

**A Microenterprise Training Guide  
for Peace Corps Volunteers**

# MODULE 4

Non-financial Business  
Development Services



Sheep, Poultry  
Egg Production,  
and Other  
Agribusiness





## MODULE 4

# NONFINANCIAL BUSINESS DEVELOPMENT SERVICES

### A VOLUNTEER'S STORY

*A Peace Corps Volunteer in Nicaragua obtained a Small Project Assistance (SPA) grant to finance a microentrepreneur woodcarving artisan project. The Volunteer was responsible for contracting the instructors, purchasing equipment, and inventory control. Over a six-month period, 20 youths ages 12-20 were selected and given training in how to design and carve marketable wood products. After acquiring this new skill, they then received classes in marketing, price setting, customer service, and basic accounting. Having obtained a marketable skill as well as the ability to create and promote their products, the group has begun to exhibit and sell their products at fairs on the local and national level.*

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As a Peace Corps business Volunteer, chances are you will be assigned to an organization whose mission includes delivering nonfinancial business development services (BDS) to those who are disadvantaged in society: the poor, women, minorities, or at-risk youth. For some organizations, this is their primary mission, and for others, like microfinancial institutions (MFIs), women's groups, or youth empowerment organizations, BDS is a secondary mission. This module contains background information for all Volunteers who plan to share their understanding of business with microenterprise owners/managers and potential business owners. Module 4, "Nonfinancial Business Development Services," presents an overview of BDS, discusses two current BDS debates, and looks at good practices and innovations to increase the impact of BDS. Note: We use the term owner/manager because in nearly all small and microbusinesses the owner acts as the manager.

By the time you complete the readings and activities in this module you should have the knowledge, skills, and attitudes to be able to:

- Explain how your personal knowledge and skills might assist an MFI in providing its clients with nonfinancial services.
- Articulate the major points of the "Minimalist vs. Credit Plus" and "Income Generators vs. Entrepreneurs" debates.
- Describe at least five activities that you feel would benefit actual or potential microenterprise owners/managers in your host community, and give reasons why these activities would be beneficial.

- Write a one-page report or give a five-minute talk detailing how your business sector project plan does or does not implement good BDS practices.
- Provide two reasons why subsector interventions is a promising innovation and another two reasons why transferring BDS services to the public sector is a promising innovation.
- Demonstrate your ability to deliver nonfinancial training appropriate for solidarity groups in your host country.

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## **A LEARNING MOMENT**

### **Food for Thought**

Cigarettes and soft drinks are available in just about every village. Clean water, primary education, or health services are not. Why is it that so many nonessential or even harmful products are so effectively distributed to every community that can afford them, and to many that cannot, while the things people really need are so often difficult to get, or not available at all?

What can be learned from the above observation relative to microenterprise development, community development, and capacity building? Find a time to discuss this question with fellow trainees, Peace Corps trainers, and staff.

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## **WHAT ARE NONFINANCIAL BUSINESS DEVELOPMENT SERVICES?**

Microenterprises exist in a broad market environment in which demand for their products is influenced by numerous factors related to consumer tastes, purchasing power, trade conditions, and politics. These can be classified generally as “demand-side” factors. A microenterprise’s performance is also affected by factors such as technical and management skills, networks, access to resources, and information availability. Most interventions, including those of Volunteers, are focused on improving the supply-side. Some, however, such as international trade agreements and alternative trade organizations, focus on changing the demand-side.

The starting point in considering the design of any BDS intervention is the assessment of the needs and perceptions of microenterprise owners/managers. Needs change depending on the particular circumstances of a business. Typically, the pattern of needs varies according to factors such as business sector, location, sex of owner/manager, and stage of development. Needs are not

static; they change throughout a business development cycle. The range of possibilities is vast, and it is dangerous to overgeneralize about the nature of these BDS needs. There are felt or perceived needs, which reflect the owner's/manager's analysis of his or her situation, and there are objective, real, or logical needs that BDS practitioners believe to be the needs of microbusinesses. Good BDS practice calls for being as precise as possible in analyzing needs.

It is clearly not the case that microenterprise owners/managers always know what is in their best interest. They do not have perfect knowledge of all the factors pertaining to their business (e.g., marketing opportunities, business management practices, or technology trends). Development strategies based on an external analysis of a microenterprise situation may well educate the owner/manager on the potential benefits of a suggested course of action.

The most reliable measure of the perceived value of a BDS—demand—is the willingness to pay for the service. Most in the BDS community believe recipients of BDS are able to and should pay at least a portion of the service cost. Demand-driven services tend to be better accepted by microenterprise owners/managers, and demand tends to eliminate unneeded BDS.

The following is a list of BDS; it is quite long and not all-inclusive. An individual microenterprise probably would “demand” only a few of these services.

Business management training	Entrepreneurship training
On-site technical assistance	Marketing links between buyer and seller
Mentoring	New product development and testing
Input access (raw materials, products for resale)	Market research and information
Trade fair organization	Subsector research and information
Assistance with buying and selling products	Quality control of products
Information on taxing and regulations	Subsector interventions
Training in other areas (e.g., leadership)	Assistance with business licensing

Most studies of the microenterprise sector stress the importance of nonfinancial constraints on growth and profitability. For many, or even most, microentrepreneurs, weak business management and access to markets are the most serious barriers to growth rather than lack of finance (*Microenterprise Development Policy Paper*, U.S. Agency for International Development, Washington, DC, 1005, p. 33). Peace Corps business Volunteers confirm that these two constraints are the main concerns of the microenterprise owners/managers they work with.

## **ACTIVITY 4:1**

### **A BDS SESSION PLAN PORTFOLIO**

BDS trainings are a typical activity of Volunteers and their Counterparts. Training is an ideal time to develop a portfolio of training sessions to have available when you arrive at your site.

Steps in developing training sessions:

- Identify and make a list of the most common training needs of microenterprise owners/managers and potential business owners in your host country.
- Each training participant or pair of training participants selects a topic of interest and prepares a training session appropriate for microbusiness people. The sessions should not be longer than one hour. Keep them participative—learning is not a spectator sport—and use adult learning methods. Materials listed in the Resources section at the end of this module contain examples of BDS trainings. Almost always, training sessions need to be adapted to the local situation.
- Present the sessions to a pilot group of participants and obtain feedback on the sessions—what was most useful, how might the session be improved, and were there elements of the session that were not culturally sensitive or did not fit the local business environment.
- Rewrite session plans including changes based on pilot feedback, make photocopies, and share with fellow trainees. If possible, provide copies of session plans in the local language.

## **TWO BDS DEBATES**

Microenterprise industry stakeholders agree:

1. The poor need access to credit;
2. Even more than credit, they need a safe place to accumulate savings; and
3. They need education and health services.

Stakeholders are still debating:

1. Which target group, income generators or entrepreneurs, should benefit from limited BDS resources?
2. Can and should MFIs provide nonfinancial BDS?

## **INCOME GENERATORS VS. ENTREPRENEURS**

Is the most effective strategy for poverty alleviation helping numerous microenterprises or concentrating efforts on encouraging a few entrepreneurs with good ideas and the knowledge, skills, and drive to grow their businesses?

Without doubt, BDS need to be available to micro- and small businesses with high potential for growth. Developing economies need job growth, and there are workers who do not want to own their own businesses or are not temperamentally suited to self-employment.

The vast majority of microenterprises are one-person operations or consist of the owner and his or her family. They are subsistence activities, formed out of necessity to generate income. Most low-income microenterprise owners in developing countries live and work in high-risk environments and seek, therefore, to minimize risk. Because the owners often try to avoid risk and secure their livelihoods rather than to take risk and expand their activities, their economic activities often are not thought to have growth potential. If there is little potential for growth, does it make economic sense to put resources into these tiny businesses? Are funds better spent on a few entrepreneurial individuals whose enterprises have the potential to grow and create jobs?

Studies by the Harvard Institute for International Development and the United Nations Development Fund for Women suggest that in avoiding risk and overcoming constraints, many of these low-income microenterprise owners are quite innovative and entrepreneurial. If the risks and constraints they face are minimized, their economic activities can grow. “What organizations working with low-income women have shown is that often women’s ‘subsistence activities’ are viable and can be transformed into sustainable enterprises capable of generating surplus income.” (*Beyond Credit: A Subsector Approach to Promoting Women’s Enterprises*, Martha Alter Chen (Ed.), published by Aga Khan Foundation, Canada, 1996. p. 4.) This may be true of male-operated microenterprises as well.

If you restrict analysis of the question, “Which target group, income generators or entrepreneurs, should benefit from limited BDS resources?” to the largest return for funds spent, spending would be limited to entrepreneurial firms with a high growth potential. However, even though few microenterprises will grow into small or medium-sized operations, most development organizations, including the Peace Corps, favor supplying BDS to microbusinesses with a lower likelihood for growth. The next question is how can this be done economically. Later in the module, we discuss two innovative ideas that have surfaced—subsector interventions and providing BDS through the private marketplace.

### **SHOULD AND CAN MFIs AFFORD TO DELIVER BDS?**

The first three modules of this series, *A Microenterprise Training Guide for Peace Corps Volunteers*, highlighted the value of microfinancial services, the structures of organizations providing these services, and the impact credit and savings services have on the lives of people. A theme was the desirability of microfinancial institutions (MFIs) achieving sustainability in order to continue providing clients with financial services. This has proven more difficult than originally thought.

The field of microenterprise development has long been divided by a debate over whether microenterprise programs should provide only financial services (the “minimalist” approach) or also provide nonfinancial services (the “credit plus” approach). Perhaps a better name would be the “financial services plus” approach. There is a broad consensus that the provision of credit should be accompanied by a provision for savings (financial services = credit + savings). Incorporating a savings component with credit benefits both the client and the MFI. Client savings expand the amount of money available for lending and reduce the MFI’s cost of capital. Savings programs encourage clients to accumulate assets as a cushion for emergencies or to invest in their businesses.

Today, the debate continues over whether an MFI’s financial services should be supplemented by nonfinancial services. It takes only one visit to a poor rural village or urban slum to know nonfinancial services are needed. Many international, national, and local relief and development organizations are dedicated to the delivery of nonfinancial services. Unfortunately, the number of poor and their needs exceed the capacity of these organizations. The most common of these nonfinancial services are business development services (BDS)—management training, technical assistance in production, or service delivery. Health education and health services are a second category of services often offered to the same target group as microcredit, and, to a lesser extent, numeracy and/or literacy training. The additional costs of providing these nonfinancial services make it even more difficult for an MFI to become sustainable.



There are at least three reasons why MFIs are well positioned to provide non-financial services.

1. MFIs are already committed to improving the economic well-being of their clients through providing financial services.
2. MFIs have established networks of fieldworkers who are in regular contact with the poor who could benefit from nonfinancial services.
3. Target populations, through the efforts of the MFIs' fieldworkers, are already organized into functioning groups (solidarity groups and/or village banks).

Piggybacking nonfinancial services on financial services seems logical. The same disadvantaged group that needs credit and savings services also benefits from literacy and numeracy lessons, exposure to improved health practices, and BDS. Why not offer health, education, or business management training when people are taking out or repaying loans or depositing savings. Do MFIs have the skills to deliver nonfinancial services? While there are several reasons why MFIs are well positioned to deliver nonfinancial services, there are other reasons why they are not.

1. Field agents/promoters do not have the expertise to deliver the additional trainings, and require technical training in the nonfinancial services.
2. Group members come because they want financial services; they may not have the need, interest, or time for “add-ons.”
3. There is an “opportunity cost” for the MFI; when field agents are providing nonfinancial services the income they would generate providing financial services is lost.
4. Hiring additional employees to deliver nonfinancial training increases employee and transportation costs.

The bottom line of the MFIs is impacted in two ways. Costs increase to hire additional staff or to train existing staff, and revenues drop when field agents' time is taken up with health, education, or BDS training.

Grameen Bank and some of the other large MFIs have sufficient customer volume and self-generated low-cost capital to provide nonfinancial services. The Grameen Bank serves severely impoverished, mainly illiterate people. In addition to microfinance they carry out a range of projects, such as promotion of informal village schools, distribution of seeds and seedlings, and special projects such as fisheries and textile production.

Actuar Bogotá is a private, nonprofit corporation founded in 1988 in Bogotá, Colombia, and affiliated with ACCION International. Actuar places relative importance on business and technical training, and has established a Basic Service Center, a wholesale depot at which borrowers can purchase inventory and raw materials at lower prices—and more conveniently—than they can

elsewhere. Plans include offering health care insurance. (These two examples are from *What Makes Them Tick? Exploring the Anatomy of Major Microenterprise Finance Organizations*. Elisabeth Rhyne and Linda S. Rotblatt, ACCION International, Cambridge, MA, 1997. p. 6.)

Freedom from Hunger's mission is expressed in the organization's name. Their microfinance strategy is called credit with education. The strategy uses village banking combined with low-cost informal education to help women build their productive assets, accumulate savings, improve self-confidence, and improve basic business and family survival skills.

Freedom from Hunger is a large international development organization. Microfinance services are a vehicle to achieve the organization's mission. Credit for them is a means—→ to generate income —→ to provide basic nutrition for families. They provide group-based poverty-lending integrated with simple, relevant, high-impact learning in better business management, health and nutrition improvement, and family planning—delivered at substantially the same cost as village banking programs without education. They do this through use of well-developed, time-efficient education materials and cost-effective management systems. Freedom from Hunger believes business management training increases the profitability of client's business. Child health, nutrition, and reproductive health information contribute to achieving “freedom from hunger.”

The Grameen Bank is a long-established MFI, which has accumulated a loan fund that exceeds the needs of its clients. The bank has excess funds, which can be used to provide additional services. Newer, less well-established MFIs are not in as enviable a financial position. Actuar's wholesale depot is an example of clients paying for additional services; it is self-supporting. Freedom from Hunger views services in addition to savings and credit as their priority and has structured their programs accordingly. These are three examples of successfully providing more than just financial services.

Although a few of the most successful MFIs have succeeded in self-financing nonfinancial services, the vast majority of MFIs have been forced to look for subsidies, find other organizations to deliver the nonfinancial services, or deprive their financial clients of the additional, though often needed, services.

However, most MFIs find they are unable to add services and achieve self-sufficiency. What are the alternatives? Since the skills to manage a financial institution are specialized and the provision of multiple services complicates operations, there is some agreement that it makes sense to separate the financial operations from the management and delivery of nonfinancial services. This is done by:

- Separating the microfinance operations from other NGO activities, and, if possible, operating as a separate legal entity.

- Operating the microfinance division as a “profit center” with specialized staff and management qualified to address the issues unique to microfinance, and fundraising separately to finance another division of the NGO, a “cost center,” responsible for delivering the additional services.
- Charging fees to the clients who want the additional services. In some cases this is possible, but in most cases, the client cannot justify paying the fees based on an increase in income or immediate benefits. Even if the benefits are in the future, should clients be willing to pay if the service is valuable? Perhaps they are willing to pay, but with their time rather than with money. If the time they spend receiving these services is time they would have used generating income, they are incurring an opportunity cost. This may be a high price for those who are struggling to earn enough just to survive.
- Partnering with other NGOs whose mission is to deliver these services. They would be given access to those lending group members who want their services. Assuming there are appropriate partners, both NGOs would benefit. The MFI members gain access to additional services, and the service NGO gains access to pre-formed, motivated groups.

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### **A LEARNING MOMENT**

As you move about your host community—shopping with your host mom, attending a sporting event, doing your daily walk/run—take time to meet and talk with the microbusiness people you encounter. They are interesting, creative people. Learn about their businesses. Ask them in an appreciative way, “What are the constraints that keep your business from growing or becoming more profitable?”

Later, share experiences with other training participants and your Peace Corps trainers.

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## **ACTIVITY 4:2**

### **MIND MAPPING BDS INTERVENTIONS FOR A MICROENTERPRISE**

You can explore the territory appropriate to many topics, including BDS, using mind mapping. Start with a central image or word and order your thoughts by radiating them out from this, printing key words on the lines or in boxes, circles, or other shapes. Show relative importance by the size of your writing or images, and by the thickness of your lines. It does not matter if you cannot draw, but try to make it as creative and attractive as you can—use of color helps. Mind maps help you to clarify, order, and summarize your thoughts. They can also serve as a tool for communicating your ideas to others.

Pick a local microenterprise you are familiar with and use a “mind map” to identify business development services you feel would benefit this business. The Learning Moment above may provide information on a business you want to use to illustrate mind mapping. Use larger shapes, etc., to emphasize importance and lines to show connections. Be as specific as you can on details of proposed BDS interventions. Draw this diagram on a blank piece of paper. Or, use flip charts to share your ideas with others in your training group.

## **INNOVATIVE BDS APPROACHES**

### **SUBSECTOR METHODS**

A mass-marketing approach has been instrumental in delivering microfinancial services to millions of individuals. Microloans and savings programs adapt more easily to mass delivery systems than BDS. These financial services are more generic-type services than the mixture of BDS required by diverse microbusinesses.

However, one innovative BDS approach has been successful in working with large numbers of similar microenterprises and leveraging their BDS resources. The subsector strategy holds that microenterprises in the same subsector or trade face constraints and issues that are common to them and distinct from other sectors. Interventions that focus on overcoming these specific constraints are more likely to have a significant effect than those that are more generic. A subsector is a vertically integrated group of enterprises (both large and small) that are concerned with the same product group.

Manuals on the subsector approach list a number of key steps and thoughts to consider in implementing the strategy (see the Resources section at the end of the module). These key steps can and should be undertaken in a participatory manner, which stresses a target group's own analysis and development of ideas for interventions rather than that of an external catalyst.

### **SUBSECTOR ANALYSIS IS THE FIRST STEP**

**Choice of subsector.** Is this a subsector in which large numbers of microenterprises are concentrated? What is important, interesting, or promising about the subsector?

**Introduction to subsector.** What does your target group have to say about the operations, technologies, participants, and links within the sector?

**Subsector map.** What are the main operations or functions, participants, technologies, distribution or marketing systems, product flows, production relationships, or other important characteristics of the subsector?

**Working environment.** How does the regulatory and institutional environment affect enterprises in the subsector?

**Dynamics within the subsector.** What are the driving forces within the subsector and how do these interact? What are the constraints and opportunities with regard to market demand, technological change, profitability of different niches, barriers to entry, input supply, etc.? What are the common perceptions of constraints, and do these reflect actual constraints?

**Subsector strategies and points of leverage.** What are the main interventions planned? What interventions can influence large numbers of people? What types of institutional infrastructure, services, and skills are proposed?

### **IMPLEMENTING INITIAL INTERVENTIONS IS THE NEXT STEP**

Subsector analysis, in and of itself, is only a study and will have little, if any, impact on microenterprises unless it is followed by actual implementation of activities.

Subsector constraints and opportunities can be addressed using a variety of services and approaches. These include:

- Promoting economies of scale by
  - Joint procurement
  - Joint production for large contracts
  - Cost sharing of expensive facilities and machinery
- Advocating for improved regulatory environment
- Developing trade standards
  - Financial ratios
  - Quality control standards
- Developing new technology and products
- Developing and implementing plans for specific business activities
- Developing domestic and export markets
- Providing training in business skills and technical assistance
  - Financial management
  - Production of records that demonstrate credit worthiness
  - Marketing, quality control, organization development

(Adapted with permission from *The Subsector/Trade Group Method: A Demand-Driven Approach to Nonfinancial Assistance for Micro and Small Enterprises* Frank Lusby, U.S. Agency for International Development, the GEMINI project, Arlington, VA, 1995.)

A few examples may illustrate the relationship between subsector constraints and opportunities identified in a subsector analysis and possible interventions.

### **Furniture Building Subsector**

<u>Subsector Constraints and Opportunities</u>	<u>Possible Subsector Interventions</u>
Higher prices are paid by individual microenterprises for raw materials	Support trade associations to make joint purchases of wood
Lack of access to upscale markets	Facilitate links with buyers and designers in market centers
Inefficient and poor quality cutting of wood	Help owners develop plans for purchase of power tools  Train to upgrade skills to produce to design specifications

Subsector interventions are only effective to the extent that there are local implementing organizations with the skills, knowledge, and resources to alleviate subsector constraints and take advantage of subsector opportunities.

### **IDENTIFICATION OF ADDITIONAL CONSTRAINTS AND OPPORTUNITIES**

As you become better acquainted with a subsector, new constraints are apt to emerge and new opportunities will be identified. Address them with our clients by designing and implementing new interventions or modifying existing ones.

Subsector methods are applicable only when a significant number of similar microenterprises exist in close enough proximity to benefit from common interventions. Are there appropriate subsectors in the area where you will be serving as a Volunteer? The following activity may help you identify some potential subsectors.

**ACTIVITY 4:3**

**SUBSECTOR TARGETING**

Divide your training group into three teams. Each team chooses a separate subsector and assesses the potential for subsector interventions based on the criteria shown in the table below. This presentation of subsector targeting is simplified here. In reality, a more careful study should be made before committing resources to a particular subsector. Gather as much information as is feasible given your training limitations, and then mark each criterion with a 1, 2, or 3 for high, medium, or low potential.

**TARGETING A SUBSECTOR**

Criteria	Subsector A _____	Subsector B _____	Subsector C _____
Number of microenterprises in the subsector within a short distance of one another: <10 low, 10–20 medium, >20 high	_____	_____	_____
Potential for growth	_____	_____	_____
Potential for employment opportunities	_____	_____	_____
Potential for links with other microenterprises	_____	_____	_____
Participation of women or disadvantaged groups	_____	_____	_____
Established markets available for products and services	_____	_____	_____
Value-added potential (sales price minus costs)	_____	_____	_____
Other criteria? _____	_____	_____	_____
_____	_____	_____	_____
<b>TOTAL POINTS</b>	_____	_____	_____

Compare results with others in your training group. Is there a subsector that appears to have a high potential for successful subsector interventions?



## **PRIVATIZATION OF BDS**

The last few years have witnessed a significant change in prevailing views on BDS. Development of private markets for delivering BDS has emerged as a priority area of interest. Yet, despite this substantial level of interest, there is comparatively little experience with market-development interventions to date.

Market-development interventions are aimed at the development of “vibrant and competitive (primarily) private sector markets of relevant, differentiated services consumed by a broad range and significant proportion of microenterprises.” If microenterprises see the need and are willing to pay for BDS then there is a “demand,” and the opportunity for other firms to meet this demand.

In some instances, suppliers are building some BDS into product use. For example, a varnish distributor teaches furniture makers how to use the varnish so they will be satisfied with the product and continue to purchase it. In other cases, the buyers of products are providing design and quality control standards. In the crafts industry, for example, craft buyers often offer advice on product development that benefits the micro-craftsperson as well as the buyer. Development workers are shifting some of their efforts to facilitate and promote BDS that are built into business links.

Other development organizations are sponsoring projects to identify and assist businesses that are privately providing BDS. For example, vouchers have been offered to microenterprise owners to offset part of the cost of attending a private training. As markets for BDS become more organized, the opportunities for private providers is likely to increase.

For sustainability of providing services, reaching large numbers of microenterprises, and cost-effectiveness, privatization of BDS seems promising. Still to be determined is if this approach will reach rural microenterprises or those who may need and want but can afford to pay only a small amount for the BDS.

## **GOOD BDS PRACTICES**

Good BDS practices refer to approaches that deliver the most beneficial outcomes. It would be simple to state that good BDS practices result in a microenterprise increasing its profit. However, because in many cases microenterprises exist in competitive markets, the profit increase in one microenterprise may be at the expense of a competitor. BDS impact can take place not only at the enterprise level, but also at the community and, possibly, national level. So, in looking at good BDS practices we need to consider the improvement in a microenterprise market, not just one microbusiness. Case studies and microenterprise literature suggest that the following are desirable principles of nonfinancial assistance:

- Concentrates support on established enterprises, rather than attempting to create new enterprises.

- Cost recovery or partial recovery serves two functions: covering, or partially covering, the cost of services and as an indicator of the value clients place on the services.
- Microentrepreneurs are engaged in all phases of the design, execution, and monitoring and evaluation of nonfinancial assistance.
- Training is simple and builds on existing knowledge of microenterprise needs, keeping in mind that most microentrepreneurs acquire their skills informally.
- Clients are organized into groups or associations, particularly according to trade group, thus reducing the unit costs of reaching them.
- Assistance focuses on a “single missing ingredient” rather than addressing multiple constraints.
- Targeted to address the needs of particular industries or subsectors, rather than treat all microenterprises alike.
- Investigates local market opportunities first; typically, there are fewer obstacles than in export markets.

Volunteers are most often involved in BDS group trainings and in counseling individual microenterprise owners/managers. In this module, we have looked at the general field of BDS and given you an opportunity to develop BDS training sessions. Module 5, “Business Counselor and Extensionist,” explores techniques and methods for working one-on-one with microbusiness owners/managers and potential owners.

## **ACTIVITY 4:4**

### **MICROENTERPRISE ATTITUDE SURVEY**

How have your attitudes about microenterprise changed since you started learning about the field of microenterprise? To find out, take the attitude survey below and compare your answers with the answers you gave when you first took the survey in Module 1, “Microfinance—An Effective Poverty-Reduction Strategy.” (The consensus answers of MFI practitioners from 15 countries given at the New Hampshire College Microfinance Institute in June 1999 can be found at the end of this module.)

#### **Attitude Survey**

1. It is impossible to evaluate our work in enterprise development for the poor in terms of financial costs and benefits; human development cannot be valued in dollars.  

Agree / Don't Know / Disagree
2. The best way to help poor people increase their incomes is to help a few people, who may not themselves be poor, to develop enterprises that will employ the poor.  

Agree / Don't Know / Disagree
3. Poor people are unlikely to have their own good business ideas; MFIs must help them by giving them ideas.  

Agree / Don't Know / Disagree
4. Loans for poor people's businesses must be at lower than market interest rates or interest free.  

Agree / Don't Know / Disagree
5. MFIs, usually indigenous NGOs that are direct providers of credit and savings services, should charge the poor for enterprise development services, so that the MFIs themselves can become self-sustaining.  

Agree / Don't Know / Disagree
6. MFIs should always encourage poor people to start group- or community-owned enterprises rather than individual businesses.  

Agree / Don't Know / Disagree

Continued

Activity 4:4, continued

7. It is better to give grants to the poor to help them develop enterprises than to make loans to the poor.

Agree / Don't know / Disagree

8. If we do make loans to the poor for enterprise development, we cannot expect them to repay them on time; we must be lenient.

Agree / Don't know / Disagree

9. Women are better at microenterprise than men; they reinvest the profits, or spend them on their families, and they repay loans better.

Agree / Don't know / Disagree

10. Most poor people do not need training to enable them to start a business; all they need is access to finance.

Agree / Don't Know / Disagree

(This attitude survey is adapted with permission from *Empowerment Through Enterprise*, by Malcolm Harper, published by Intermediate Technology Publications, 1996.)

After taking the survey, discuss the issues with your fellow training participants and trainers.

- Which of your answers have changed?
- Can you cite observations, experiences, or examples in your host country that support your attitude?
- Are you and your fellow training participants and the Peace Corps programming and training staff in agreement on all the questions? If not, it is not surprising. As you read in "Two BDS Debates" in this module, the microenterprise industry has not yet reached agreement on some of these issues.

Survey items 4, 7, 8, and 9 were discussed in previous modules; items 2, 3, 5, 6, and 10 are discussed in this module. Some insights into how to determine human capacity building (item 1: It is impossible to evaluate the impact of business development services; human development cannot be valued in dollars) are contained in Module 5, "Business Counselor and Extensionist." You should also discuss this item in conjunction with the monitoring and evaluation of your business sector project plan. Using local business project plan objectives, can you determine how to measure human capacity development?

## KEY TERMS

Key terms are defined as they are used in the module. A space is provided to write the local translation of the word or phrase. Work with your language teachers to find the right translations and build your vocabulary as you study this module.

**Business Development Services (BDS)** are services such as training, technology transfer, marketing assistance, business advice, mentoring, and subsector analysis, which are aimed at helping small entrepreneurs and microentrepreneurs, improve the performance of their businesses.

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**Demand** implies a felt need plus a willingness to pay for a particular good or service.

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**Efficiency** is concerned chiefly with the delivery of a BDS intervention and the rate and cost at which inputs are turned into outputs.

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**Effectiveness** measures the extent to which a BDS intervention's objectives have been met, including a comparison of impacts with costs. Assuming that these objectives are related to general development goals, effectiveness is also a measure of development relevance.

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**Opportunity cost** is the economic benefit that is sacrificed when an activity is eliminated as a result of choosing another activity.

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**Outreach** is the quantitative scale of a program's influence—number of people, enterprises, etc., reached by a BDS intervention.

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**Subsector** is a network of workers and enterprises involved in the production and distribution of a given good or service.

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**Sustainability** can be seen at two levels: (1) the extent to which the BDS can be financed through client fees, and (2) the extent to which changes in microenterprises are durable.

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## RESOURCES

These resources are available from the Peace Corps Information Collection and Exchange (ICE). The citations are presented as they appear in *The Whole ICE Catalog*.

*Accounting for the Micro Business: A Teaching Manual*. Michael Ronan/PCV Colombia. (Peace Corps ICE.) 1975. 105 pp. (ICE No. R0023B)

A teaching manual to help small business entrepreneurs learn basic accounting. Lessons explain the nature and objectives of such fundamental business practices as balance sheets, profit and loss statements, credit books, cash books, and transactions, among others. Designed for one-to-one or small group teaching. Also available in Spanish, *Contabilidad para la Micro Empresa: Manual de Enseñanza* (R0023).

*Beyond Credit: A Subsector Approach to Promoting Women's Enterprises*. Martha Chen, Editor. (Aga Khan Foundation.) 1996. 155 pp. (ICE No. SB192)

[Distribution to Peace Corps In-Country Resource Centers Only]

Explores interventions to promote the enterprises of low-income women in developing and redeveloping countries. Contains cases drawn from a variety of organizations in Africa, Asia, Latin America, and North America. Outlines framework and guidelines for understanding and applying participatory subsector analysis.

*Entrepreneurship: How to Start and Operate a Small Business, Module 1, Chapters 1–17*. Steve Mariotti (The National Foundation for Teaching Entrepreneurship Inc.) 1987. 216 pp. (ICE No. SB193)

[Distribution to Peace Corps In-Country Resource Centers Only]

A simple course designed to teach young adults the fundamentals of starting and operating a small business venture. Provides only a minimal introduction to disciplines such as accounting and economics. The ultimate goals are financial independence, personal satisfaction, and a sense of self-worth. Module 1 includes units on Introducing Entrepreneurship, Types of Enterprise, and Exploring Profit.

*Entrepreneurship: How to Start and Operate a Small Business, Module 2, Chapters 18–37*. Steve Mariotti (The National Foundation for Teaching Entrepreneurship Inc.) 1987. 216 pp. (ICE No. SB194)

[Distribution to Peace Corps In-Country Resource Centers Only]

A simple course designed to teach young adults the fundamentals of starting and operating a small business venture. Provides only a minimal introduction to disciplines such as accounting and economics.

The ultimate goals are financial independence, personal satisfaction, and a sense of self-worth. Module 2 has units on Business Communication, Types of Enterprise (in addition to those identified in Module 1), and Financing.

*Entrepreneurship: How to Start and Operate a Small Business, Module 3, Chapters 38–50.* Steve Mariotti (The National Foundation for Teaching Entrepreneurship Inc.) 1987. 135 pp. (ICE No. SB195)

[Distribution to Peace Corps In-Country Resource Centers Only]

A simple course designed to teach young adults the fundamentals of starting and operating a small business venture. Provides only a minimal introduction to disciplines such as accounting and economics. The ultimate goals are financial independence, personal satisfaction, and a sense of self-worth. Module 3 contains units on Real-World Applications, Business Behavior, and The Entrepreneur's Responsibilities.

*FIDIKA! Business Training for Women's Groups: The Tototo Way.* Kevin Kane/Tototo Home Industries staff. (World Education, Inc.) 1992. 66 pp. (ICE No. SB156)

Contains 14 easy-to-follow lessons in business skills. Designed for trainers and extension workers helping village groups develop successful and profitable businesses. Can be adapted to a variety of training situations, including the training of trainers.

*Improve Your Business: Handbook.* D.E.N. Dickinson, Editor. (International Labor Organization.) 1986. 129 pp. (ICE No. SB094)

Suitable for trainers and individual business people, this manual provides the basics to succeed in business on the premise that business improvements are the result of creative entrepreneurs. Consists of eight sections dealing with buying and selling, manufacturing and service operating, bookkeeping, costing and pricing, marketing, management accounting, office work, and planning. Supplements text with illustrations and practical examples.

*Improve Your Business: Workbook.* D.E.N. Dickson, Editor. (International Labor Organization.) 1986. 83 pp. (ICE No. SB095)

Contains eight sections of problems corresponding to the eight portions of the handbook. Each section asks a set of questions, then gives you a number of business exercises, and finally shows you how to set up an action program to solve your problems. Useful for trainers and extension workers. (Accompanies handbook, ICE No. SB094, described above.)

*Income Generation and Money Management.* PCV Sheila Reed. (Peace Corps ICE.) 1994. 70 pp. (ICE No. R0087)

Originally entitled *Income Generation and Money Management: How to Train Gambian Women*, this manual is applicable to low-literate entrepreneurs in other parts of Africa and perhaps elsewhere. Contains helpful numeracy activities and good materials for small business/women in development projects.

*Marketing Strategy: Training Activities for Entrepreneurs.* Suzanne Kindervatter and Maggie Range. (OEF International/UNIFEM.) 1986. 96 pp. (ICE No. SB092)

Examines the problems women entrepreneurs face in developing small businesses that focus on marketing. Provides activities that facilitate the implementation of new ideas for women with their own businesses. Useful text for experienced trainers, extension workers, and programmers. Also available in Spanish, *Estrategía de Mercadeo: Entrenamiento para Empresarias* (ICE No. SB124), and in French, *Strategie de Marketing: Activités de Formation pour Entrepreneurs* (ICE No. SB125).

*Nonformal Education Manual.* Helen Fox. (Peace Corps ICE.) 1989. 163 pp. (ICE No. M0042)

Demonstrates how the techniques of nonformal education (NFE) can be used by virtually all Volunteers. Emphasizes full-scale community participation at all stages of development. Uses Volunteer experiences to illustrate the nature and principles of NFE. Includes information on adult learning, identifying people's needs, planning and evaluating NFE activities, working with groups, and developing appropriate materials for NFE activities. Also available in French, *Manuel d'Education Non Formelle* (ICE No. M0048).

*Recording and Using Indigenous Knowledge: A Manual.* (International Institute of Rural Reconstruction International Development Research Centre Publications.) 1996. 211 pp. (ICE No. CD054)

Provides the information and tools to integrate indigenous knowledge into development work. Describes more than 30 methods for recording and assessing indigenous knowledge and 11 mini case studies that show how projects can build on indigenous knowledge. Focuses on many aspects of indigenous knowledge, including agriculture, livestock rearing, food preparation, and natural resource management.



**Internet:**

[www.microenterpriseworks.org](http://www.microenterpriseworks.org) — This is the Internet site for the Association for Enterprise Opportunity. The site contains success stories of low-income entrepreneurs.

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### **ACTIVITY 4:4 Reference**

#### **ATTITUDE SURVEY:**

#### **CONSENSUS ANSWERS BY A GROUP OF MFI PRACTITIONERS**

The answers below, offered at the New Hampshire College Microfinance Institute in June 1999, reflect the thinking of MFI practitioners from 15 countries. Did you agree or disagree with them?

##### **Attitude Survey**

1. It is impossible to evaluate our work in enterprise development for the poor in terms of financial costs and benefits; human development cannot be valued in dollars. **Disagree**
2. The best way to help poor people increase their incomes is to help a few people, who may not themselves be poor, to develop enterprises that will employ the poor. **Disagree**
3. Poor people are unlikely to have their own good business ideas; MFIs must help them by giving them ideas. **Disagree**
4. Loans for poor people's businesses must be at lower than market interest rates or interest free. **Disagree**
5. MFIs, usually indigenous NGOs that are direct providers of credit and savings services, should charge the poor for enterprise development services, so that the MFIs themselves can become self-sustaining. **Agree**
6. MFIs should always encourage poor people to start group- or community-owned enterprises rather than individual businesses. **Disagree**
7. It is better to give grants to the poor to help them develop enterprises than to make loans to the poor. **Disagree**
8. If we do make loans to the poor for enterprise development, we cannot expect them to repay them on time; we must be lenient. **Disagree**
9. Women are better at microenterprise than men; they reinvest the profits, or spend them on their families, and they repay loans better. **Agree**
10. Most poor people do not need training to enable them to start a business; all they need is access to finance. **Agree**

## **TRAINER'S NOTES**

### **MODULE 4 NONFINANCIAL BUSINESS DEVELOPMENT SERVICES**

#### **Overview:**

In this module we turn our attention from financial services—credit and savings—to nonfinancial business development services (BDS). Topics covered include: What are business development services? Discusses two current BDS debates, a look at best BDS practices, and innovations to increase the impact of BDS.

#### **Time:**

Reading	1 hour
Activities	10 hours

#### **Materials:**

It is important to have on hand several business training manuals. The ICE materials in the Resources section at the end of the module list several good books; there are a large number available in the market.

#### **Preparation:**

Find out from the business project manager and current Volunteers what types of business development services the Peace Corps has been involved with. What have been the successes, the challenges? You might want to consider compiling a list of local BDS best practices and checking to see how they compare with the ones the international committee developed.

#### **Debriefing the experience and processing the learnings:**

Business development services constitute a major effort of many Peace Corps business Volunteers. Spend some time having training participants develop a small portfolio of BDS training session plans. The majority of activities in this module are designed to provide trainees with skill development opportunities to practice identifying BDS skills local microenterprise owners/managers need, modifying trainings to fit the local economic context, and BDS training.

## **TRAINER'S NOTES**

### **ACTIVITY 4:1 A BDS SESSION PLAN PORTFOLIO**

#### **Objective:**

The objective of this activity is to provide training participants with experience in developing and delivering BDS training. The activity stresses identifying common needs of microbusiness people, designing participatory adult trainings, and delivering these trainings.

#### **Time:**

The time needed to design and present these BDS sessions will depend on the number of training participants. On an individual basis, each participant should spend at least two hours preparing for a one-hour training.

#### **Materials:**

Training participants need to have available several business training books for session ideas and examples. See ICE materials listed in the Resources section at the end of the module.

#### **Preparation:**

If possible, training participants should take responsibility for arranging the pilot sessions. Depending on training logistics, training staff may need to help set up the pilot training sessions. Trainees need access to computers, printers, and photocopying equipment to write and reproduce session plans.

#### **Debriefing the experience and processing the learnings:**

Training staff as well as fellow training participants should be prepared to provide feedback on pilot BDS sessions. Give presenters the opportunity to say what they observed when giving the session. When was the pilot group actively involved? Did presenters feel the training objectives were met? Did pilot group participants feel the training objectives were achieved?

## **TRAINER'S NOTES**

### **ACTIVITY 4:2 MIND MAPPING BDS INTERVENTIONS FOR A MICROENTERPRISE**

#### **Overview:**

This activity allows training participants to express visually BDS interventions for a local microenterprise. The mind maps can serve as a starting point for discussions of BDS for microenterprises in the local business environment and the different interventions needed to serve a diverse assortment of microenterprises.

#### **Time:**

To draw mind maps	30 minutes
Discussion	time varies

#### **Materials:**

Sheets of paper for each trainee and pencils or pens.

#### **Preparation:**

Gather information, think about, and prepare a list of BDS interventions that have been successful in assisting microenterprises grow or become more profitable in your country. Can you speculate why some BDS interventions have been successful and others not? Be prepared to share this information with training participants. You may want to ask the Peace Corps business project manager or a local BDS provider to take part in the discussion.

#### **Debriefing the experience and processing the learnings:**

Have each participant present and explain the reasoning behind the BDS they chose to include on their mind map. In debriefing, use the mind maps as a starting point for discussions of local BDS. Training participants should choose different types of microenterprises, providing a chance to discuss the various BDS needs of each. Expand the discussion to include the local experience with BDS—what works, what does not, and which organizations are active in providing BDS.

**TRAINER'S NOTES**

**ACTIVITY 4:3  
SUBSECTOR TARGETING**

**Overview:**

In this activity, training participants have a chance to investigate a few local subsectors and evaluate their potential for subsector interventions.

**Time:** 1 hour

**Materials:**

Matrix contained in participants' activity.

**Preparation:**

If participants have not had experience with enough local microenterprises to be able to identify three subsectors, you may need to help them gather information on subsectors.

**Debriefing the experience and processing the learnings:**

Discuss with participants their findings and explore any assumptions or conclusions you feel are not based on the local business environment.

## **TRAINER'S NOTES**

### **ACTIVITY 4:4 MICROENTERPRISE ATTITUDE SURVEY**

#### **Overview:**

In this activity trainees retake the attitude survey first presented in Module 1 and discover how their attitudes about the microenterprise field have changed. One of the items addresses monitoring and evaluation of human capacity development; the remaining items are divided between microfinance issues and nonfinancial business development services issues.

**Time:** 30 minutes

#### **Materials:**

Attitude survey contained in the module. If individuals who are not training participants take the survey, you will need to make additional copies.

#### **Preparation:**

To quickly get a composite of the groups' answers, write the numbers 1–10 on a flip chart followed by the three choices:

AGREE            DON'T KNOW            DISAGREE

Have participants make a mark next to the answer they chose.

#### **Debriefing the experience and processing the learnings:**

There are no right or wrong attitudes. Differences in attitudes lead to interesting discussions. Encourage participants to support their attitudes by citing experiences, observations, and examples that come from the host country. The discussions will be richer if a number of residents of the host country participate in the conversation. Another added dimension would be to include Volunteers working with microenterprise organizations that provide financial services, nonfinancial services, or both.





**A Microenterprise Training Guide  
for Peace Corps Volunteers**

# **MODULE 5**

**Business Counselor  
and Extensionist**



**Small-scale  
Construction  
and Repair  
Enterprises**



## MODULE 5

# BUSINESS COUNSELOR AND EXTENSIONIST

### A VOLUNTEER'S STORY

*A women's sewing cooperative wanted an Armenia business Volunteer to help them get a loan from Catholic Relief. The three seamstresses apparently had a successful growing business making and selling dresses to well-off women in the capital. They had recently started to make school uniforms on contract to local schools, and this business was growing very rapidly. The loan was for the purpose of purchasing two more sewing machines.*

*The cooperative had never worked out the cost of the dresses, since every item sold slightly below the prices of the originals from which the designs were copied. The schools had asked for quotations, based on samples, and the seamstresses had carefully worked out the amount of cloth, cottons, and thread needed for each garment and had estimated how much time it would take to cut and sew. To these costs they added 10 percent profit. This pricing structure always secured the school contracts. Now they had more orders than the three women could fill.*

*A few questions from the Volunteer revealed that it was necessary to add at least 25 percent to the cost of materials and labor to cover overhead, such as sewing machines, rent, and maintenance. The cooperative was losing money on every uniform and was planning to increase their losses by buying two more sewing machines. The loan would have been a disaster.*

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Nonfinancial business development services (BDS) are delivered through a range of methods—books, radio, television, classroom instruction, individual consultancy, and today the Internet. Volunteers use all of these methods. A number of excellent books have been written about business training in group settings, some of them are available through the Peace Corps Information Collection and Exchange (ICE), and today the Internet offers additional ideas for

training business groups. (See the Resources section at the end of this module.) There is not as much guidance available for Volunteers engaged in individual, one-on-one training. This module attempts to fill that gap by guiding you as you explore how to assist microenterprise owners/managers and potential owners in their places of business. The term microenterprise owner/manager is used because in reality the owners of these microbusinesses are also the managers.

Your primary assignment may be to a nongovernmental organization (NGO) whose mission is to assist small businesses, a community economic development organization, a municipality, or a microfinance institution (MFI). You, with your co-workers, conduct group trainings. But, ultimately, in delivering nonfinancial services, Volunteers spend a significant part of their service working one-on-one with microenterprise owners/managers and those who want to become business owners. This last module of *A Microenterprise Training Guide for Peace Corps Volunteers* concentrates on guiding you in the acquisition of knowledge, skills, and attitudes to work effectively as a business “counselor” and “extensionist.” We assume as Peace Corps business Volunteers you already know the business basics, and therefore we focus on how you can share what you already know. By the time you finish the module you should be able to:

- Explain why the roles of business counselor and extensionist are consistent with the three goals of the Peace Corps and the goals and objectives of your business sector project.
- Give at least three country-specific illustrations of typical differences between Volunteer’s and local businessmen’s and business women’s cultural values.
- Demonstrate how “the questioning methodology” helps a micro or small business owner or manager find solutions to their own problems.
- Conduct an interview to determine if a business’s most pressing needs are:
  - Lack of capital,
  - Not enough customers,
  - Related to poor management,
  - Market or technical assistance information, or
  - Could be helped by joint activities with other small business people.

## **THE ROLE OF A VOLUNTEER AS BUSINESS COUNSELOR AND EXTENSIONIST**

Generally, counselor and extensionist are more appropriate roles for a Volunteer than consultant or advisor when working directly with microenterprise owners/managers. An understanding of four words—advising, extension, consultancy, and counseling—as used in the field of development helps explain why counselor and extensionist are preferred roles for Peace Corps business Volunteers.

**Consultancy** is expert advice, on specialized technical and managerial issues, provided by a skilled and experienced consultant who appraises the situation and recommends a course of action. For a long time, consultancy was the standard model used by small and medium enterprise development agencies. However, in recent years, there has been increased concern over a number of aspects of consultancy:

- An expert's recommendations from another country are not necessarily valid in a developing or redeveloping country. Bad advice, if taken, can be devastating to a struggling small business.
- There is often a social and cultural distance between the consultant and the local businessperson that prevents the local businessperson from sharing information with the consultant. As a result, many consultants are unable to offer effective recommendations and do their jobs right.
- Consultancy, particularly where it is free of charge or heavily subsidized, is not accepted by micro and small business owners.
- And, last but not least, consultancy can lead to dependency. When small and micro business owners come to depend on consultants to “fix their problems” they are not building the management capacity to run their businesses.

**Advising** is to offer advice, to recommend, or suggest. It differs from consulting in that the advisor is not necessarily an expert. Nevertheless, most of the concerns are the same.

- A foreign advisor's advice, recommendations, or suggestions may not be appropriate under different economic conditions.
- A foreign advisor is apt to encounter the same reluctance with information sharing as a consultant.
- “Free of charge” advising may be viewed with suspicion. Business owners question the motives behind the advice and the value of the free advice.
- Advising can lead to a dependency situation rather than capacity building.

**Counseling** is a guided process of self-discovery, whereby the counselor guides and helps the client identify problems, opportunities, and resources, define options, and select a course of action. It could also be described as “coaching” for microenterprise owners with the view to strengthening their entrepreneurial capacity and competence. Counseling requires a high level of interpersonal skills, such as being able to listen, empathize, communicate, and motivate. Counseling, too, raises concerns.

- Counselors from big businesses or those with a high level of business education can find it difficult to pursue a capacity-building process of counseling and sometimes revert to telling the business owners the solutions to their problems. Encouraging people to learn for themselves takes patience and a lot of time.
- It is hard to obtain direct payment from clients for counseling services, since the business owner may not see a direct product of the counseling (e.g., in the form of a business plan or written report offering recommendations).
- It is more difficult to assess the benefits of counseling, since capacity-building outcomes are often not as tangible as monitoring and evaluating business improvements based on consulting or advising recommendations.

Counseling also offers grassroots capacity-building opportunities consistent with the Peace Corps’ three goals and the goals and objectives of your business sector project. In the ideal situation, your Counterpart as well as micro and small business owners benefits from your counseling efforts. During the business counseling process you have ample opportunities to: share technical skills, share American culture, and gain firsthand experiences about local life and culture to share with friends and family when you return to the United States.

If you have not already reviewed your business project plan, ask your technical trainer and/or Peace Corps country staff to go over the project plan with you. Identify where in the plan counseling could help achieve the plan’s goals and objectives.

**Extension** is the delivery of any form of advice or nonmaterial assistance outside a classroom, usually to clients at their places of business. It is a generic term, and includes advising, consultancy, and counseling.

Extension is about “where,” while advising, consulting, and counseling are about “how.” The major disadvantage of extension efforts are the time and cost required to make visits to business sites. Going to the micro and small business owners is especially appropriate because:

- Micro and small business owners may be uncomfortable in a classroom or group setting. This can result from their lack of formal education or social norms—women may be uncomfortable in the presence of men, or older business owners in a class with young people. However, after group-training sessions take place, extension visits can be a valuable addition to the class.

A Volunteer assigned to the Chamber of Commerce in Santo Domingo, Dominican Republic, has been instrumental in getting that organization to include an extension visit as a follow-up to business classes.

- Micro and small business owners are often competitive with one another. They may be willing to cooperate to a certain extent, but there is always a risk that one person's success will result in the failure of his or her neighbor. He or she would rather discuss business matters in the privacy of his or her own business.
- Training may need to go to the micro or small business owners because they are unable to afford the time away from their businesses (they often run their businesses single handed) and costs to travel to training.
- Unlike financial services that offer a commodity, that is, money, different businesses need a variety of BDS. Working at the business enables the counselor to see the situation and tailor BDS to fit the business.
- You and your Counterpart will have a more complete understanding of a business if you observe it in operation.
- Extension visits provide chances to work one-on-one to build management capacity.

### **IN BUSINESS CULTURE MATTERS**

As you carry out counseling and extensionist efforts with Counterparts, community partners, and host country individuals interested in starting or expanding a micro or small business, you will occasionally—perhaps often—have the feeling that you are unable to communicate. This may be more than your lack of language skill; it may be due to cultural differences. How exactly does culture impact written oral and body language business communications in your host country? How do you bridge these cultural differences? Experienced Volunteers and your Peace Corps' trainers and program staff are good people to discuss these questions with.

A good source of information on bridging the cultural gap in business is, *Global Business Challenges: Am I Ready?* by Maija Gazue, International Concepts. Ltd. Boulder, Colorado. 1994.

You can avoid creating unnecessary problems for yourself by realizing you are bridging two, sometimes more, cultures. This can, at times, feel like you are walking a tightrope. The following advice can make your Peace Corps assignment more enjoyable and your work with your Counterparts, community partners, and business clients more effective:

- Genuinely respect the culture and strive to be a good guest.
- Keep learning so you can understand your hosts better.

- Accommodate differences: These consist of the laws, legal practices, and important social conventions. (An important social convention in many countries is that to do business, you must get to know the people and build a trusting relationship.)
- Choose to accommodate some superficial behaviors, customs, and courtesies. (It is polite to behave according to their culture. However, they are also curious to learn about you and your culture.)

Now that you are aware of the impact of culture, let's move on to explore how you can be a business counselor in an extension situation. Key elements are keen observation, asking thought-provoking questions, and, of course, your cultural sensitivity.

### **THE QUESTIONING METHODOLOGY**

Learning is most effective if the learner believes that he himself (or she herself) is the source of the new knowledge. This may be the only way somebody can learn from a person whom they believe knows no more than they do about their business. A skillful teacher does not tell a child that  $2 + 2 = 4$ , but leads the child to this conclusion by a series of carefully chosen questions, so that the child feels he or she is making the discovery. Similarly, on a higher level, a small business counselor must act as a guide rather than an instructor. Remember, you probably need to get to know the business owner and establish some rapport before beginning the questioning methodology. The following two simplistic examples illustrate this approach.

#### **The first is a dialogue between a shopkeeper with a low number of sales and a business counselor.**

Counselor: These figures show that your shop is making a good profit on everything it sells, but it is not selling enough. How do you suppose you can sell more goods?

Shopkeeper: By having more customers.

Counselor: And why do you think customers come to a particular shop?

Shopkeeper: Well, they come where their friends are, where they can find what they need, and where it is convenient.

Counselor: Your shop is convenient, and you have many of your friends and family around here. Can they find everything they need here?

Shopkeeper: Well, I have everything the other shops have.

Counselor: Do your customers know you have it?

Shopkeeper: Well, it is all here on the shelves or on the floor for them to see.

Counselor: Can they see it from outside in the marketplace before they have even decided to come in?



Shopkeeper: No, I suppose not.

Counselor: How can you tell them that you have what they need in here before they even decide to come in?

Shopkeeper: I am not sure.

Counselor: Come outside a moment. Now look around the market. Which shops are the busiest? How are they different from the others?

Shopkeeper: They are all brightly covered with advertisements, and my shop looks very uninteresting. I can soon change that.

They then went on to discuss obtaining more sales per customer, by selling products that were not already in stock elsewhere in the village. Here again the shopkeeper herself recommended the idea, and the specific items that people presently had to travel to another town to find.

Are you beginning to understand how to effectively use leading questions? Let's read through one more example before trying it ourselves.

**Example of a metal window frame maker's conversation with a business counselor who works for a microfinance institution (MFI). The frame maker has applied for an additional loan.**

Counselor: You say you want an electric grinder to smooth the corners of your window frames now that there is power in the village, but you cannot get a loan. Our figures show us that you have a large amount of money tied up in this business already. What have you used those funds for?

Window M: The stock of metal strips for windows.

Counselor: And how often do you go to the city where you can buy more steel strips?

Window M: Every week.

Counselor: And why did you buy six months worth then?

Window M: Because I got a three percent discount for buying such a large quantity.

Counselor: How many grinders could you have bought for the money you paid for those strips?

Window M: Three or four, but I needed the strips.

Counselor: Yes, but in order to save three percent on the strips you deprived yourself of the grinder. Would you rather have the great heap of steel strips and the three percent savings or a grinder?

Window M: A grinder I suppose, but what can I do about it now?

Counselor: Are you saving already for your next six months purchase of steel strips?

Window M: Yes, I already have a quarter of the money I need.

Counselor: What else might you do with that money?

Window M: Well, it might be enough for a grinder by the end of the next month . . .

Here, the idea of capital as something that can be used and that is profitable at the discretion of the owner was introduced by the counselor's questions, but the idea appeared to originate from the businessman himself. Next time the businessman needs something for his business, might he think of other alternatives before asking for a loan?

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*No advice is better than bad advice.*

—a business Peace Corps Volunteer  
in the Czech Republic

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**ACTIVITY 5:1**

**QUESTIONING ROLE PLAY**

Form pairs for this role play. If the numbers are uneven, or just for fun, talk some of the training staff into participating. Read the situation below. Decide which member of your pair will play the role of the shopkeeper and who will be the counselor. Do the role plays away from the other training participants so they cannot overhear. After all pairs have finished, share your solution. If there are differences of opinion on the best solution, discuss them.

*A shopkeeper has \$10 to spend on new stock. She can either buy ten blankets, which she will sell for \$1.50 each, or 100 packets of tea, which she will sell for \$0.11 each. She will sell the blankets at a rate of one per month, and the tea at a rate of 100 packets per month. Should she buy the blankets or the tea? Why?*

## **WHAT AREAS PRESENT PROBLEMS FOR MICRO AND SMALL BUSINESSES?**

Research suggests that the problems of micro and small businesses in developing and redeveloping countries are not fundamentally different from those of small businesses in developed countries. Yet it is still necessary that training materials and assistance programs be modified to suit local circumstances. To this end, we have:

- Emphasized awareness of cultural differences in working with small businesses;
- Used a counseling approach and questioning methodology to tailor assistance to the individual business owner's needs; and
- Adopted the business-extensionist policy because small business owners are often reluctant or cannot afford to go to group training.

Now we turn our attention to some common concerns of these small and micro businesses. Businesses need capital, suppliers, equipment, buildings, customers, employees, and, above all, proper management. We shall investigate later how we can find out the needs of any specific business, and we shall see that they do not always need what they believe they need. Nevertheless, small and micro businesses do face difficulties. In particular:

**Capital:** Most entrepreneurial business people are short of capital, since they have more ideas than they have money to put them into effect. Nearly all small business people state that their biggest, or even their only, problem is shortage of capital. This is not always correct.

Banks may not be an option if the business lacks collateral to secure a loan or the loan is too small or too risky to justify a bank's transaction cost. Families may be willing to lend money, but when this source is exhausted the small company needs to turn elsewhere. Combining the MFIs described in modules two and three may be the solution. MFIs' mass-marketing lending methods allow them to make small loans at a reasonable cost.

**Customers:** Every business needs customers, but micro and small business people often find it particularly difficult to sell enough of their products or services to keep them busy and earn a reasonable living. They cannot afford to hire professional salespeople or advertise; big international companies are not competing in remote rural markets, and the small businesses are at a disadvantage even in their own villages. They are far less able to sell their goods in the growing urban areas, where people often need the products, because the large firms can afford to use modern marketing tools.

The Internet may offer some hope. Particularly in the craft market, small rural craftspeople are able to access national and international markets through the Internet. Access to and an understanding of the Internet can open new markets for previously isolated businesses. Another possibility is for a small business to

join with other businesses to reach more customers than it is possible to reach on its own.

The quality of goods or services may cause customers to purchase someplace else, but often it is a lack of customer service that turns customers away. Microenterprise owners may not realize that how they treat their customers has as much to do with their sales as the products and services themselves.

**Joint activities:** Small business people often need to cooperate with one another to obtain reliable and economical supplies of raw materials, to market their goods, and to present their views to government and the general public. Individually it is difficult to order large amounts of raw materials and get quantity discounts, market their products outside their local area, and be heard by government and the public. Yet, any form of cooperation requires initiative from an experienced person who has the time and ability to organize it. Frequently, the only way micro and small businesses can compete with larger ones for sources of supply, for markets, and for government attention is through cooperative efforts.

**Information:** Micro and small businesses are often unable to take advantage of services provided by government, development agencies, or NGOs because they do not know about them. They may also lack information on emerging markets for their services and products. Here again joint activities and the Internet help bridge the communications gap, as does the radio in rural Africa, MFIs informing their clients of training and marketing opportunities, and development organizations like the Peace Corps.

**Management:** Finally, and most important, micro and small business people are in need of management assistance. They must compete with managers and management techniques, which have been tried and tested in large firms. We have already defined small business as those where management is, in a sense, a part-time activity, carried on by someone who is mainly a craftsman or a shop assistant. Small businesses cannot afford to hire full-time managers, so their owners have to learn to “do it themselves.” Micro businesses are often new operations, and children have not had the opportunity to learn from their parents.

Small business people sometimes need more capital, but they nearly always need management training. Better management can help them make better use of their limited capital. Many small business people fail to realize that if they do get a loan they will have to repay it with heavy interest charges. Better management can also help them identify low-cost marketing techniques and design their products and services to appeal to their customers.

As you start working with a small business owner or manager, be a detective. Through observation and conversations discover what would make the business more profitable and able to grow—more capital, additional customers, better access to marketing and technical information, joint activities with other small business people, or improved management. You must be able to do more than

pass on standard business advice and check that it is followed on subsequent visits. A good business counselor is a sort of “business doctor” who can examine each patient individually, diagnose the problems, and then ask the right questions to help the business owner or manager figure out the remedies to heal them.

## **ACTIVITY 5:2**

### **FOUR MICROENTERPRISE CASE STUDIES**

Divide the training group into groups of three or four people. Each person is responsible for reading the case study, developing a plan for helping the microenterprise owner find a solution to his or her problem, and presenting the case study to their group for discussion. Your technical trainer may have additional local case studies for you to discuss.

#### **The Baker**

*The baker claimed that she needed more capital; her ovens and her labor were only half occupied because she could only sell her bread through this shop. If she had a pickup truck she could transport the bread to outlying villages and run her bakery at full capacity. She asked for a loan to buy a pickup truck.*

*Careful questioning revealed that the daily cost of running a pickup on the very bad roads in the baker's home area would almost equal the total value of the bread it could sell in one day. The neighboring villages were widely scattered, along four different roads out of the town where the bakery was, and it would be necessary for the pickup to pass through the town three times a day in order reach all the villages. This meant that the truck would have to cover many miles, and the villages were too small to buy more than a few loaves each. If the baker had been able to obtain a loan and buy a pickup, she would very soon have gone bankrupt, because of the high expenses of running the vehicle when compared with the very small profits to be obtained from selling more bread.*

What did the baker need? She did not need a loan. She needed to know how to calculate the costs of her proposal—cost of the pickup and potential profit from the additional bread sales. The results of her calculations would encourage her to find a better solution to her problem.

What questions would you ask to encourage the baker to investigate other alternatives and find a more profitable solution?

Continued

Activity 5:2, continued

### **The Shoemaker**

*The shoemaker made shoes in four different styles. They were well made and durable, and had sold regularly in the village for many years. Sales had dropped off recently, and the shoemaker complained that he needed more customers; as he saw it, his business was shrinking because people were not buying as many pairs of shoes as they used to. He thought that he would be able to do better if he could afford to sell on credit.*

*A brief inspection of people's footwear, and one or two questions, showed that they were now going to a nearby town where a large shoe shop sold the latest styles. These were expensive, and not very well made, but the younger people in particular felt they had to adopt the latest modern fashion.*

What did the shoemaker really need? The shoemaker thought he needed more customers. He was right, but he had first to realize that it was his job, as a businessman, to find out what his customers wanted, and to provide it. He really needed to learn about marketing.

What questions would you ask to help him work through his marketing problem?

### **The Carpenter**

*The carpenter made simple furniture and sold it from his shop to local people. He said that he could not bid for large contracts to make school desks and benches because he did not have enough money to buy the quantities of wood that would be needed.*

*When the carpenter's accounts were computed, it showed that he was earning a reasonable profit every month, which was more than enough to pay for his simple way of living. He eventually admitted that he gave all his spare cash to various relatives who continually pestered him with requests for help.*

What did the carpenter need? He thought he needed more capital, but his family would probably have talked him out of the money he obtained through a loan. He really needed to stand back and look at the long-term. He then realized that his family's long-term benefit depended on short-term sacrifices and proper financial management.

How would you help the carpenter think through an approach to gain his family's cooperation?

Continued



Activity 5:2, continued

### **The Tank Maker**

*The tank maker manufactured circular water tanks out of corrugated iron sheets. He had to spend a great deal of time, and money, in buying ready-curved sheets from the city and transporting them to his village. He asked for a loan to buy a curving machine for himself. With this he could save time and money, since he could buy uncurved sheets from the dealer in the village without going to the city.*

*When the tank maker was shown how to calculate the cost of the curving machine each month, he soon realized that he could not employ it economically on his own. He could curve all the sheets he needed in four days out of the month. The rest of his time was taken up building, selling, and delivering the water tanks. There were three other water tank makers in town who also went to the city to purchase curved corrugated iron sheets.*

What did the tank maker really need? He needed a machine, but more important he needed to know how to calculate the cost of owning a machine and figure out a more profitable solution to his problem.

What questions would you ask to help him come up with a different and better proposal?

Note: A few possible solutions to the problems posed in these case studies are listed at the end of the module. You probably can think of others and perhaps they are better than the ones listed.

(Case studies adapted with permission from *Consultancy for Small Businesses* by Malcolm Harper, Intermediate Technology Publications Ltd., London, 1977. pp. 6–8.)

## **MICROENTERPRISE OWNER-MANAGER CAPACITY BUILDING**

Capacity is the ability to put ideas into action. Microenterprise owners/managers often have great ideas, but they lack the ability to put those ideas into action. In the case studies and examples, we have read about owners/managers who lacked the ability to calculate cost, to attract customers, to deal with relatives, to form links with similar businesses, etc. These microenterprises and their owners/managers are a diverse lot, and of course their competencies also differ. However, there are certain basic changes that would increase the capacity of most microenterprise owners/managers.

1. Changes in attitudes and behavior, not just an increase in knowledge. We want the business owner to perform better and not merely to be able to pass an examination in management.
2. Ability to analyze their own situations. It is not enough to learn facts about business in general. They must see how these learnings apply to their own businesses.
3. Evidence of bigger profits. Appealing to the profit motive is a learning motivator. We probably will not see financial reports showing higher profits; microenterprise owners/managers are reluctant to share this information, but we may see improvement in business facilities, more employees, or improvement in living conditions of the owner's family.
4. Willingness to practice what they are learning on their own. Microenterprise owners/managers work alone; unlike owners and managers of larger firms, they do not have the encouragement of colleagues.
5. Permanent changes in management skills. We want the business people not just to perform better when we are watching, or the following month, but for many years.
6. It is extremely important that the microenterprise owners/managers choose what is right for themselves as individuals, and not just follow general rules that may be quite wrong in particular cases. Microenterprises are vulnerable; individually these tiny firms have little power to protect themselves from misfortune, or bad advice, and owners often depend entirely on their businesses to support themselves and their families.

Module 5, "Business Counselor and Extensionist" was written primarily for Pre-Service Training. However, the readings and activities can easily be adapted to involve Counterparts at an In-Service or Mid-Service Training or at your site. The intention is that you engage in business counseling and extension work with your Counterpart.

As a team you and your Counterpart strengthen each other.

- The presence of a Counterpart helps bridge cultural gaps.
- Your Counterpart may be able to assist with translation until your language skills improve.
- Counterparts “know the territory.” They can ease your transition into the business community and advise you on local business practices.
- You are a source of new ideas, connections, skills, and enthusiasm for your Counterpart.
- Ideally, your Counterpart will gain the capacity to carry on the business counseling and extension work after you return home.
- Two sets of eyes and ears in observing a business are better than one.

The counseling process usually involves several visits to a microenterprise owner’s business. Keeping organized records helps you keep track of what happened during each visit, and at the same time model good business record-keeping habits. What follows is one idea for a client counseling record. Does it meet your and your Counterpart’s information requirements? If not, modify the form or design a new report.

## CLIENT COUNSELING RECORD

**(Name of the organization you are assigned to)**

Client's Name: \_\_\_\_\_

Name of Business: \_\_\_\_\_

Name(s) of Counselor(s) \_\_\_\_\_

Who initiated the visit? \_\_\_\_\_

Date of visit \_\_\_\_\_ Date of \_\_\_\_\_ Next \_\_\_\_\_  
last visit appointment date

Is the business operational: \_\_\_\_\_ Yes \_\_\_\_\_ No

How many people work in the business full time? \_\_\_\_\_ Part time? \_\_\_\_\_

Has the number of people working in the business changed since your last visit?  
\_\_\_\_\_

What in the business appears to have changed since your last visit?  
\_\_\_\_\_

### Area of Counseling:

Business start-up	_____	Computer System	_____
Marketing or sales	_____	Export	_____
Business plan development	_____	Insurance	_____
Accounting	_____	Licensing	_____
and financial reports	_____	Networking/links	_____
Cost control	_____	Customer service	_____
Inventory Control	_____	Personnel	_____
Information sources	_____	Produce/service quality	_____
Time management	_____	Managing customer	_____
Cutting business costs	_____	credit	_____
Other _____	_____	Decision making	_____

**Comments:** (Describe the business concerns that were discussed. What information needs to be gathered before the next appointment? Include what decisions the owner/manager made as a result of the counseling. What does the owner/manager plan to accomplish before the next appointment? Add additional information on the back of the page, if needed.)

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### **ACTIVITY 5:3**

#### **PRACTICING THE COUNSELING AND EXTENSIONIST SKILLS YOU HAVE LEARNED**

Do this activity individually or in pairs. Large groups destroy the dynamics of one-on-one counseling. Look for an opportunity in your training community to counsel a microenterprise owner. Your host family may be able to suggest a business, or ask your training staff to help you locate a microenterprise. If language is a problem, invite a language instructor to accompany you.

- Spend some time getting acquainted with the microbusiness owner/manager.
- Explain who you are and why you want to learn about microenterprises in their country.
- Discuss the concerns they have about their business.
- Be appreciative in how you ask questions. Notice and mention the things they are doing right in their business.
- Use the form on the preceding page or make your own form to record counseling information.
- Listen, ask thought-provoking questions, but do not give advice.
- Offer a small gift to say “Thank you for your time” if that is culturally appropriate.

Discuss with your fellow training participants and trainers what you observed and learned. Were your experiences similar or different? What conclusions did you reach? What does the owner/manager think he or she needs? What do you think they need? What actions are they willing to take to improve profitability?

Working with microenterprise owners/managers and potential microentrepreneurs is fun, exciting, satisfying, and, at times, frustrating. If you seem to not be communicating with a micro-business owner/manager, review the cultural business values to find out if cultural barriers are causing your difficulties. Capacity-building takes time; do not expect changes to happen overnight. It can take several months just to develop a level of trust where a business owner/manager will discuss his or her business with you. You are not alone. Volunteers in approximately 60 countries are assisting microenterprises to increase profits and families' quality of life.

\* \* \* \* \*

### **KEY TERMS**

Key terms are defined as they are used in the module. A space is provided to write the local language translation of the word or phrase. Building a local language vocabulary of terms related to microenterprise prepares you to function effectively in this area of development. Work with your language instructors to find the appropriate translation and definitions in the local language and build your technical vocabulary as you study this module.

**Advising** is to offer advice, to recommend, or suggest.

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**Consultancy** is expert advice, on specialized technical and managerial issues, provided by a skilled and experienced consultant who appraises the situation and recommends a course of action.

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**Counseling** is a guided process of self-discovery, whereby the counselor guides and helps the client identify problems, opportunities and resources, define options, and select a course of action.

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**Capacity** is the ability to put ideas into action.

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**Extension** is the delivery of any form of advice or nonmaterial assistance outside a classroom, usually to clients at their places of business. It is a generic term and includes both consultancy and counseling.

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## RESOURCES

These resources are available through the Peace Corps Information Collection and Exchange (ICE). The citations are presented as they appear in *The Whole ICE Catalog*.

*Accounting for the Micro Business: A Teaching Manual*. Michael Ronan/PCV Colombia. (Peace Corps ICE.) 1975. 105 pp. (ICE No. R0023B)

A teaching manual to help small business entrepreneurs learn basic accounting. Lessons explain the nature and objectives of such fundamental business practices as balance sheets, profit and loss statements, credit books, cash books, transactions, etc. Designed for teaching on a one-to-one basis or in small groups. Also available in Spanish, *Contabilidad para la Micro Empresa: Manual de Enseñanza* (ICE No. R0023).

*Beyond Credit: A Subsector Approach To Promoting Women's Enterprises*. Martha Chen, Editor. (Aga Khan Foundation.) 1996. 155 pp. (ICE No. SB192)

[Distribution to Peace Corps In-Country Resource Centers Only]

Explores interventions to promote the enterprises of low-income women in developing and redeveloping countries. Contains cases drawn from a variety of organizations in Africa, Asia, Latin America, and North America. Outlines framework and guidelines for understanding and applying participatory subsector analysis.

*Entrepreneurship: How to Start and Operate a Small Business, Module 1, Chapters 1–17*. Steve Mariotti (The National Foundation for Teaching Entrepreneurship Inc.) 1987. 216 pp. (ICE No. SB193)

[Distribution to Peace Corps In-Country Resource Centers Only]

A simple course designed to teach young adults the fundamentals of starting and operating a small business venture. Provides only a minimal introduction to disciplines such as accounting and economics. The ultimate goals are financial independence, personal satisfaction, and a sense of self-worth. Module 1 includes units on Introducing Entrepreneurship, Types of Enterprise, and Exploring Profit.

*Entrepreneurship: How to Start and Operate a Small Business, Module 2, Chapters 18–37*. Steve Mariotti (The National Foundation for Teaching Entrepreneurship Inc.) 1987. 216 pp. (ICE No. SB194)

[Distribution to Peace Corps In-Country Resource Centers Only]

A simple course designed to teach young adults the fundamentals of starting and operating a small business venture. Provides only a minimal introduction to disciplines such as accounting and economics.

The ultimate goals are financial independence, personal satisfaction, and a sense of self-worth. Module 2 has units on Business Communication, Types of Enterprise (in addition to those identified in Module 1), and Financing.

*Entrepreneurship: How to Start and Operate a Small Business, Module 3, Chapters 38–50.* Steve Mariotti (The National Foundation for Teaching Entrepreneurship Inc.) 1987. 135 pp. (ICE No. SB195)

[Distribution to Peace Corps In-Country Resource Centers Only]

A simple course designed to teach young adults the fundamentals of starting and operating a small business venture. Provides only a minimal introduction to disciplines such as accounting and economics. The ultimate goals are financial independence, personal satisfaction, and a sense of self-worth. Module 3 contains units on Real-World Applications, Business Behavior, and The Entrepreneur's Responsibilities.

*FIDIKA! Business Training for Women's Groups: The Tototo Way.* Kevin Kane/Tototo Home Industries staff. (World Education, Inc.) 1992. 66 pp. (ICE No. SB156)

Contains 14 easy-to-follow lessons for training people in business skills. Designed for trainers and extension workers helping village groups develop successful and profitable businesses. Can be adapted to a variety of training situations, including the training of trainers.

*Improve Your Business: Handbook.* D.E.N. Dickinson, Editor. (ILO.) 1986. 129 pp. (ICE No. SB094)

Suitable for trainers and individual business people, this manual provides the basics to succeed in business on the premise that business improvements are the result of creative entrepreneurs. Consists of eight sections dealing with buying and selling, manufacturing and service operating, bookkeeping, costing and pricing, marketing, management accounting, office work, and planning. Supplements text with illustrations and practical examples. (A workbook [ICE No. SB095] is available to accompany this handbook.)

*Improve Your Business: Workbook.* D.E.N. Dickinson, Editor. (ILO.) 1986. 83 pp. (ICE No. SB095)

Contains eight sections of problems corresponding to the eight portions of the handbook. Each section asks a set of questions, then gives you a number of business exercises, and finally shows you how to set up an action program to solve your problems. Useful for trainers and extension workers. (Accompanies handbook [ICE No. SB094] described above.)



*Income Generation and Money Management.* PCV Sheila Reed. (Peace Corps ICE.) 1994. 70 pp. (ICE No. R0087)

Originally entitled *Income Generation and Money Management: How to Train Gambian Women*, this manual is applicable to low-literate entrepreneurs in other parts of Africa and perhaps elsewhere as well. Contains helpful numeracy activities and good materials for small business/women in development projects.

*Marketing Strategy: Training Activities for Entrepreneurs.* Suzanne Kindervatter and Maggie Range. (OEF International/UNIFEM.) 1986. 96 pp. (ICE No. SB092)

Examines the problems women entrepreneurs face in developing small businesses that focus on marketing. Provides activities that facilitate the implementation of new ideas for women with their own businesses. Useful text for experienced trainers, extension workers, and programmers. Also available in Spanish, *Estrategía de Mercadeo: Entrenamiento para Empresarias* (ICE No. SB124), and in French, *Strategie de Marketing: Activités de Formation pour Entrepreneurs* (ICE No. SB125).

*Nonformal Education Manual.* Helen Fox. (Peace Corps ICE.) 1989. 163 pp. (ICE No. M0042)

Demonstrates how virtually all Peace Corps Volunteers can use the techniques of nonformal education (NFE). Emphasizes full-scale community participation at all stages of development. Uses Volunteer experiences to illustrate the nature and principles of NFE. Includes information on adult learning, identifying people's needs, planning and evaluating NFE activities, working with groups, and developing appropriate materials for NFE activities. Also available in French, *Manuel d'Education Non Formelle* (ICE No. M0048).

**Internet:**

[www.microenterpriseworks.org](http://www.microenterpriseworks.org) — This is the Internet site for the Association for Enterprise Opportunity. The site contains success stories of low-income entrepreneurs.

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### **ACTIVITY 5:2 Reference**

#### **SUGGESTED SOLUTIONS FOR CASE STUDIES**

##### **The Baker**

- Buy a motorbike and hire a student to deliver loaves of bread to the four neighboring villages.
- Get the local bus driver (assuming there is a bus) to deliver the loaves of bread.
- Diversify product line and make bakery products other than bread to sell in the bakery.

##### **The Shoemaker**

- Visit the store in a nearby city where his former customers are buying shoes to see what styles are selling.
- Advertise in the local newspaper that he takes special orders to make shoes to customer's specifications.
- Make several pairs of the new style shoes and display them in his window.

##### **The Carpenter**

- The carpenter may need to keep money in a bank account instead of at home, where it is easy for him to give it to relatives.
- The carpenter may hire some relatives to fill the larger orders so they can appreciate the benefits of the carpenter growing his business.
- The carpenter may need to learn to say "no," although that may not be culturally acceptable.
- Perhaps he could enlist the help and understanding of the elder in the family to explain to family members why the carpenter will not be able to give away money for several months.

Continued

Activity 5:3, Suggested Solutions, continued

**The Tank Maker**

- The tank maker might explore forming a cooperative with the other three tank makers and sharing the cost of the bending machine.
- The four tank makers might agree to purchase curved corrugated sheets jointly, getting a quantity discount and sharing the cost of transportation. This would result in cost and time savings for all of them.
- The tank maker might approach the other tank makers and offer to sell them curved corrugated sheets at a price less than they are now paying. This assumes that using the curving machine is a more profitable use of his time than making, selling, and delivering tanks.
- The four tank makers might explore forming a joint venture, cooperating on the whole business process, purchasing raw materials, curving the sheets, building, selling, and delivering tanks.

## **TRAINER'S NOTES**

### **MODULE 5 BUSINESS COUNSELOR AND EXTENSIONIST**

#### **Overview:**

This last module concentrates on preparing training participants for their roles as business counselors and extensionists. Since the role of counselor depends heavily on interpersonal skills, training participants are alerted to the impact of business cultural values and how to bridge differences in culture, and the use of “questioning methodology” in enabling businesspeople to solve their own problems. To better understand why the roles of counselor and extensionist are preferred, these roles are compared with those of a consultant or advisor. Much of the module is devoted to case studies of typical small business situations to provide trainees with practice in analyzing business situations and counseling business owners.

#### **Time:**

Reading	1 hour
Activities	10 hours

#### **Materials:**

Provide several books that cover the delivery of nonfinancial business development services (BDS). See Resources section for suggestions. Also, provide copies of the Business Sector's Project Plan.

#### **Preparation:**

- Arrange with the business program manager or other Peace Corps staff to discuss their project plan and how counseling and extension help achieve project goals and objectives.
- You may wish to translate the business cultural values continuum so more local people can participate in discussions of cultural issues with the training participants.
- Arrange for pairs of training participants to practice their counseling and extensionist skills with small business owners. These might be the same people the training participants shadowed in an earlier module.

Continued

Trainer's Notes, continued

**Debriefing the experience and processing the learnings:**

Important learnings in this module are that it is not enough just to transfer technical skills. Volunteers need to build the management capacity of microenterprise owners, and the way they do this is by asking questions to help the business owner pull together his or her own knowledge to reach solutions that will increase the business's profitability. Discuss the aspects of counseling that were difficult and explore how individual training participants can continue to improve their interpersonal, cultural, and counseling skills.

## **TRAINER'S NOTES**

### **ACTIVITY 5:1 QUESTIONING ROLE PLAY**

#### **Overview:**

This role play activity allows training participants to practice using the questioning methodology, have a little fun, and hopefully realize they should consider a wider range of issues than just the numbers.

**Time:** 30 minutes

#### **Materials:**

None other than the scenario contained in the reader's training materials.

#### **Preparation:**

Training participants should be able to conduct this simple activity themselves.

#### **Debriefing the experience and processing the learnings:**

If training participants do not bring up the following themselves, use the "questioning methodology":

- The 10 blankets will be sold in 10 months and generate a profit of \$5: 10 blankets at 50 cents profit each (\$1.50 sale price minus \$1.00 cost).
- The tea will be sold in one month and generate a profit of \$1.00: 100 tea packets at 1 cent profit each (11 cent sale price less 10 cent cost).
- The profit margin on the blankets is higher, but so is the risk of having stock on hand for nine more months than the tea.
- What would be the profit over the 10 months if the shopkeeper used \$10 of the \$11 sales each month to buy 100 packets more of tea?
- Should she consider buying some blankets and some tea? If so, why? And how many items of each?

Ask questions in an appreciative way so respondents do not feel like they are being cross-examined. Did anyone, as they did the role play, take out paper and pen and work through the calculations together?

## **TRAINER'S NOTES**

### **ACTIVITY 5:2 MICROENTERPRISE CASE STUDIES**

#### **Overview:**

These case studies enable training participants to think about typical microenterprise problems and devise ways they would assist the owners in thinking through solutions.

**Time:** 1 hour

#### **Materials:**

The case studies contained in the reader's training materials. You might want to write some additional case studies based on your local experience or ask current Volunteers to write case studies based on their experiences with local businesspeople.

#### **Preparation:**

Training participants should be able to conduct this simple activity themselves.

#### **Debriefing the experience and processing the learnings:**

Have training participants facilitate the discussions. The conversations will probably be more interesting if business programming staff, local small business consultants, and/or Volunteers can participate in the conversations. The following are merely a few suggestions; there are no right answers. The process of helping a microenterprise owner arrive at a reasonable solution is what is important.

Suggested solutions for case studies:

#### **The Baker**

- Buy a motorbike and hire a student to deliver loaves of bread to the four neighboring villages.
- Get the local bus driver (assuming there is a bus) to deliver the loaves of bread.
- Diversify product line and make bakery products other than bread to sell in the bakery.

Continued

Trainer's Notes, Activity 5:3, continued

**The Shoemaker**

- Visit the store in the nearby city where his former customers are buying shoes to see what styles are selling.
- Advertise in the local newspaper that he takes special orders to make shoes to customer's specifications.
- Make several pairs of the new style shoes and display them in his window.

**The Carpenter**

- The carpenter may need to keep money in a bank account instead of at home, where it is easy for him to give it to relatives.
- The carpenter may hire some relatives to fill the larger orders so they will appreciate the benefits of the carpenter growing his business.
- The carpenter may need to learn to say "no," although that may not be culturally acceptable.
- Perhaps he could enlist the help and understanding of the elder in the family to explain to family members why the carpenter will not be able to give away money for several months.

**The Tank Maker**

- The tank maker might explore forming a cooperative with the other three tank makers and sharing the cost of the bending machine.
- The four tank makers might agree to purchase curved corrugated sheets jointly, getting a quantity discount and sharing the cost of transportation. This would result in cost and time savings for all of them.
- The tank maker might approach the other tank makers and offer to sell them curved corrugated sheets at a lower price than they are paying. This assumes that using the curving machine is a more profitable use of his time than making, selling, and delivering tanks.
- The four tank makers might explore forming a joint venture, cooperating on the whole business process, purchasing raw materials, curving the sheets, building, selling, and delivering tanks.



## **TRAINER'S NOTES**

### **ACTIVITY 5:3 PRACTICING THE COUNSELING AND EXTENSIONIST SKILLS YOU HAVE LEARNED**

#### **Overview:**

This activity allows training participants to experience and put together the various elements discussed in the module—cultural business values, core competencies for microenterprise owners/managers, the “questioning methodology,” and working with an owner/manager one-on-one to discuss business concerns and help the owners/managers arrive at their own solutions.

**Time:** 2–3 hours

#### **Materials:**

Copies of the “Client Counseling Record.”

#### **Preparation:**

Depending on the training community, you may need to help training participants identify microenterprise owners/managers to visit for this activity. In some communities participants can set up these visits themselves.

#### **Debriefing the experience and processing the learnings:**

Have each individual or pair report to the training group on their findings. Discuss commonalities and learnings. What would training participants do differently in their next visit to a microenterprise owner/manager? Did they notice cultural differences?

Also, use this final activity as an opportunity to discuss the history of the Peace Corps in your country with nonfinancial, business development services. Where have Volunteers had successes in this area in the past and what are unexplored opportunities? Are their “potholes” to watch for? What local resource people might assist Volunteers with BDS?

