entrepreneurs to existing peer networks to facilitate no cost mentoring and learning opportunities.

### C. DESCRIPTION OF THE PROBLEM

This Project was designed to address the challenges that Central Vermont Revolving Loan Fund (CVRLF) Borrowers face in starting and growing their businesses. The Project focused on two problems: 1) Poor business performance as a result of Borrowers' lack of access to appropriate outside resources and ongoing support and 2) weak capacity of CVRLF to broker relationships and coordinate access to outside resources and ongoing support that Borrowers need to be successful.

The Target Community for this Project is comprised of twenty-four (24) businesses that were active in the CVRLF's portfolio during the 18-month Project period from September 1, 2001 to March 31, 2003. Business owners in the Target Community had applied for CVRLF financing because they were unable to secure start-up or growth financing for their business from traditional sources such as banks due to several shared characteristics: poor or no personal credit history, scarce personal resources, limited prior business experience, and little or no sales history.

It is these characteristics that put CVRLF Borrowers in a higher risk category than other entrepreneurs who have established credit history, sufficient net worth, personal assets to leverage, and prior business experience. Lisa Servon (1998), in her critique of microenterprise as an "exit route from poverty" points to certain characteristics as determinants of business success in an effort to explain why lower income entrepreneurs are more likely to fail than others at self-employment. Servon writes that, "poor, disadvantaged Americans almost by definition are rarely the ones possessing college degrees, marketable technical skills, or significant personal net worth. Yet these are the traits most often associated with successful small business creation" (Servon 1998).

As illustrated in the following paragraphs<sup>1</sup>, most Borrowers lack these ingredients for success and therefore often need a significant amount of ongoing support and assistance to be successful.

**Poor or No Credit History:** CVRLF Borrowers often have limited experience in successfully borrowing and repaying credit. Fifty-eight percent (58%) of the individuals in the Target Community have a credit score of 600 or less (out of 800). Low scores are due in some cases to a no established credit while others have poor or blemished histories characterized by unpaid medical bills, bankruptcy, or vehicle repossessions. Behind these poor credit scores often lie stories of under- or unemployment, divorce, disability, and/or extended illness in the family.

**Scarce Personal Resources:** Most of the individuals in the Target Community have limited personal resources or net worth to weather the financial storm that accompanies business start-up and growth. Approximately 92% of businesses in the Target

---

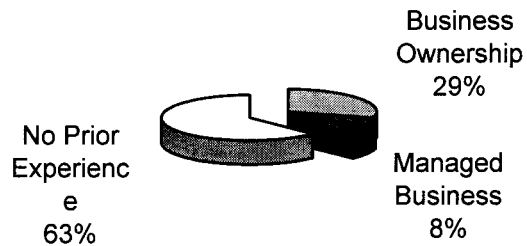
<sup>1</sup> Additional data on the Target Community (e.g. gender breakdown) can be found in Appendix A.

Community are owned by individuals of low-to-moderate income<sup>2</sup>. In addition to being of lower income, most Borrowers have few personal assets to leverage as security for a loan. Of the total Target Community, only 50% were able to pledge personal assets to secure their business loan such as cars, other personal effects or a mortgage on real estate<sup>3</sup>.

**Limited Prior Experience:**

CVRLF Borrowers have limited business experience as illustrated at right in Graph 1. Only 29% owned their own business prior to obtaining financing from the CVRLF. An additional 8% had experience managing a small business. Without prior experience, most Borrowers have difficulty gauging

**Graph 1. Prior Business Experience**

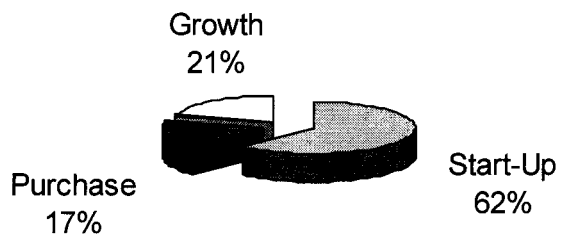


the risk associated with business ownership and are unaware of the potential pitfalls of ownership. Furthermore, they often do not possess the skills, tools, and support they need to manage the financial side of their businesses. Only 33% of Borrowers were able to effectively articulate their business's financial position or expected performance during the CVRLF's application and underwriting process.

**Risky Nature of Start-Up Ventures:** Seventy-nine percent (79%) of the Borrowers received financing from the CVRLF to either purchase an existing business or start a new business (see Graph 2 at right).

Of this group, most received financing to start a new business while 17% purchased an existing business. The remaining five (21%) received support to finance growth of a business they already owned. The median number of years in operation for the Target Community is 3 years although 30% of the businesses have been in operation for more than six or more years.

**Graph 2. High Percentage of Start-ups in Portfolio**



The preponderance of start-up businesses within the Target Community increases the risk of failure according to a report published by the Small Business Administration's Office of Advocacy (Headd, 2000). The Report estimates that only one-third of non-

<sup>2</sup> Low-to-moderate income (LMI) is defined by Housing and Urban Development (HUD) as the household income being 80% of the median income for the household size and county where the business operates.

<sup>3</sup> Only 29% of the Target Community pledged real estate to secure their loan.

employer firms (firms employing only the owner) will survive a four-year period (Headd, 2000). Based on this estimate, over half of the Target Community has roughly a 33% chance of surviving their first four years in business. This statistic underscores the inherent risk of failure within the Target Community.

A review of economic development literature underscores lack of access to resources (financial and otherwise) as well as limited business experience as the primary factors influencing business failure.

Gaskill, Van Auken, and Manning's study of a group of failed Iowa retailers specifically faults lack of training, experience and access to outside support. The authors note that the entrepreneurs in the study's sample group exhibited serious voids in training and skill level and highlighted the fact that more than 60% of the group's respondents had no previous business ownership experience (1993). The study suggests that small business support programs "focus on equipping entrepreneurs with the managerial skills necessary for effective small business operation" and concluded that the retailers might have had better success had they had access to outside support systems (1993).

Mark Shreiner (1999), in his article entitled "Self-Employment, Microenterprise, and the Poorest Americans," supports the assertion that low personal wealth, lack of resources, and limited skills increase the chances that a business owner will not succeed. He references literature that points to the fact that most low-income individuals who turn to self-employment often choose business sectors with low barriers to entry, fierce competition, and little potential to yield sufficient profits (1999). Quoting results of a survey by the Self-Employment Learning Project (SELP), Schreiner laments that in a normal month 50% of the firms studied made a profit, 10% broke even, and 40% lost money. He adds that such a "string of losses kills a small firm" (1999).

As suggested by literature, CVRLF Borrowers perform poorly and in some cases fail<sup>4</sup> due to poor business planning, limited skills and know-how, and lack of access to resources. Baseline data collected at the outset of this Project confirms this hunch. Only 38% of the Target Community exceeded projections in 2001 while the remaining 62% grossly under-performed. Although not all businesses expected to break-even in 2001, some Borrowers were so drastically under their mark they had to put off taking a draw from their business or were forced to either layoff or put off hiring personnel. Another indicator of poor performance is the fact that 70% of the Target Community had experienced some difficulty in making one or more of their loan payments up until 2001. Borrowers cited the following causes for poor performance:

- Lack of visibility due to poor location - as a result, fewer sales and not enough cash to meet suppliers' minimum purchasing requirements;
- Expenses in putting out product were higher than expected - the delay in putting the product out combined with the increased expenses put a crunch on cash flow;
- Did not train employees properly to provide quick and quality service to customers;
- Did not understand how to price products for profit; and,

---

<sup>4</sup> Of the 41 businesses that have received support from the CVRLF since its inception in 1995, 15 (37%) have closed their doors and more than half of those defaulted on their loan.



- Did not have sufficient cash reserve to carry business through the operating cycle.

In response to a growing number of Borrowers whose businesses were not performing or faced outright failure and closure, the CVRLF launched a Post-Loan Technical Assistance (PLTA) program in September 2000. This Program sought to strengthen Borrowers' ability to overcome challenges in business by referring them to ongoing business counseling from advisors with the Small Business Development Center (SBDC), MicroBusiness Development Program (MBDP) and SCORE.

By September 2001, only 65% of Borrowers had met with an advisor. Moreover, of those who had met with an advisor, the median number of technical assistance hours each Borrower accessed was only 2. Despite initial hopes that the Program would reduce high Borrower delinquency and default rates, Borrowers continue to face performance issues and obstacles in starting and growing their businesses. Interviews conducted by CVRLF staff with a sampling of Borrowers revealed that the advice provided by SBDC, MBDP, and SCORE counselors was too generic, inaccessible, and not appropriate to their specific needs. Indeed, SBDC, MBDP, and SCORE specialize in assisting entrepreneurs with pre-startup issues and business planning. Necessarily, then, counselors are business generalists rather than specialists in a particular industry (manufacturing, retail, wholesale, etc) or topic area (pricing, production process, marketing, human resources, etc).

Aspen Institute's FIELD project highlights the difference between entrepreneur's pre-startup and post-startup needs (2002). While other small business support programs across the United States offer general as well as specialized assistance, their specialists are often limited to the lowest common denominator need: marketing and financial management. FIELD recognizes the limitation of even this strategy, noting that, "even though these areas reflect the core services, many clients [entrepreneurs] arrive seeking more – more in-depth assistance in their particular industries; more detailed guidance on Internet-based marketing strategies; and more detailed advice regarding business licenses, regulations, certifications, accounting issues, etc" (2002).

As suggested by the problem analysis thus far, CVRLF Borrowers are predisposed to poor business performance and failure, more so than the larger small business community. If nothing is done to improve Borrowers' access to the resources they need, Borrowers will continue to run high risks of delinquency and possibly default. The effects of business failure and default on the entrepreneur, their families and the community are difficult to measure but clearly negative. Personal credit is destroyed, the household's net worth is significantly reduced, and employees lose their jobs. Business failure and default also negatively affects the CVRLF's own sustainability and health as a community resource by depleting the assets available to lend in the future.

It therefore stands to reason that, without access to appropriate resources and support networks, CVRLF Borrowers will have fewer opportunities to surmount the obstacles they face in creating and sustaining their businesses.

## **D. PROJECT GOAL**

### **D.1. GOAL STATEMENT**

The Goal of the PLTA Project is to improve the access of CVRLF Borrowers to the outside resources and ongoing support they need in order to enhance their opportunities to create and sustain healthy businesses.

By accessing resources and support networks that meet their unique needs, CVRLF Borrowers will have the opportunity to:

- Know in advance what potential pitfalls they might encounter during startup and growth and plan accordingly;
- Identify and implement solutions to problems in a timely manner and with efficient use of resources; and,
- Grow their own pool of resources and networks that they can draw upon during their quest to create a healthy and sustainable small business venture.

A significant amount of literature supports the assertion that there is a direct cause-and-effect relationship between access to outside resources and enhanced opportunities for business success. The following literature review summary draws from a wide range of practitioner as well as theoretical economic development literature.

The importance of providing customized one-on-one counseling particularly to new entrepreneurs is supported by the Aspen Institute's FIELD Best Practices literature referenced above. The Guide devotes an entire chapter to the importance of providing one-on-one customized consulting to business owners. "No matter how sterling a training course, most entrepreneurs seek individualized advice in applying concepts and skills to their own businesses; in formulating their specific action plans; in resolving operational, legal and accounting issues; and in advancing in their industry (FIELD, 2002).

The impact of such assistance on business performance is addressed by a series of articles by James Chrisman (2000). Chrisman quotes Barney's (1997) use of "resource-based theory" to suggest that use of outsider assistance can develop and improve a firm's sustainable competitive edge. Resource-based theory, by definition, contends that businesses "organized to exploit valuable, rare, and imperfectly imitable assets can develop sustainable competitive advantages" (Chrisman, 2000). Building upon resource-based theory, Chrisman purports that "outsider assistance is a special resource that entrepreneurs might use to develop a sustainable competitive advantage".

Terpstra and Olson (1993), in their article entitled *Entrepreneurial Start-up and Growth: A Classification of Problems*, further develop this point by asserting that entrepreneurs who have access to technical assistance have increased opportunities to avoid the pitfalls of business that often lead to failure. "If entrepreneurs are better able to anticipate the possible problems that might be encountered at the start-up and later

stage, they should stand a better chance of dealing effectively with those problems and guiding their firms through difficult early stages” (Terpstra et al., 1993).

Entrepreneurs do not only need access to one or two mentors and advisors. Their success is dependent upon their ability to network with their peers. Practitioner-based research underscores the importance for entrepreneurs, particularly those of lower-income and located in rural areas, to have access to a larger group of peers. Schreiner (1999) purports that to cope with the risk inherent in new start-up ventures owned by lower-income individuals, “the self-employed poor need support networks.” Tjosvold and Weicker’s study of “Cooperative and Competitive Networking By Entrepreneurs” shows that entrepreneurs who develop cooperative goals, compared to competitive or independent ones, coordinate successfully with people in their network and that these interactions contribute to developing their business (1993).

The National Commission on Entrepreneurship’s (NCOE) study entitled “Building Companies, Building Communities” (2000) states that one of the “more striking findings” of their focus groups with small business owners around the country “is the importance of informal networks of and for entrepreneurs. Through networks, entrepreneurs share information and assessments of markets and technology as well as lessons learned from their own experiences. These links are absolutely essential if a growing company is going to travel successfully at entrepreneurial speed” (2000).

Another article commissioned by the Kauffman Rural Entrepreneurship Initiative (2001) suggests that “networks may be even more important for rural entrepreneurs than they are for urban entrepreneurs...rural entrepreneurs are often ‘one person’ away from success or failure. Providing forums for rural entrepreneurs to network with other entrepreneurs to share experiences, explore new opportunities, and seek reinforcement may be among the biggest challenges to promoting entrepreneurship in Rural America” (Macke et al., 2001).

Based on the above assertions, if the Project Goal were to be achieved, there would be specific and measurable changes within the CVRLF Target Community and other Project stakeholders.

## **D.2. EXPECTED CHANGES WITHIN THE COMMUNITY**

Expected changes within the Target Community and other Project stakeholders include:

1. Improved Participation of Stakeholders in Program Design and Evaluation – As a byproduct of the activities undertaken by this Project, Community Economic Development (CED) values of participation, equity, and sustainability will be integrated more deeply into the way the CVRLF designs, implements and evaluates programs. Necessarily, Borrowers and other stakeholders such as publicly-funded TA providers, private consultants, and other lenders will have opportunities to provide ongoing feedback on the appropriateness and utility of CVRLF products and services.

2. Greater Coordination and Improved Quality of Business Support Services – Business service providers will have an improved understanding of the challenges that Borrowers have in creating and sustaining successful businesses. Awareness and understanding of these challenges will enable technical assistance providers and lenders to better understand the need for a continuum of support for entrepreneurs as they transition from the seed of an idea to applying for financing, through startup, growth and even exit (selling or closing).
3. Enhanced Capacity of CVRLF to Deliver Appropriate Post-Loan Services – CVRLF staff and board will have a better understanding of the causes of business success and failure. New Borrower feedback systems will enable staff to help identify technical assistance needs and match them with the appropriate resources.
4. Improved Borrower Business Performance – CVRLF Borrowers accessing ongoing one-on-one support as well as peer networks will improve their business operations and take steps that will increase sales and profitability. As a byproduct of this success, delinquency and default rates will decrease and, because of consistent repayment of loans and fewer defaults, the CVRLF will be able to build its assets.
5. Sustainable Networks of Entrepreneurs - CVRLF Borrowers will have access to a greater network of entrepreneurs to whom they can turn for support, guidance, and advice even after they have paid off their CVRLF loan.

### **D.3. PROJECT ASSUMPTIONS**

In the process of identifying the problem, defining the goal, as well as developing and implementing Project activities, the following assumptions were made:

1. This Project was not intended to address any questions related to the CVRLF's mission statement, eligibility criteria, or underwriting process. The CVRLF maintains that all Borrowers within the Target Community presented a strong, fundable application and demonstrated the skill, determination, and talent necessary to warrant CVRLF assistance.
2. This Project does not attempt to address the multitude of unforeseen or undisclosed personal issues and obstacles that may affect Borrower business success. When possible, CVRLF staff refers Borrowers to other services as appropriate.
3. This Project does not address the otherwise critically important issue regarding the tendency of Borrowers (particularly those that are inexperienced and seek start-up financing) to over-project sales and under-project expenses. Because "under-performance" is defined in this Project document as the difference between projected and actual sales, this tendency to over-project necessarily affects the degree to which a business "under-performs."

## E. METHODS

### E.1. PROJECT OBJECTIVES

The following Objectives were designed to lead toward the aforementioned goal. They seek to incorporate CED values of participation, sustainability, and equity. These values are primarily incorporated in the strategy and implementation of the activities associated with each Objective. Please see Appendix B for a Project timeline.

**Objective #1: Raise awareness among stakeholders of the post-startup needs of disadvantaged entrepreneurs.** At the outset of this Project, CVRLF and other Project stakeholders lacked information about the specific business development needs of CVRLF Borrowers. To better understand their needs, it was necessary to research the causes of their success and failure. Toward this end, the following activities were planned:

- Develop an interactive Borrower Interview Guide to aid in the collection of baseline and updated quantitative and qualitative data
- Conduct focused one-on-one baseline interviews with Borrowers
- Conduct literature review to gain an understanding of the causes of business success and failure
- Host roundtables and networking events for Borrowers
- Facilitate roundtables for Technical Assistance Providers organized around the subject of Borrower post-loan needs
- Recruit Technical Assistance Providers (including private consultants) that are aware of and supportive of the CVRLF PLTA Program

**Objective #2: Design and deliver appropriate technical assistance to transfer needed skills and knowledge to at least 75% of all active CVRLF Borrowers.** In order to meet the unique needs of Borrowers, the Project Coordinator and other Project partners undertook activities that systematized the way post-loan technical assistance was coordinated and delivered. The following activities were planned:

- Conduct ongoing site visits and follow-up interviews with Borrowers
- Establish and convene an Advisory Committee to involve stakeholders in designing PLTA services
- Host ongoing roundtables for technical assistance providers on the subject of Borrower needs
- Schedule and facilitate initial and ongoing PLTA meetings between Borrowers and providers.
- Involve Borrowers in hosting events, roundtables and open houses
- Develop and disseminate "Borrower Connections," a newsletter for Borrowers

**Objective #3: Create sustainable forums through which CVRLF Borrowers can gain access to learning and networking opportunities with their peers.** One-year into the Project, it became clear that Borrowers needed access to a larger group of entrepreneurs. Based on this realization, the following activities were included as of Fall 2002:

- Focus groups to gauge interest of other entrepreneurs in the region in a small business network
- Develop a Steering Committee for a small business event that includes a variety of stakeholders
- Host a small business event that focuses on increasing networking opportunities available to entrepreneurs under-served by area chambers and trade associations
- Take necessary steps to cultivate, incubate, and launch a small business network run by and for area entrepreneurs

**Objective #4: Monitor and evaluate to gauge the effectiveness and impact of the project.** One of the deficiencies of the PLTA program was the lack of feedback loops that allowed stakeholders to inform the design and delivery of program's services.

Activities included:

- Identify monitoring and evaluation indicators
- Establish mechanisms for evaluation that allow the collection of quantitative and qualitative baseline data as well as the ability to collect updated data for comparison purposes.
- Design PLTA agreements/contracts that outline the needs of Borrowers as well as the goals/objectives of the technical assistance to be provided
- Collect and analyze financial reports from Borrowers to identify any quantitative changes in business performance
- Maintain the Steering Committee for the small business event as a mechanism to monitor and evaluate progress in achieving Objective #3.
- Conduct follow-up interviews with Borrowers.

## E.2. PROJECT BACKGROUND

The Central Vermont Revolving Loan Fund is a nonprofit, community-based lender that seeks to strengthen the Central Vermont community by helping small businesses prosper through the provision of flexible financing and ongoing technical assistance. One of CVRLF's four guiding principles focuses on the desire to provide economic opportunities for all Central Vermonters including those of low and moderate income. This population has been CVRLF's traditional target community from the organization's inception in 1995. The CVRLF contracts all of its administration and management to the local Community Action Agency – CVCAC.

Given its focus on lower income entrepreneurs, the CVRLF necessarily makes loans to businesses that have a higher risk of failure than those eligible for bank financing. In order to continue serving lower income individuals who often lack the basic ingredients for business success (access to technical and financial resources, skills, and experience), the CVRLF realized the need to offer additional support to its Borrowers through its Post-Loan Technical Assistance (PLTA) Program.

The Coordinator for this Project is the Fund Manager for the CVRLF. The Fund Manager was hired by CVCAC on behalf of the CVRLF in June 2000 originally as the Loan Officer, three months prior to the launching of the PLTA Program. She was

responsible for the development of the program early on in her tenure with the organization. Since then, she has been responsible for designing and implementing new services under the Program as well as securing additional funding for the Program.

During the eighteen months of Project implementation, the Project Coordinator (CVRLF Fund Manager) has developed relationships with a wide variety of stakeholders who maintain a variety of interests in the success of the Project. Without their involvement, the Project could not have been implemented nor results achieved as described in Section F of this Report. Below, Table 1 describes the various Project stakeholders and their interests in the success of the PLTA Project.

**Table 1. Stakeholders and Interests**

| Stakeholders   | Interests  |
|--|--|
| <b>Primary Stakeholders</b>  |  |
| Participating CVRLF Borrowers  | Improved profits<br>Business sustainability<br>Improvements in income and status   |
| CVRLF Governing Board & Staff  | Fewer delinquencies and defaults<br>Successful businesses<br>Achievement of targets  |
| <b>Secondary Stakeholders</b>  |  |
| General Technical Assistance Providers (publicly-funded)                         | Client success<br>Achievement of targets (#'s, hours)  |
| Sector-Specific Consultants (private consultants)                                | Client success<br>Ongoing consulting jobs  |
| Small Business Community   | Development of a sustainable small business network<br>Maintenance of a flexible, community-based alternative funding source such as the CVRLF |
| Employees of the business supported  | Job security<br>Livable wage   |
| Central Vermont Community Action Council/Community Economic Development Division | Achievement of targets<br>Use of MicroBusiness Development Programs TA Providers<br>Influx of grant funds                                      |
| VT Community Development Program (funder)  | Achievement of targets, and maximization of benefit<br>Control over funds  |
| Other Alternative Lenders and Banks  | Repayment of loans made in partnership with CVRLF<br>Replicating the CVRLF project for their own borrowers                                     |
| Community where the business operates  | Increased tax base<br>Increased investment in local area<br>More dollars circulating locally   |

## F. PROJECT RESULTS

As of March 31, 2003, the bulk of the Project activities described under Section E have been completed. Results are highlighted below and organized by objectives. Quantitative results are listed first and then followed by a description of the major

Project outputs using qualitative indicators referenced in Section E.1. Objectives 1 and 2 were fully achieved while Objectives 3 and 4 were only partially achieved. Remaining tasks are listed by Objective where appropriate.

**F.1. - Objective 1. Raise awareness among stakeholders of the post-startup needs of disadvantaged entrepreneurs.**

Monitoring Indicators

- Awareness: Extent to which stakeholders, including Borrowers, identify and understand factors influencing performance.
- Application: Degree to which stakeholders, including Borrowers, are engaged in identifying the needs of Borrowers.
- Participation: # and degree of participation by stakeholders, including Borrowers, in events that focus on identifying needs, solutions, resources, and opportunities.
- External Support: Ability of CVRLF staff to garner the support and interest of appropriate and quality outside resources, e.g. consultants.

F.1.A. – Output: Stakeholders have an increased understanding of the factors that cause business success and under-performance and are engaged in identifying the specific needs of CVRLF Borrowers.

CVRLF staff, Borrowers, and other stakeholders such as TA Providers and CVRLF Governing Board members must have an adequate understanding of the causes of business success and failure in order to design and deliver appropriate and quality technical assistance. Therefore, activities undertaken in support of Objective #1 focused on enhancing stakeholders’ awareness and understanding of the causes of Borrower success and under-performance.

*Annual Borrower Interviews*

An interactive Interview Guide (see Appendix C), developed to collect baseline and follow-up quantitative and qualitative data from Borrowers, was instrumental in assisting Borrowers in analyzing and understanding the factors that cause their success and/or under-performance. See Section F.4. for more information regarding this monitoring and evaluation tool. Table 2 below illustrates the degree to which Borrowers were able to articulate the wide range of factors that influenced whether their business encountered success in the previous year.

**TABLE 2. Factors Causing Borrower Success and Under-Performance**

| Factors for Success  | Factors for Under-performance   |
|--|---|
| <p>GOOD ENVIRONMENT FOR EMPLOYEES:</p> <ul style="list-style-type: none"> <li>• Retail clothing store built up employee base over time; offers employees a good working environment, flexible hours; one of the employees brings in her baby and does not have to pay for childcare; customers come</li> </ul> | <p>HUMAN RESOURCE ISSUES:</p> <ul style="list-style-type: none"> <li>• Restaurant cannot find and keep good part-time help; therefore, had to drop delivery service.</li> <li>• Didn’t train employees properly.</li> <li>• Don’t have the capital to hire another</li> </ul> |



|   |   |
|---|---|
| in just to see how the baby's growing!  | person which would increase production volume.  |
| <b>LONGEVITY AND WORD-OF-MOUTH</b> <ul style="list-style-type: none"> <li>• Restaurant has been in operation for three years now and people know they can expect a good product.</li> <li>• Wholesaler of crafts has been selling to retail outfits for three years and has established sufficient reputation to capture increasing numbers of reorders.</li> </ul>   | <b>PHYSICAL PLANT LIMITATIONS:</b> <ul style="list-style-type: none"> <li>• Restaurant says space is limiting his growth; if he could increase gross sales, he could hire a manager and spend more time with my family.</li> <li>• Repair shop says location makes him invisible; he doesn't make the sales he needs to move to another location.</li> </ul>  |
| <b>OUTSIDE TECHNICAL ASSISTANCE</b> <ul style="list-style-type: none"> <li>• Retail clothing store owner utilized the expertise of a marketing consultant to make smart decisions to grow her business with efficient use of resources.</li> <li>• General store utilized consultant to improve financial management skills and identify benchmarks for success which enabled the owners to remain focused on achieving goals outlined in their business plan. Consultant also helped with store layout and pricing.</li> </ul> | <b>LACK OF EXPERIENCE:</b> <ul style="list-style-type: none"> <li>• Wholesaler of crafts didn't know what problems she would encounter shipping COD; she lost money as a result.</li> <li>• Convenience store didn't know they were pricing products to low and therefore ended up cheating themselves out of the profit we needed to stay afloat.</li> <li>• Importer didn't know enough during the business planning phase to identify potential pitfalls and to slow the business down.</li> </ul> |
| <b>KNOWING THE MARKET</b> <ul style="list-style-type: none"> <li>• Pet store owner knew that people wanted to buy puppies; the loan helped her have the cash reserve she needed to buy puppies; now they are selling well and she's making a good profit.</li> </ul>  | <b>POOR MARKETING STRATEGY</b> <ul style="list-style-type: none"> <li>• Wholesaler of advertising images chose a high-cost marketing strategy; the delay in printing their catalogue delayed sales and created a cash flow crunch; never built the market power they needed to succeed.</li> </ul>  |
| <b>BACK UP PLAN</b> <ul style="list-style-type: none"> <li>• Repair shop owner made sure he and his wife had sufficient cash reserves and a steady employment opportunity to fall back on when the business did not perform.</li> </ul>   | <b>PERSONAL PROBLEMS</b> <ul style="list-style-type: none"> <li>• When a retail store owner got sick, she didn't have a back-up plan. She lost her main employee and came close to losing the business.</li> </ul>  |

Not all Borrowers were adept in identifying factors of under-performance. In fact, three of the thirteen interviewed pointed to "not having enough money" as the cause of their troubles rather than focusing on "why there was not enough money". This confusion between cause and effect inhibited some Borrowers from truly understanding why their business was not performing. The following examples illustrate the degree to which some Borrowers did not fully understand the reason for their failure:

- A retail store owner pointed to under-capitalization as the primary reason for their poor performance. In reality, this Borrower was sufficiently capitalized but failed to properly price their products and to maintain fiscal controls to achieve an appropriate level of profitability.
- A wholesaler identified poor pre-loan technical assistance as the primary cause of their failure. However, the business planning guidance provided to the Borrower was not meant to verify market research but rather to assist the Borrower in building a case for financing based on the Borrower's own market research and information. The cause of the Borrower's failure appears to be their own poor research and poor planning combined with their inexperience.

- A service business pointed to their high CVRLF loan payment as the cause of their cash flow problems. Further review points to the Borrower's lack of planning and marketing as the reason for the entrepreneur's lack of sales. Had he had the cash flow from sales, he would not have a problem paying his loan.

In addition, of the 24 Borrowers in the Target Community, 8 (or 33%) can attribute poor business performance to personal issues and obstacles including: marital problems (3), extended illness or disability (2), substance abuse (1), disintegration of relationship between partners (1), and other family problems (1).

Following the 2002 annual Borrower interviews, the Project Coordinator sponsored two separate roundtables, one for Borrowers and another for TA Providers and Board members, to raise awareness of the factors that influence Borrower success or lack thereof. Each of these activities served to bring stakeholders to a greater understanding of the obstacles and challenges Borrowers face and their need for ongoing support and technical assistance.

#### *February 2002 Roundtable for CVRLF Borrowers*

A total of eleven people (5 Borrowers and owners of two other businesses participating in a CVRLF-sponsored group lending program) attended a February 2002 roundtable to learn about guerilla marketing techniques as well as to hear the aggregated results of the 2002 Borrower interviews. Following both presentations, Borrowers shared concerns and ideas around marketing, client development/retention, and business development. This was the first-ever Borrower-wide event. Three entrepreneurs stayed following the roundtable to talk with the Project Coordinator about the need to continue sponsoring such roundtable events.

#### *May 2002 Roundtable for TA Providers and CVRLF Board Members*

Ten Technical Assistance Providers and four CVRLF Board members participated in this roundtable to "brainstorm with providers, CVRLF staff and Loan Committee members ways to better meet the ever-changing start-up and growth needs of CVRLF borrowers." The following suggestions made by the group indicate the degree to which participants were engaged in identifying and developing solutions to meet the needs of CVRLF Borrowers<sup>5</sup>:

- provide a mechanism or way for Borrowers currently accessing PLTA services to offer testimony of its use to other borrowers;
- offer incentives for borrowers to access PLTA on a regular basis (retractable 1% interest rate reduction, principal rebate, etc);
- require borrowers to participate in a financial management training developed in partnership with the Small Business Development Center or MicroBusiness Development Program;
- unify the pre-loan and post-loan technical assistance phases by matching each Borrower with a "business generalist" who could serve as their coach through the application phase to the loan closing to the start-up phase;
- take steps to foster networks among borrowers;

---

<sup>5</sup> The meeting notes taken at this meeting are included in Appendix D.

- look into co-sponsoring small business conference or fair for central Vermont entrepreneurs; and,
- recognize that most people do not know what they do not know; identify tools to help diagnose borrower needs as soon as possible (e.g. self-administered needs assessment questionnaire).

The Project also sought to engage stakeholders in identifying the ongoing technical assistance needs of Borrowers. This was accomplished through two additional roundtable events described below.

#### *November 2002 Roundtable on "Continuum of Technical Assistance"*

As a follow-on to the May 2002 roundtable, the Project Coordinator facilitated a discussion at the November 2002 Annual Vermont Technical Assistance Providers' Association (TAPA) Conference on the subject of the "Continuum of Technical Assistance." Roundtable participants included representatives from the Small Business Administration, the Vermont Women's Business Center, the Champlain Valley Office for Economic Opportunity, Central Vermont Community Action Council, and the Statewide MicroBusiness Development Program. A graphic representation of "the continuum" presented at this roundtable by the Project Coordinator is attached as Appendix E. This roundtable produced a set of recommendations to the larger statewide network of TA Providers, which included:

- include, as part of the business planning template, an Implementation Plan template that allows entrepreneurs to schedule out the necessary activities that must be undertaken in the first six months to a year of their business;
- identify and make widely available a list of resources, information (including industry-specific information), and learning opportunities for entrepreneurs that can be accessed on the internet; and,
- facilitate and/or organize networking opportunities for entrepreneurs on a larger scale.

#### *December 2002 Presentation to VT Technical Assistance Providers Association*

In December 2002, the Project Coordinator made a presentation to 18 members of the TAPA group at its regular monthly meeting. The presentation made a case for ongoing support to entrepreneurs in the post-startup phase. The Project Coordinator presented the concept of an annual action plan as part of the business plan template and suggested the group consider spearheading the launching of a small business network for entrepreneurs through a regional small business conference. Notes from this meeting are included in Appendix F. The following discussions took place amongst participants following the presentation:

- Discussion about how TA Providers define success and failure;
- The role of the TA Provider in supporting the entrepreneur;
- Possibility of borrowers getting a reduction in interest rates if they continue to undergo professional development (buy-down of interest rate)
- The need to require new entrepreneurs to think about how they are going to implement their business plan by requiring that they put together an "implementation plan" as part of the business plan;

- Difficulty that TA Providers have in maintaining relationships with clients after they get a loan;
- Need for entrepreneurs to “have another place to go” after they have gone through training, etc.; and,
- Ability of TAPA to help organize a regional or statewide network of entrepreneurs.

At the close of the meeting, seven individuals volunteered to work with the Project Coordinator in planning a Regional Small Business Event (see Section F.3.A.).

*Community Advisory Committee*

At the outset of the Project, it was expected that the Project Coordinator would create a Community Advisory Committee comprised of technical assistance providers, Borrowers, and CVRLF Board. The purpose of the Committee was to engage stakeholders in monitoring and evaluating the Post-Loan Technical Assistance Program as well as providing input into the modification of the PLTA Program. Following the February 2002 Borrower roundtable, two Borrowers volunteered to sit on this Advisory Committee. At the May 2002 technical assistance provider roundtable, the Project Coordinator invited participants to volunteer to sit on this Committee. Unfortunately, the purpose of the Committee did not resonate with the participants as it was perceived to involve “yet another set of meetings.” Participants at the May 2002 roundtable suggested that a follow-up meeting be held in November 2002 and that any input be solicited via email rather than through a formal Committee. Both TA Providers and CVRLF Board members participating in the roundtable agreed that this was a more effective approach. As a result, the Committee never was formed. Nonetheless, the Project Coordinator continued to seek additional input into program design was received informally from various stakeholders.

Output F.1.B. - Post-loan resources are appropriate to needs of Borrowers and are aware and supportive of the PLTA program.

At the beginning of the Project, only two (2) private business counselors had been identified by the Project Coordinator to consult with Borrowers. By March 31, 2003, the Project Coordinator had identified 18 consultants, 75% of whom had provided consulting to Borrowers.

Fourteen of these consultants specialized in the following areas: pricing products, purchasing, store layout, kitchen efficiency, marketing strategy, advertising campaigns, financial management, bookkeeping, facilitated roundtable for Borrowers, human resources, tax issues, and analysis of Operating Cash Flow to improve management of cash.

**Table 3. Areas of Consultant Expertise**

| Consultants      | 2001     | 2003      |
|------------------|----------|-----------|
| General          | 3        | 3         |
| Marketing        | 0        | 4         |
| Human Resources  | 0        | 1         |
| Quickbooks       | 0        | 1         |
| Financial Mgmt   | 0        | 4         |
| Food Production  | 0        | 1         |
| Manufacturing    | 0        | 1         |
| Wholesale/Import | 0        | 1         |
| General Store    | 2        | 2         |
| <b>TOTAL</b>     | <b>5</b> | <b>18</b> |

The Project Coordinator was successful in cultivating supportive relationships with a wide variety of consultants. As a result, Borrowers are now able to pick from a pool of qualified consultants, the majority of which are capable of providing intensive, one-on-one customized assistance.

**Project Highlight #1** illustrates the degree to which one business counselor supported the PLTA program. The interest and support of private consultants was not difficult to obtain. Consultants who became aware of the program in Spring 2003 were extremely interested due to the fact that it enabled them to work with smaller clients without forgoing their fee. That is, the CVRLF subsidized the consulting fee up to a certain number of hours, thereby allowing Borrowers to access high quality resources at no cost to them. It should be noted that two consultants significantly reduced their consulting fee as a way of indicating their support for the PLTA program and the borrowers that it sought to assist.

***Project Highlight #1:***

*In December 2001, Private PLTA consultant, Bill MacDonald, spoke to the Vermont State CDBG Grant Review Board on behalf of the CVRLF's Post-Loan Technical Assistance Program. As a result of his presentation, the Review Board extended the CVRLF's grant funding for PLTA. MacDonald had made the case to the board that PLTA is as important if not more important than providing pre-loan technical assistance and business planning assistance.*

Despite the Project's success in attracting a significant number of high quality resources, there was one notable instance in which the consultant was not an appropriate match for the Borrower. In one case, two consultants matched with one particular Borrower were not sufficiently skilled in transferring knowledge, providing guidance, and offering support. In addition, the personalities of both consultants were not congruent with those of the Borrowers.

In the second case, the consultant was highly skilled but the Borrower did not like their personality. In both cases, these consultants were introduced to the Borrowers during a strenuous time. Both Borrowers had already found themselves in a situation that required an additional injection of cash that the CVRLF was hesitant to offer. Both had grossly misjudged their market and mishandled their cash and found themselves close to folding. As a result, not only did the Borrowers not like their consultants but they also saw the consultants as an "agent" or "arm" of the CVRLF more than a helping hand.

The above experiences were an important learning for the Project Coordinator as they illuminated the inherently tenuous relationship between Borrowers and Lenders. Moreover, it underscores the importance of developing program components that safeguard the trust that has already been established between the Borrower and the Lender. Technical assistance provided to a Borrower can often stir up issues related to the way the business is being operated. It still remains a question as to whether the CVRLF, as the entity that contracts the consultant, should be informed of any issues that might present a risk to the CVRLF's "investment" in the Borrower's success.

**F.2. - Objective 2. Design and deliver appropriate technical assistance to transfer needed skills and knowledge to CVRLF borrowers in a timely fashion.**

Indicators

- Accessibility of resources: the extent to which Borrowers are aware of and have access to resources and learning opportunities.
- Appropriateness of resources: the extent to which resources match the self-expressed needs of the Borrower.
- Utilization of Technical Assistance: # of hours of one-on-one and group technical assistance Borrowers access that addresses business-related challenges.
- Participation: the degree to which Borrowers develop strategies to meet their need for technical assistance.
- Causality: the degree to which Borrowers identify “access to resources” as having a direct and positive impact on their business performance.

F.2.A. Output - Participatory mechanisms involve stakeholders in designing programmatic responses to the needs of CVRLF Borrowers.

*Annual Interviews*

Annual interviews encouraged Borrowers to suggest what additional technical assistance services or support the CVRLF should offer its Borrowers. Through participation in one-on-one interviews conducted, Borrowers were guided through an exploration and analysis of what specific factors caused them to achieve or fall short of certain goals in the previous year. In several cases, this exercise enabled Borrowers to identify certain needs that they might not have identified otherwise as illustrated by **Project Highlight #2** at right. Some responses include:

***Project Highlight #2***

*Following a one-on-one Interview conducted in February 2002, the owner of a retail clothing store realized that she needed to tweak her business image in order to expand and diversify her target market. Marketing assistance obtained through the CVRLF PLTA Program helped her develop and implement a marketing plan. As a result of this assistance, her business has experienced a 20% increase in sales over the previous year.*

- Facilitate group health insurance for Borrowers
- Continue roundtable discussions – make it mandatory for all borrowers to attend; have a speaker/facilitator
- Provide assistance in bookkeeping and developing a strategy for growth; access to accountants and advice on tax issues for small businesses
- Assistance with employees; human resource consultant
- Strategic marketing consultant that can help get products to market
- Assistance in developing a long-term marketing plan
- Provide access to a combination of technical assistance that offers general support combined with several specialists

*Small Business Survey and Focus Groups*

As part of a separate activity, the CVRLF conducted a Needs Assessment Project during the Winter of 2002-03 to gain a better understanding of the financial and technical needs of the larger small business community. The Assessment included surveying 198 entrepreneurs and the participation of 29 businesses in a series of four focus groups. Both activities served to solicit the insight of area entrepreneurs to help the CVRLF staff and board modify existing products and services as well as design new ones. Market analysis results uncovered a need amongst a larger group of entrepreneurs for access to resources and networking opportunities. At right, a citation from the Needs Assessment report written by the Focus Group facilitator illustrates the degree to which focus groups solicited input as well as offered entrepreneurs an opportunity to network.

**Project Highlight #3**

*Most entrepreneurs participating in the Focus Groups suggested that "short spurts" of activities and training are preferred. All-day or multiple-day training and seminars is hard to budget during the work day. The focus groups themselves appeared to provide a welcomed networking opportunity for participants, who arrived early and stayed late, many as long as twenty minutes after the focus group officially ended. Participants appeared eager to meet new business colleagues and exchange information and leads."*

Output F.2.B. - Borrowers are engaged in a technical assistance program that meets their needs.

During the term of the Project, the Project Coordinator facilitated fourteen (14) initial one-on-one meetings between business counselors and Borrowers to explore the specific challenges, issues, and needs each Borrower faced. Meetings focused on supporting the Borrower in identifying his/her strengths and weaknesses particularly as they relate to accomplishing business goals for the first year of the business plan. Based on these discussions, the Borrower and business counselor worked together to identify the resources and necessary support they will need over the year to shore up their weaknesses and achieve their goals.

*Expectations Set Regarding Post-Loan Technical Assistance*

The Project Coordinator found it easier to engage new Borrowers as compared to engaging existing Borrowers in the technical assistance program. This is primarily due to the fact that the Project Coordinator took great strides to publicize the PLTA Project to new applicants and Borrowers. A special flyer was developed and inserted in every publicity and application package. See Appendix G to view this flyer as well as a Technical Assistance Request Form developed in March 2003.

*Post-Loan Technical Assistance Plans*

Beginning November 2001, all Borrowers were required to a Post-Loan Technical Assistance Plan in place before loan closing. The structure of the Plan was based on a format used by a PLTA Consultant for a Borrower who was facing a variety of obstacles and challenges. The format of the PLTA Plan is similar to a workplan in that it outlines certain Technical Assistance Goals, Objectives, and Activities. Furthermore, it identifies

the resources the Borrower will draw upon to assist them in accomplishing each objective and goal. See Appendix H for a sample Technical Assistance Plan.

Of the twenty-four (24) Borrowers in the Target Group, six Borrowers (or 25%) have PLTA Plans in place that specify Goals, Objectives and Activities. Of those six, one has come to the end of their annual plan and worked with their TA Provider to develop a set of revised projections and expectations for the upcoming year. An additional four (4) new Borrowers whose loans closed recently in Spring 2003 also established Post-Loan Technical Assistance Plans (note: these Borrowers are not included in the Target Community). **Project Highlight #4** at right illustrates how a

**Project Highlight #4**

*A retail hardware store received financing from the CVRLF to reopen its doors after losing inventory to the Flood of '92. The owners worked with the SBDC, a marketing consultant, a CPA, and the director of the downtown initiative to design a Technical Assistance Plan prior to the loan disbursement. Monthly meetings with these advisors were scheduled to help the entrepreneur review progress against goals and to make adjustments to the business plan as needed. Three Advisory Committee meetings have been held to date, the most recent one focusing on the coordination and implementation of a community outreach and advertising campaign.*

PLTA Plan has provided a framework for facilitating access to resources. As a result, the Borrower is moving their business plan forward in a successful way. Although implementation is slightly off schedule for this particular Borrower, the Advisory Committee has been able to provide the Borrower with the support and assistance he needs to revise plans as necessary and continue moving forward.

#### *"Borrower Connections" Newsletter*

In order to improve Borrowers' access to resources, the Project Coordinator published four issues of a newsletter entitled "Borrower Connections." Newsletters included updates on upcoming events such as seminars on tax issues, human resources, and understanding financial statements. They also included invitations to and write-ups on Borrower events (see below) and the results of the CVRLF Needs Assessment Survey. Newsletters also included pictures of events and borrowers. Unfortunately, no direct impact was measured as a result of this activity although at the February 2003 interviews, several Borrowers inquired about the January 2003 open house event sponsored by a Borrower that was cancelled due to a lack of interest. Nonetheless, the Borrower Connections newsletter enabled the Project Coordinator to communicate opportunities and resources to its Borrowers in an effective and exciting way.

#### *Group Learning/Networking Events*

In 2002, the Project Coordinator sponsored three roundtable events for Borrowers (one of which was in February 2002 and described under Section F.1.A.). In April, two Borrowers attended a roundtable with three CVRLF board members who are also business owners. The roundtable was facilitated by Nancy Wasserman, a former CED student and consultant. The purpose of the event was to

**Project Testimonial #1**

*"I enjoyed getting feedback from other businesses at the roundtables I attended. I was happy to know that I wasn't the only one facing a crisis!" – retailer who participated in two roundtables.*



provide both Borrowers and board members with an opportunity to share information. The roundtable was particularly disappointing due to the low attendance. At least three Borrowers that intended to show up did not attend. Based on feedback from Wasserman and a Borrower that attended the April roundtable, the Project Coordinator worked with a local retailer to organize a Borrower Open House Event. The Borrower designed the invitations and sent them out to all of the other CVRLF Borrowers. The event, scheduled for November at the Borrower's location after hours, was meant to showcase the positive impact that working with a PLTA consultant had had on her business. Four Borrowers attended this event as well as the consultant. The Borrower gave a tour of her business and spoke briefly about the impact of the consulting hours on her business and particularly her sales.

Despite best efforts of the Project Coordinator and another Borrower, a second Borrower Open House scheduled for January 2003 but cancelled due to low attendance. Following February 2003 interviews, it appeared that Borrowers were interested in attending networking/roundtable events if they were at a time and location convenient to them and if there was a specific opportunity available to them at the event that they just could not miss.

#### *One-on-One Assistance*

Borrower interviews held in February 2003 indicated that 100% of active Borrowers in the portfolio at the end of March 2003 had utilized post-loan technical assistance at some point during the term of their loan. This is compared to 65% of active Borrowers in the portfolio at the end of September 2001. The impact of technical assistance accessed by Borrowers is limited given the Project Period. Yet, the impact to date is worth noting. Of the ten Borrowers interviewed in 2003, 3 explicitly pointed to technical assistance received in 2002 as having a profoundly positive impact on their business. The following Project Testimonials illustrate the degree to which technical assistance has impacted the business owner and performance.

A retailer received PLTA assistance in developing an advertising campaign, the impact of which included improved business image, enhanced personal self-confidence, and increased sales. Marketing consultant, Charles Rubner, worked with the Borrower for three months designing and implementing a marketing campaign. The Borrower attributed

#### ***Project Testimonial #2***

*"Charles had a tremendous impact on my business. He helped me create new brochures and plan a solid ad campaign. He helped me turn this into a real retail store. He also validated me as a business owner; he believed in me."*

several positive changes in her business including an increase in sales by 26% over 2001 to her work with Rubner. When asked whether the PLTA process worked well for her, she responded that it went fine. She admitted she was slightly anxious about working with the consultant as she was fearful that he might tell her she has been doing everything wrong from the start.

An up-scale general store gained a better understanding of how to project and measure business performance as a result of assistance received from Bill MacDonald, a general store owner and long-time consultant. During the February 2003 interview, the owners of the store pointed to MacDonald's assistance in identifying financial targets and benchmarks as playing a large part in the owner's ability to understand where their business was going. This Borrower is also the only Borrower to date that has put together a modified business plan for their second year of operation based upon reflections of the previous year's accomplishments and short-comings.

**Project Testimonial #3**

*"I learned how to run Z reports off of the register, track sales and better understand the business. Now, I can measure our progress against benchmarks. He also helped us make sure our markup on our products was sufficient. I would have liked to have met with Bill MacDonald earlier, even before we got the loan."*

A home-based pet shop and breeder referenced her pre-loan consultant, Claudia Clark, and her post-loan consultant, Marcia Manning as contributing to her success in 2002. This business had been in operation for 10 years but had never formalized its

**Project Testimonial #4**

*"Without Claudia, I would not have stuck with the business application. Without Marcia, I had to leave doing my financials to the end of the year. I used to have to do a manual inventory at the end of the year. Now that I have a Point of Sale system, I'm less anxious about the end of the year. Also, Marcia set up a checkbook and petty cash drawer for me so that now all of the income and expenses runs through the business bank account."*

operations and processes prior to applying for the CVRLF loan. During her February 2003 interview, as illustrated at left by **Project Testimonial #4**, the Borrower pointed to her pre-loan consultant, Claudia Clark, as a great source of emotional support. The financial management assistance provided by Marcia Manning enabled her to institute systems and procedures that allows her to review her financial progress on a monthly basis instead of relying on her intuition.

Although not reflected in the 2003 interviews, the following assistance was provided in early 2003 to Borrowers:

- A recreational vehicle shop received assistance in selling stagnant inventory on E-Bay in order to improve cash flow during the winter months.
- A food manufacturing business received assistance in analyzing the operating cycle and cash flow.
- A retail shoe store received marketing assistance from a consultant to help them develop their image, brand, and logo. The consultant will also be available for assistance with pricing and merchandising.

Unfortunately, not all Borrowers were capable of utilizing resources available to their advantage. Of the 24 Borrowers in the Target Community, 9 (38%) were unable to utilize outside resources to their advantage. Of those 9, four have failed during the Project period, three are grossly under-performing, and one is on-track with regards to

performance but having difficulty with employees. The following provides some anecdotal evidence for why these Borrowers did not take advantage of resources.

- Three Borrowers, during informal discussions, consistently pointed to a “not having enough time” as the reason for not accessing assistance.
- Two Borrowers contacted their technical assistance providers only when they were in crisis. As a result, very little could be done to assist them, save injecting more cash into their business, by the time they contacted their provider.
- One Borrower indicated that she was not mentally ready to work with the technical assistance provider when he came and as a result she felt that she wasted an opportunity.
- Two Borrowers missed appointments with their technical assistance providers signifying that some larger issues, such as time management in one case and personal crisis in another, were at issue.

Efforts to understand why Borrowers were unable to take advantage of resources as described above have yielded several conclusions described in more detail in Section G.1. of this Report.

**F.3. – Objective 3. Create sustainable forums through which CVRLF Borrowers can gain access to learning and networking opportunities with their peers.**

Indicators

- Participation: Variety and number of stakeholders participating in planning for Small Business Networking Event
- Follow Through: Whether Small Business Event occurs.
- New Connections/Learnings: Whether Event participants make new connections as a result of participating.
- Network Launched: Whether a core group of entrepreneurs registers their interest in creating a Small Business Network.

F.3.A. Output – Community participation is achieved through Steering Committee

A total of thirteen (13) individuals representing ten (10) separate organizations participated in a series of six (6) Steering Committee meetings to plan for a Networking Event. See Appendix I for a copy of the Steering Committee’s meeting minutes. Of the ten organizations represented, four of them were small business owners. Two of those were CVRLF Borrowers. To date, the following indicators point to community participation in planning for a regional Small Business Networking Event:

- Seven individuals volunteered to sit on the Steering Committee following the Project Coordinator’s presentation at the December 2002 TAPA meeting.

**Project Highlight #5**

*A Steering Committee to organize a Regional Networking Event for small businesses was launched following a presentation by the Project Coordinator that was made by the Project Coordinator in December 2002 at a monthly meeting of the Vermont Technical Assistance Providers Association (TAPA). Of the 13 individuals on the Steering Committee, 4 represent businesses.*

- Membership grew from seven individuals to thirteen. Steering Committee members represent organizations such as Small Business Administration, Small Business Development Center, the Vermont Women's Business Center, the MicroBusiness Development Program, Vermont Economic Development Authority, and the Central Vermont Revolving Loan Fund.
- There has been rotating responsibility within the membership for note-taking.
- Two of the small business owners have consistently participated in Steering Committee meetings.
- Tasks have been identified by the group and distributed across participating organizations.

The Event will be held at Montpelier-based Woodbury College which is well-known within the region for being a community-oriented, progressive college. The date is June 9, 2003. Additional details are being worked out by the Steering Committee as of the date of this Report.

### Remaining Tasks

The Steering Committee has several tasks set for the future that will require additional participation. These include:

- *Identify Sponsors* – The Steering Committee must identify a sponsor, particularly a bank, in order for the Event to be financially viable.
- *Obtain Additional Input* – The Steering Committee is committed to obtaining additional input from other business owners; this will occur by vetting the idea of a Networking Event with small networks of entrepreneurs that currently exist.
- *Marketing and Outreach* – The Event will obtain wide community participation through promotion through existing networking groups, professional associations, partners, and media outlets.
- *Set Up of Virtual Networking Site* – The Steering Committee has indicated a desire to set up an internet site that will initially just accept registrations, questions, and potentially serve as a 'chat room' for entrepreneurs that want to register their interest in participating in a regional small business network.

Output F.3.B. - CVRLF Borrowers and other entrepreneurs gain useful contacts and information through Networking Event and other activities.

The Project has sponsored several venues through which entrepreneurs were able to gain access to new contacts and information. Borrower Learning and Networking events referenced above in Section F.2. resulted in Borrowers gaining useful contacts and information. These include:

- Opportunities for co-purchasing of supplies: a producer of massage oils learned of an opportunity to co-purchase gift boxes and packaging supplies with another Borrower who produces soaps.
- Co-marketing opportunities: a woodworker received advice from other Borrowers about opportunities to co-market with other businesses that were complementary in nature.

- **Access to markets:** A specialty foods producer learned of opportunities to get his products to the market through another Borrower that offers a food provisioning service for tourists at the ski resorts who want a “taste of Vermont.”

Small Business Focus Groups conducted as part of the CVRLF’s Needs Assessment Project were also instrumental in facilitating access to new information and resources for businesses. Participants, two of which included Borrowers, had the opportunity to make connections with each other that facilitated transfer of information and identification of common goals. These include:

- Two participants connected with each other on a marketing opportunity (one makes biscuits for horses, the other owns horses).
- Two other participants struck up a conversation about whether buying into a franchise was smart.
- One participant decided to advertise in Vermont Life after being inspired by others in his focus group.
- One participant contacted a radio station about their free calendar events after learning about the service from one of her fellow focus group participants who worked for the radio station.
- Another participant got a ride home from another who lives in her neighborhood; the two had never met before.

Another forum at which entrepreneurs had an opportunity to share information was at the Steering Committee meetings referenced above in Section F.3.A. Four entrepreneurs who sat on this Committee talked over lunch about marketing opportunities, recent blunders and effective business card layouts and styles. By participating in the meeting, they also learned more about the services offered by the service providers represented on the Steering Committee. It is hoped that this kind of networking will be sustained through ongoing Steering Committee meetings and ultimately through the Networking Event itself.

### Remaining Tasks

The Project just barely addressed the need for networking and peer support amongst Borrowers and other entrepreneurs in the area. To continue moving forward toward the above-mentioned output, the Project should undertake the following activities:

- *VINE Networking Event* – As mentioned above, the Steering Committee is still holding meetings to organize the Event, which is planned for June 9<sup>th</sup>. The actual Event will provide opportunities for entrepreneurs to make connections with their peers, link up with existing networks or participate in creating a new one.
- *Foundation for Small Business Network* – The Networking Event will be organized around networking opportunities in a way that will support the development of a core group of entrepreneurs that will serve as the foundation for a network. Participants will leave with the following:

- *Ongoing Borrower Learning Events* – As a result of 2003 Interviews with Borrowers, it is clear that Borrowers share a need for additional education. The CVRLF should organize in partnership with other organizations (lenders and technical assistance providers included) workshops that focus on the following topics: Financial management, Human resources, and Marketing.

**F.4. - Objective 4 - Monitor and evaluate to gauge the effectiveness and impact of the project.**

Indicators

- **Feedback Loops:** development and utilization of methods and tools that encourage feedback from stakeholders.
- **Participation:** # and extent to which Borrowers participate in monitoring and evaluating the effectiveness and impact of the Project.
- **Monitoring Systems:** systems are in place and being used to monitor the progress of the Project.
- **Improved Performance:** # and extent to which Borrowers experienced improved business performance during the Project period.

*Survey Instrument – Interview Guide*

The Project Coordinator developed a Survey instrument in the form of an interview guide to collect qualitative and quantitative data from Borrowers on an annual basis. The Project Coordinator uses the guide as the focal point of annual Borrower site visits. The guide solicits quantitative data about the owner and the business such as the owner's adjusted gross income for the previous year, the business's sales as compared to initial projections, number of employees, and wages paid to employees. The guide also collects quantitative data illustrating what factors improved or caused a decline in business performance and the extent to which technical assistance provided by the CVRLF to the Borrower had an impact on the Business's performance. The aggregated results of interviews conducted in 2002 and 2003 is included in Appendix J.

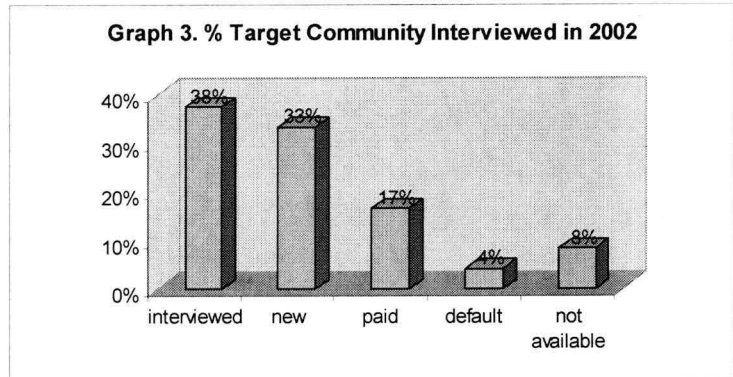
The guide serves a dual purpose. Not only does it allow the Project Coordinator to collect data but it also enables the Project Coordinator and the Borrower to have a structured discussion about the causes of business failure and success as well as the Borrower's technical assistance needs. Additionally, the guide offers the Project Coordinator to solicit Borrower input into the kind of support the CVRLF should provide Borrowers. In addition, the guide offers the Borrower an opportunity to comment on the effectiveness of the Post-Loan Technical Assistance (PLTA) project.

*Participation in Monitoring*

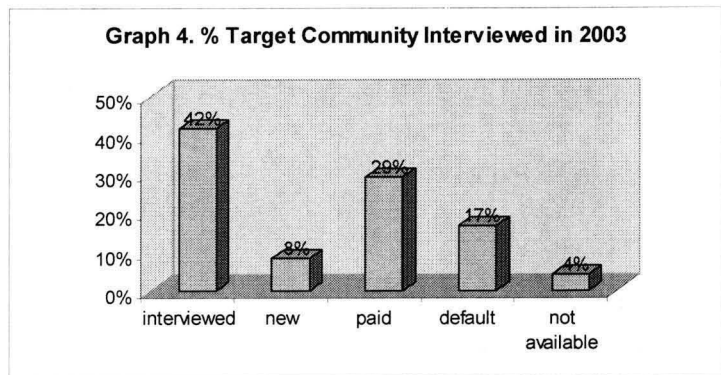
Of the twenty-four Borrowers in the Target Community, only 13 participated in annual interviews in 2002 and 2003. Eight participated in the 2002 interviews while ten participated in the 2003 interviews. Low participation is due to several factors described below and illustrated by Graph 3 and 4 (also below):

- The CVRLF instituted annual interviews in 2001; prior to 2001, Borrowers had never been interviewed or surveyed by the CVRLF. As a result, many of the Borrowers that had borrowed credit from the CVRLF early in its history but who were still paying in 2001 and 2002 were difficult to interview because no expectation or precedent had been set.

- Those Borrowers who paid off their loans during the Project period had borrowed credit as long as four years prior to the start of this Project. Because no expectations had been set by the CVRLF that they were to participate in annual interviews, contacting Borrowers once they had paid off was next to impossible.



- Borrowers active in the portfolio during the Project period did not consistently participate in interviews from one year to the next. Three Borrowers were in default with the CVRLF at the outset of 2003. Because legal proceedings had been filed against them, the Project Coordinator was not able to interview them.



- New Borrowers that entered the portfolio in 2002 and 2003 were not in the portfolio long enough to participate in both interviews.

*Post-Loan Technical Assistance Plans*

As described in Section F.2.B., the Project Coordinator developed a framework for a Technical Assistance Plan to better monitor the provision of PLTA,. This Plan was introduced to eight Borrowers who received their loans after November 2001. Three of the eight Borrowers developed TA Plans that listed specific individuals as technical assistance resources as well as set forth a series of goals, objectives, and activities for the first year of operation. Next to each activity, the Borrower indicated which technical assistance resources they would need from their list in order to successfully accomplish each goal. The CVRLF’s four most recent borrowers designed these Plans on their own with support from the CVRLF and their pre-loan technical assistance provider before the loan was disbursed. The Plan was then signed by the CVRLF and the Borrower at loan closing as a way for both parties to acknowledge the importance of the plans set forth.

### *Consultant Scopes of Work*

Each Borrower that requested the assistance of an individual consultant was required to work with the Project Coordinator in developing a Scope of Work for the consultant complete with a set of objectives and activities. Scopes of work are required by the CVRLF as part of any contract; but, the Project Coordinator used them as a way to help the Borrower articulate what specific outputs they desired from the consulting arrangement. The Project Coordinator was able to monitor the activities of the consultant against the scopes of work by requiring a monthly report due to the Coordinator prior to any disbursement of payment. See Appendix K for a sample scope of work.

### Remaining Tasks

*Borrower Focus Groups* - The Project called for a Borrower focus group to gain the input, insights, and feedback of Borrowers regarding the PLTA project. Given the short period of time under which this Project was implemented, the fact that individual interviews were held with Borrowers in February 2003, and focus groups for small businesses were also being held in February 2003, the Project Coordinator did not feel that it was necessary to conduct Borrower focus groups at the end of this Project. However, the Project Coordinator intends to conduct focus groups in early 2004 as a way to obtain feedback from a larger group of Borrowers who will have gone through the PLTA program.

*Advisory Committee* - The Project Coordinator attempted to form an Advisory Committee of Borrowers, TA Providers, and Loan Committee members. However, due to a lack of organization and clarity regarding the Committee's task, the Committee never got off the ground. Now at the close of the project, however, the CVRLF is looking to involve a larger group of stakeholders in the process of evaluating existing loan products and services and developing new products and services based on feedback from the CVRLF's market analysis project. The Project Coordinator has suggested to the Board that they consider setting up an ad hoc advisory committee of stakeholders that would include Borrowers and TA Providers to review existing products and services (including the PLTA project) and make recommendations for the modification and/or the creation of new products and services.

*Consultant Feedback* – The Project could have greatly benefited from formal solicitation of input and feedback from private consultants that provided one-on-one support to CVRLF Borrowers during the project. Unfortunately, given limited time, this activity was not worked into the Project. However, the Project Coordinator intends to solicit feedback and input from these individuals in early 2004.

*PLTA Policy Guidelines* – The Project Coordinator must develop PLTA program policy guidelines to help better coordinate PLTA arrangements between consultants and Borrowers. The policy would also set forth selection and eligibility criteria to help the Coordinator screen and pick the best possible consultants for Borrowers.



In sum, it can be said that the PLTA Project activities did not yield significant, measurable impacts in the short-term. However, the Project impacted to a great degree the self-esteem, confidence, and independence of Borrowers.

These intangible and soft impacts will ultimately lead to more quantitative results in the long-run. Once they have the confidence and self-esteem, they are more likely to take charge of the situations they find themselves in. Rather than blaming their lack of cash flow on high loan payments or not enough start-up capital, they will begin to look within their business and within themselves to identify the problem and then take the steps needed to correct the problem.

An additional result of the Project that must be highlighted is the Project's ability to focus the attention of decision makers and stakeholders on the post-startup needs of disadvantaged entrepreneurs. This is but one step forward with regards to promoting the benefits of providing post-startup to assistance as a priority funding issue for microenterprise development.

## **G. CONCLUSION AND RECOMMENDATIONS**

The experience of designing, implementing, monitoring, and evaluating this Project with a variety of partners has yielded several important conclusions. Additionally, reflection upon these conclusions has yielded a set of complementary recommendations for future program development and implementation.

Project conclusions are organized into the "five C's" of providing post-loan support to entrepreneurs: capacity, criteria, community, collaboration, and continuum of services. A sixth conclusion follows these five focusing on the CED-ness of the Project.

### **G.1. Conclusions**

***Conclusion #1 - Capacity: The degree of Project success is dependent upon the capacity of Target Community members and the implementing organization.***

Limitations in Borrower and organizational capacity played a large role in the outcomes of the Project. The Project's ability to achieve its goal was dependent upon the capacity of Target Community members and the implementing organization to effectively utilize existing resources. Capacity in this case refers to availability of sufficient human resources, awareness and ability to access existing resources, capacity to effectively match resources to self-identified needs, as well as facility in utilizing resources available to create competitive advantage and realize improvements in business performance.

Entrepreneurs capable of utilizing outside resources and support, particularly resources that are advisory in nature, can shore up their weaknesses and even build a competitive advantage that is necessary to create a healthy and sustainable small businesses. This statement assumes that the entrepreneur has an ability and capacity to request and

take advantage of resources. There appear to be at least three factors that inhibit entrepreneurs from accessing resources and support at any point in time:

1. Some entrepreneurs are not aware of the factors that cause their business to succeed and/or fail and therefore may have a difficult time self-diagnosing the problems that are affecting business performance. This is partly due to the fact that new entrepreneurs may not have sufficient experience to know in advance what they do not know. And, therefore they may find it difficult or impossible to articulate what their needs are to a third party or to actively seek out the resources and support they need to be successful.
2. Entrepreneurs that access outside resources may not have the capacity, with regards to experience, understanding, time, and/or skills to apply newly obtained knowledge and skills to the benefit of their business. Project Coordinator discussions with at least three different private consultants in March 2003 at the end of the Project support the assertion that entrepreneurs need to know how to utilize the services of a consultant in order for them to reap any benefit from the service. This assertion also provides support for another Project conclusion which is that entrepreneurs that do not access outside resources might do so because they do not understand the benefits that a consultant might provide to their business.
3. Some entrepreneurs are unable to effectively utilize outside resources and support because they have other issues, personal in particular, that prevent them from devoting their attention to business performance in general.

In addition to limited Borrower capacity, limited organizational capacity also affected the outcomes of the Project. Limited capacity was found in the following areas:

1. Staff time – The CVRLF has a staff of 1.75 Full-Time Equivalents. Staff responsibilities include financial management, credit analysis/underwriting, loan servicing, marketing, fundraising, and organizational development. In addition to these responsibilities, CVRLF staff have taken on the responsibility of coordinating and monitoring Post-Loan Technical Assistance to Borrowers. The CVRLF Fund Manager, who also doubled as the Coordinator for this Project,
2. Staff know-how – CVRLF staff do not have direct and extensive business experience and therefore are ill-equipped to help Borrowers diagnose the causes of their problems.
3. Access to resources – Although financial resources were available to support the Project, the staff did not have the time to access a wide variety of technical resources for Borrowers. It was not until early 2003 that staff happened upon a large network of locally-based private consultants. Had the staff sought out such resources ahead of time, the Project may have been more successful.

***Conclusion #2 – Criteria: To provide quality and appropriate assistance to Borrowers, criteria for selecting consultants and resources as well as monitoring their performance must be in place.***

The Project encountered several obstacles in securing the “right” resources for Borrowers. “Right” resources, in this case, can be identified several ways including: 1) resources that match the needs of the Borrower, 2) resources, particularly consultants, that are capable of consulting or transferring knowledge, and 3) resources, particularly consultants, that fit the personality of the Borrower.

Without appropriate selection criteria and screening processes in place, the legitimacy and credibility of the Project is diminished in the eyes of the Target Community. The above issues are also a result of a fundamental lack of capacity to match the needs of the Target Community with appropriate resources. The negative affects of limited capacity in these cases could have been mitigated had the Project focused on developing and utilizing selection criteria that would help match the needs of Borrowers with appropriate and quality resources.

***Conclusion #3 – Community and Critical Mass: The success of group learning and networking events is limited without a sense of community and a critical mass of participants.***

In order for the group events undertaken by this Project to be successful, members of the Target Community had to have felt a sense of community and common purpose in order to fully participate. Because this was the first time that Borrowers had an opportunity to meet one another, the development of community and sense of common purpose was extremely slow.

Furthermore, there was not a “critical mass” of Borrowers in the portfolio during the implementation of this Project to support group activities. At some times during this Project, there were only twelve Borrowers in the portfolio that were operating their business. As with any event, 100% participation was not expected. However, even 50% participation (6 individuals) was not a sufficient draw for participants.

Based on this conclusion, the Project Coordinator added Objective #3 to the Project. Objective #3 focused on spearheading the creation of a larger network of entrepreneurs. Were there to be a larger group available, CVRLF Borrowers would have greater opportunities to access a wide variety of peer relationships and learning opportunities.

Finally, it became clear to the Project Coordinator after attempting to organize several borrower events that not all borrowers saw the CVRLF as an appropriate agent to be providing support services such as technical assistance. Some Borrowers did not feel as much of a connection to the CVRLF as others did. They borrowed from the CVRLF just to get access to financing and did not want to take advantage of any other service provided by the CVRLF regardless of how useful it might be to their business.

***Conclusion #4 – Collaboration: Project activities cannot be implemented without the support and participation of a wide variety of stakeholders.***

The CVRLF does not have the human resource capacity nor does the staff have the expertise to provide all of the services that entrepreneurs require to be successful. As often as possible, the Project Coordinator referred Borrowers to existing resources and opportunities (trainings, workshops, etc) rather than delivering the service directly to the Target Community. In those cases in which the CVRLF sponsored Borrower group events, the event was always facilitated by an outside resource such as a consultant or one of the Borrowers. This enabled the Project Coordinator to remain in the role of “broker” and “facilitator” as opposed to being a “resource.”

One of the limitations of this Project, however, was the fact that a wide range of resources and partners were developed *during* the Project rather than *in advance* of the Project. As a result, some Borrowers were not able to get the assistance that they needed at the outset of the Project. In other cases, Borrowers might have received assistance but perhaps it was not the right fit. In the latter cases, the Project Coordinator attempted to match existing consultants that might not have had the right skill set, personality, or approach in order to have any impact on the Borrower and their business.

Collaboration with private consultants as opposed to publicly-funded consultants also proved beneficial. Although publicly-funded consultants (SBDC, MBDP, SCORE) were able to provide basic assistance to Borrowers, they were unable to meet all of the needs of the Borrowers. Without a doubt, collaboration with private consultants who provide customized and specialized one-on-one assistance were a better use of limited resources.

***Conclusion #5 – Continuum of Services: Post-Loan Technical Assistance is most effective when it is delivered as part of a continuum of services that include pre-loan support and post-loan approval guidance.***

This Project focused on the assistance that Borrowers needed following the disbursement of their loan. However, as the Project unfolded, it became clear that Borrowers would have benefited from access to resources well in advance of obtaining their loan. This realization came relatively late in the Project and therefore the focus of the Project could not be expanded to include access to resources during the pre-startup and loan application phase. Nonetheless, several of the activities held in the latter months of the Project focused on communicating the need to increase Borrowers' access to resources prior to applying for a loan.

For example, the CVRLF approved a loan in January 2003 that was conditional upon the applicant receiving technical assistance from a specialist in developing an Operating Cash Flow Budget for the next six months. Pre-loan versus post-loan disbursement assistance borders on triggering lender liability issues. However, the CVRLF Loan Committee felt it was important that the applicant had access to the outside resources and support they needed in order to obtain financing assistance that best matched their needs. As a result of this assistance, the applicant applied for a line of credit rather

than a term loan because it was clear that their financing needs were more short-term than they were long-term.

The Project Coordinator also found that those Borrowers that were thinking about outside resources as they developed their application and prepared for loan closing were much more likely to follow through with accessing the technical assistance than those Borrowers who had not. Six of the Borrowers whose loans have closed since early 2002 have accessed ongoing technical assistance as opposed to those whose loans closed prior to 2002 primarily because the latter did not go through the process of developing a PLTA Plan.

Finally, were entrepreneurs to have access to a wide range of resources early on in their development, their likelihood of failing due to a crisis appears to be less. Those Borrowers that have access to resources and have developed a partnership relationship with the CVRLF have been more able to identify impending crises in advance and to take the necessary steps to either avoid the crisis or successfully weather it.

In sum, Post-Loan Technical Assistance is most effective when it is delivered as part of a continuum of services; this continuum should include pre-startup support and guidance, assistance during the start-up phase, and ongoing support and guidance during the post-start up and growth phase of business development. Due to the lack of a continuum of services, the PLTA Project necessarily focused time and effort on raising awareness among stakeholders about the need for ongoing support and services.

***Conclusion #6: Value of Integrating CED Principles into the Project design.***

If the CED principles of participation, equity, and sustainability are integrated into the Project design and are successfully carried out, the Project has a greater likelihood of success. This is due to the fact that all three of these principles produce a sense of ownership amongst Project stakeholders that motivates commitment to Project success. The PLTA Project sought to integrate these principles in the following ways:

- **Participation:** Each Project objective sought to integrate participation. This was difficult task due to the fact that individuals within the Target Community were not as apt to participate as a group as they were apt to participate as individuals. Nonetheless, the PLTA Project activities were implemented in a way that put Borrowers and their needs at the forefront. They identified their needs, they determined whether they wanted to work with a consultant, they identified whether Project activities had any impact on their business through the annual interviews.
- **Equity:** The Project Coordinator sought to integrate equity into Project activities by ensuring that Borrowers had access to the resources that they needed to succeed. By improving their access to resources, Borrowers were on a more level playing field with their competitors.
- **Sustainability:** Unfortunately, the pool of funds that allowed the Project Coordinator to broker relationships between Borrowers and consultants will not last forever.

However, the impact of access to resources on Borrowers and their business is sustainable due to the fact that consultants were used to transfer skills (i.e. how to put together a solid advertising campaign) rather than perform the activity on behalf of the Borrower (e.g. put together a solid advertising campaign on their behalf).

### Other Learnings

The Project Coordinator identified several other learnings as a result of implementing this Project that must be mentioned:

- ***You cannot want it more than they do.*** In all cases, the Project Coordinator wanted Borrowers to take advantage of existing resources. However, not all Borrowers were ready or interested in doing so. The best the Project Coordinator could do was let the Borrower know that the resources existed and to remind them on a regular basis of their availability.
- ***Be Cognizant of Your Role.*** Lenders walk a fine line when it comes to providing non-financial, business development support to Borrowers. Contracting with consultants to provide assistance to Borrowers, particularly those that are facing crises, can be difficult. In two cases, the relationship between the Project Coordinator and the Borrower became tense because of the Project Coordinator's access to the contracted consultant and the content of consulting hours with the Borrower. In both cases, the consultant was used by the Project Coordinator not only to provide assistance to the Borrower but to also provide information to the Project Coordinator about the progress and health of the business.

## G.2. Recommendations

### ***Recommendation #1 – Build Capacity: Focus on activities and strategies that build capacity of Target Community members and the implementing organization.***

Utilize pre-loan technical assistance resources to help future Borrowers identify their own strengths and weaknesses, identify potential pitfalls, and plan accordingly by identifying potential consultants up front who can help entrepreneurs spot the pitfalls as they approach them. The consultant can then coach them through the decision-making process.

Encourage the Target Community to learn about the benefits of consultants from their peers. At the November 2002 roundtable hosted by Cheap Kids II, there was a healthy dialogue about the benefits of consultants. This was a learning experience for Borrowers in attendance who had not yet taken advantage of the Project.

The CVRLF, with just under two full-time employees, was not prepared to spend the time necessary to coordinate PLTA, roundtables and events. Programs should build up their staff first and be sure that specific time is allotted during the work day or work week for staff to work on PLTA. Without sufficient staff support, the organization could have attracted a wide range of consultants but have not staff time to connect consultants to Borrowers!

***Recommendation #2 – Formalize the Project: Develop criteria and policies that facilitate the successful delivery of services.***

Prior to launching activities, the Project Manager should take the necessary steps to formalize the Project, develop criteria, and program parameters. This will ensure that services are equally accessible by all Target Community members. Moreover, it will streamline the process of coordinating services.

Also, it is important that the Project have in place specific parameters that make the Target Community feel safe and build trust. CVRLF should consider a client-consultant confidentiality policy so that Borrowers do not feel as if consultants are running back to the CVRLF to disclose what is wrong with the business. Some level of reporting to the CVRLF needs to be balanced with confidentiality for the client.

***Recommendation #3 – Increase Impact Through Partnerships***

There is a plethora of existing resources via individuals and organizations that could have been tapped to provide Borrowers with a wider range of opportunities. Unfortunately, CVRLF did not have sufficient staff to identify and develop relationships with these resources. However, once these resources are aware of the CVRLF's program, they will not only be supportive of the program but will be interested in providing cost-sharing or co-sponsoring opportunities.

CVRLF should consider linking Borrowers to existing organizations that serve a wide variety of purposes. Some linkages were made between Borrowers and trade associations. More could have been done to make sure that Borrowers were in contact with their respective trade associations regardless of whether the association had a local or regional chapter.

***Recommendation #4 – Link Target Community to Larger Networks - Entrepreneurs require access to a wide range of entrepreneurs in order to benefit.***

A critical mass of entrepreneurs is needed in order to offer a wide enough range of opportunities, experiences, and individuals. In addition, with access to existing networks, there are more opportunities for Borrowers to learn and grow. The Project identified the need to tap into a larger community of entrepreneurs too late in the Project. The CVRLF should consider co-sponsoring learning events with other lenders and technical assistance providers in the area.

***Recommendation #5 – Widen Spectrum of Services***

Entrepreneurs require support in the pre-startup phase perhaps as much as they do in the post-loan phase. The Project Coordinator found in implementing this Project that a lot of the problems that Borrowers were facing could have been and should have been dealt with at the outset of the business or even prior to loan closing. Also, the full spectrum of service providers (prestartup and post-startup) should measure their success on whether the business survives and grows. If this is the focus, then the business planning phase is truly a business planning phase and not so much a focus on putting together sales materials that does not necessarily contain realistic expectations of the entrepreneur and the marketplace.

One way to bridge this gap would be for lenders to start requiring that applicants include an Implementation Plan in their business plans. These plans would comprise a set of tasks to be accomplished for the first six months to one year of business operation. Tasks would be accompanied by a timeline and a listing of individuals responsible for accomplishing the tasks. The Plan should be easily linked to achievement of sales. By developing an Implementation Plan that identifies tasks, timelines, and people (resources), and identifies measurable benchmarks (sales, customers, etc), Borrowers will have a better sense of what it will take for them to implement their business plan.

***Recommendation #6 – Plan for Sustainability***

The PLTA Project was expensive to implement. It required 30% of the Fund Manager's total time and cost approximately \$10,000 in consulting fees to implement. The Project and Borrowers would be better served if a sliding scale fee-for-service was introduced wherein Borrowers paid a portion of the cost of the consultant. This strategy would have two benefits: 1) it would reduce the cost of implementing the project to the organization and 2) it would force Borrowers to budget for consultants in their projections and to budget for their full cost following three to six months of CVRLF's semi-subsidized support.



## H. BIBLIOGRAPHY

- Chrisman, J. J. (2000). A Preliminary Assessment of Outsider Assistance as a Knowledge Resource: The Longer-Term Impact of New Venture Counseling. Entrepreneurship: Theory and Practice 24 (3), 37.
- Edgcomb, E. L., Malm, E. (2002). Keeping It Personalized: Consulting, Coaching & Mentoring for Microentrepreneurs, FIELD Best Practices Guide: Volume 4. Washington, D.C.: The Aspen Institute.
- Gaskill, L. R., Van Auken, H. E., Manning, R. A. (1993). A Factor Analytic Study of the Perceived Causes of Small Business Failure. Journal of Small Business Management.
- Headd,
- Macke, D., Kayne, J. (2001). Rural Entrepreneurship: Environmental Scan. Futures Strategies for Success (21). Prepared for Community Entrepreneurship Focus Area Task Force Meeting.
- National Commission on Entrepreneurship (2000). Building Companies, Building Communities: Entrepreneurs in the New Economy.
- Schreiner, M. (1999). Self-Employment, Microenterprise, and the Poorest Americans. Social Service Review 73 (4), 496.
- Servon, L. J., Bates, T. (1998). Microenterprise as an Exit Route from Poverty: Recommendations for Programs and Policy Makers. Journal of Urban Affairs 20 (4), 419-41.
- Terpstra, D. E., Olson, P. D. (1993). Entrepreneurial Start-up and Growth: A Classification of Problems. Entrepreneurship: Theory and Practice 17 (3), 5-20.
- Tjosvold, D., Weicker, D. (1993). Cooperative and Competitive Networking by Entrepreneurs: A Critical Incident Study. Journal of Small Business Management 31 (1), 11-21.

## I. APPENDICES

- Appendix A: Graphs Illustrating Characteristics of Target Community  
Appendix B: Project Timeline  
Appendix C: Interview Guide  
Appendix D: TA Provider – CVRLF Board Meeting Minutes – May '02  
Appendix E: Meeting Minutes – November '02  
Appendix F: Meeting Minutes – December '02

|             |   |
|-------------|---|
| Appendix G: | PLTA Flyer & Request for Assistance Form        |
| Appendix H: | Sample Technical Assistance Plan                |
| Appendix I: | Small Business Event Steering Committee minutes |
| Appendix J: | Aggregate Results of Borrower interviews        |
| Appendix K: | Sample Scope of Work for consultants            |