Coordination and Performance Measurement In SBA's Entrepreneurial Development Programs

September 2000

INSPECTION REPORT

Office of Inspector General
U.S. Small Business Administration

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In SBA's
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September 28, 2000

TO: Darryl H. Dennis
            Associate Deputy Administrator
              for Entrepreneurial Development

FROM: Tim Cross
            Assistant Inspector General
              for Inspection and Evaluation

SUBJECT: Inspection on ***Coordination and Performance Measurement in SBA's Entrepreneurial Development Programs***

We are pleased to submit our report on *Coordination and Performance Measurement in SBA's Entrepreneurial Development Programs*. The Office of Inspector General initiated this inspection to examine coordination among Office of Entrepreneurial Development (OED) programs in the field and the methods used for gathering program performance data.

In the three markets studied, we found substantial evidence of effective coordination among OED service providers. To further improve coordination, however, OED should (1) identify districts lacking an efficient referral process or cooperation among providers and (2) work with the Office of Field Operations to have relevant District Directors designate and train at least one intake coordinator to route clients to the appropriate service providers.

When measuring performance, OED faces three challenges: ensuring that output and outcome measures are portrayed accurately, keeping the reporting burden on service providers to a minimum, and avoiding measures that might create adverse incentives. In the districts visited, we found significant differences in the way providers count their clients and services. Common units of measurement are needed for accurate and fair reporting.

To ensure consistency and accuracy in service provider reporting, OED should (1) use the number of clients served and the number of client counseling and training sessions as its principal output measures and (2) issue specific guidance to providers on how to count clients and client sessions. To obtain outcome information, such as businesses' expanding sales or employment, OED should develop a client survey to be administered periodically by the Office.

We appreciate the excellent cooperation that the inspection team received from your office, the service providers, and other officials it contacted.

Attachment

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ABBREVIATIONS

BIC   Business Information Center
EDMIS   Entrepreneurial Development Management Information System
FY   Fiscal Year
GPRA   Government Performance and Results Act
OED   Office of Entrepreneurial Development
OFO   Office of Field Operations
OIG   Office of Inspector General
OSCS   One Stop Capital Shop
SBA   Small Business Administration
SBDC   Small Business Development Center
SCORE   Service Corps of Retired Executives
SOP   Standard Operating Procedure
WBC   Women's Business Center

EXECUTIVE SUMMARY

The mission of the Small Business Administration's (SBA) Office of Entrepreneurial Development (OED) is to help small business entrepreneurs by providing quality training, counseling and other management and technical assistance. OED delivers most of its services through partnership arrangements with non-Federal resource partners, with oversight provided by SBA district offices. The Office of Inspector General (OIG) initiated this inspection to examine the coordination among OED programs in the field and the methods used for gathering essential program performance data. This report's conclusions are based largely on in-depth case studies of three markets.

Coordination of Client Services. SBA's OED programs have evolved in response to perceived needs and initiatives of various Presidents, Members of Congress, SBA administrators, and others. To deliver OED services, SBA partners with many non-Federal providers for which SBA often provides only partial funding and, consequently, exerts limited control.

On first impression, there appears to be substantial duplication among the OED programs, types of service providers, and their geographical coverage. However, OED's control over such situations is limited by conflicting requirements imposed by different programs and the fact that some service providers were in their current locations long before they became SBA resource partners. Although the inspection team did find some cases of overlap, it also found substantial evidence of effective coordination. For example, the district directors and service providers in the districts visited make an effort to segment their markets by having providers target different types of clients. In other instances, we found that OED service providers were more likely to compete than to cooperate. Despite this, most providers agree that there is sufficient demand to keep them all busy.

Based on our field work, we believe that designating an *intake coordinator* who is knowledgeable about the local OED programs can reduce the competition for clients among service providers, provide a more efficient referral process, and eliminate client confusion at the outset. To be effective, the coordinator needs to receive the proper training for the job, and prospective clients need to know how to contact him/her.

> **Recommendation 1.** *To improve coordination among its service providers, OED should (1) identify districts that lack an efficient referral process or effective cooperation among providers, and (2) work with OFO to require the District Directors in such areas to designate and train at least one person as an intake coordinator to route clients to the appropriate service providers.*

Measuring Performance. OED faces three major challenges in performance measurement: (1) ensuring that output and outcome measures are portrayed as accurately as possible, (2) minimizing the reporting burden on those who actually deliver the services, and (3) avoiding measures that might create unintended—or adverse—incentives. In the districts we studied, we found significant differences in the way service providers count their clients and services. Aggregating the counts for SBA reporting purposes is all but impossible with such discrepant methods. According to the service providers, SBA has not issued clear guidance on how to count clients or services. Without such guidance, the inconsistencies among providers are unlikely to be corrected.

Common units of measurement applicable to all OED programs are needed for accurate reporting. If SBA stresses only the number of individuals assisted, it risks inadvertently encouraging service providers to "count bodies" at the expense of clients requiring multiple sessions and more intense effort. Applying additional measures, such as the *number of client sessions,* would minimize the pressure on service providers to focus on head counts at the expense of depth of service—a predominant concern among the staff we interviewed. Attribution of outcomes is also a significant issue. If an entrepreneur received OED assistance, how much of that business' sales or hiring—or lack thereof—reflects an OED provider's performance as opposed to the entrepreneur's competence, market conditions, or just plain luck?

Obtaining the data for reporting on outcome measures can be difficult. Surveys are subject to legal restrictions, and alternatives such as proxy indicators have their own limitations. We believe the simplest approach is for OED to periodically conduct a survey of a sample of clients drawn from the Entrepreneurial Development Management Information System (EDMIS) across the service provider programs. While linking outcome measures to OED efforts can never be an exact science, the survey should be able to show a reasonable association between what the programs have done and the outcomes observed.

> **Recommendation 2.** *To ensure consistency in service provider reporting, OED should issue specific guidance to the providers on how to count (1) clients served and (2) client counseling and training sessions.*

> **Recommendation 3.** *To report program performance as accurately as possible, OED should use the number of clients served and the number of counseling and training sessions as its principal output measures.*

> **Recommendation 4.** *To obtain outcome information, OED should develop a client survey to be administered periodically by the Office.*

SBA Comments. The Associate Deputy Administrator for Entrepreneurial Development partially disagreed with Recommendation 1, preferring a more cooperative approach to one that would *require* District Directors to take action. He agreed with the other recommendations.

BACKGROUND

The mission of the Small Business Administration's (SBA) Office of Entrepreneurial Development (OED) is to "help small businesses start, grow and be competitive in global markets by providing quality training, counseling and other forms of management and technical assistance."[1] OED delivers most of its services through partnership arrangements with various non-Federal resource partners, with oversight provided by SBA district offices. SBA generally does not provide staff for the resource partners, except for a small number of positions in Business Information Centers and One Stop Capital Shops. This inspection focused on OED activities in the following program areas:

The Office of Business Initiatives administers programs designed to provide information, education, and training to prospective and existing small business owners. These include the Service Corps of Retired Executives (SCORE) and Business Information Centers (BICs). Started in 1964, SCORE is the oldest OED program. The BIC program, begun in 1992 by administrative initiative, provides on-site counseling services, computers, self-help software, Internet access, and other reference materials. BICs are a core element of One Stop Capital Shops, although many are stand-alone centers operating in Empowerment Zones/Enterprise Communities. As of August 1, 2000, there were 69 BICs operating nationwide.

The One Stop Capital Shop (OSCS) Initiative was created in 1994 to provide support for the Empowerment Zone Initiative, an effort to revitalize distressed inner cities and rural communities. A partnership between SBA and local communities, the OSCSs offer small business assistance from readily accessible retail locations. Each OSCS includes a BIC and provides counseling from SCORE volunteers. In addition, each OSCS can refer small business owners to various private sector lenders for assistance with financing. As of August 1, 2000, there were 20 OSCSs operating nationwide. SBA typically provides a small number of computers and staff for each OSCS, but funds for leased space are usually provided by other governmental or private sector partners. For Fiscal Year (FY) 2000, the OSCS program received an appropriation of $3.1 million.

The Office of Women's Business Ownership administers over 90 Women's Business Centers (WBCs) nationwide, as well as the Online Women's Business Center via the Internet. Moreover, the Office serves as an advocate for women entrepreneurs and provides a network of women's business owner representatives in every district office. The WBC program was legislatively established in 1988. WBCs receive a substantial portion of their funding from SBA, which provides five-year grants to the Centers. For FY 2000, the program received an appropriation of $9.0 million.

The Small Business Development Center (SBDC) program is a cooperative effort of the private sector, the educational community, and Federal, State, and local governments to enhance economic development by providing small businesses with management and technical assistance. Created by legislation in 1980, the program now oversees 58 SBDCs in the United States and its territories, with a network of over 1000 service locations. In each state, a lead organization sponsors the SBDC and coordinates services offered through subcenters and satellite locations at educational institutions,

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[1] Mission statement from OED's web site, http://www.sba.gov/ed

chambers of commerce, and economic development corporations. All SBDCs are required to obtain non-Federal funding at least equal to the amount provided by SBA. Alternative sources include State legislatures, private sector foundations and grants, chambers of commerce, economic development corporations, and public and private educational institutions. For FY 2000, the program received an appropriation of $84.5 million.

The SCORE program uses approximately 11,000 volunteers in over 380 chapters to provide free advice to small business entrepreneurs and prospective entrepreneurs on virtually every aspect of managing a small business. SCORE counselors are located at SBA district offices, BICs, some SBDCs, and other establishments. The program also offers various online resources through www.score.org. For FY 2000, it received an appropriation of $3.5 million.

GPRA Performance Requirements. The Government Performance and Results Act (GPRA) was enacted in 1993 to improve Government performance and accountability through better planning and more accurate reporting of agency results. The Act requires Federal agencies to set strategic goals, measure performance, and report to the President and Congress on the degree to which goals are met. Congress intended GPRA to shift the focus of management from a preoccupation with staffing and activity levels to an emphasis on the outcomes of Federal programs and services. GPRA includes three basic documents: (1) a strategic plan aligning agency organization and budget structure with missions and objectives, (2) an annual performance plan setting specific goals and measures, and (3) an annual performance report comparing actual performance to the annual goals. GPRA requires an annual performance plan for each program activity in an agency's budget. Agencies are required to report to the President and Congress on program results for the previous year; when a performance goal has not been met, the agency is required to provide an explanation.

SBA's FY 2001 Annual Performance Plan sets forth three objectives for its entrepreneurial development programs: (1) to increase economic development assistance to entrepreneurs and small firms, with a special focus on small firms in "New Markets," i.e., markets that have been traditionally underserved; (2) to expand the use of the Internet for providing information, counseling, education, and training to small businesses; and (3) to provide increased economic development assistance in Empowerment and HUBZones (Historically Underutilized Business Zones) through locating more OSCSs in these areas. Specifically, in FY 2001, SBA seeks to raise the total number of entrepreneurial development clients to over 1.3 million, including increasing women clients to 430,000 and minority clients to 275,000. The Agency also plans to expand counseling via the Internet.

Measuring outputs and outcomes provides essential information on current program performance and the progress towards program goals, and in FY 2000-2001, SBA plans to evaluate the results of the various OED delivery systems. It is important to remember, however, that a variety of external factors will affect outcome measures, particularly in decentralized programs like those offered by OED, which rely on co-sponsorship arrangements at numerous locations, as well as on the Internet, to deliver services. Local economic conditions, for example, can have a significant impact on the success of small businesses receiving SBA assistance. Because of such external factors, the link between OED programs and small business outcomes can be difficult to define and measure.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this inspection is to examine the coordination among OED programs in the field and the methods used for gathering essential program performance data. The scope of the inspection included most of the major entrepreneurial development service providers: BICs, OSCSs, SBDCs, SCORE, and WBCs.

The inspection team reviewed the legislative history of the various programs and interviewed senior officials in SBA's offices of Entrepreneurial Development, Management and Administration, Chief Financial Officer, Field Operations, and Advocacy. We also interviewed officials from the Department of Agriculture, which had recently consolidated field offices to streamline service delivery, and the Department of Commerce's Minority Business Development Agency, which operates a program similar to SBA's OSCS effort. The team also researched Federal laws, particularly the Paperwork Reduction Act and the Privacy Act, to determine how they affect the gathering of information to measure OED program performance. We reviewed a consulting firm's draft staffing and resource plan, as well as internal reviews of some WBCs and SBA district offices, and attended the OSCS Conference in May 2000.

The inspection team made field visits to three different markets to examine service delivery coordination and the methods used for recording clients, services provided, and program outcomes. The sites were selected based on number of firms, geography, and client demographics. Using the most recent Census Bureau data, we identified field offices representing areas with a small (less than 100,000), medium (100,000 to 300,000), and large (greater than 300,000) number of firms. Although it was not possible to represent every part of the country, the inspection team did consider geographical variation in its field office selections, ultimately choosing markets from the Southwest, Midwest, and Pacific Coast. Another criterion was to have at least one of the major types of OED service providers—OSCSs, BICs, SBDCs, SCORE, and WBCs—operating in that area. Finally, we selected sites based on client demographics, looking primarily for differentiation in client gender and ethnicity, use of technology, startups versus existing small businesses, and rural versus urban business locations. (See Appendix A.)

The small market we visited serves a largely rural and Hispanic lower-income population with high unemployment and many home-based businesses. SBA's OED programs serving this area are all collocated at the same facility and have a reputation for high achievement in service delivery, despite limited financial resources. The medium market offers a mixture of urban, suburban, and rural clients starting businesses in a variety of industries. Clients come from two different states, and the service providers, particularly the OSCS, have a reputation for high goal achievement and innovation in service delivery. The large market is ethnically and economically diverse, with a mixture of urban and suburban clients, many of whom operate businesses in service industries. It also includes some relatively sophisticated clients starting technology businesses. This market is served by a variety of OED programs operating throughout the area.

The inspection team used the case study method as the primary means for gathering information. Limited OIG staff and travel resources precluded visiting a larger number of offices, and surveying clients of SBA's OED programs was impractical due to the requirements of the Paperwork Reduction

Act. Accordingly, our field work focused on staff interviews and record searches at OED service providers and local economic development offices. Because this report's conclusions are based on case studies of only three markets, they cannot be projected to all markets across the United States.

All work on this inspection was conducted between October 1999 and July 2000 in accordance with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

COORDINATION OF CLIENT SERVICES

Major Participants in the Delivery of OED Services. SBA's delivery of entrepreneurial development services involves four major players. OED handles all policy and Agency-wide programmatic matters. The Office of Field Operations (OFO) develops district office goals in consultation with program offices. District directors are responsible for overseeing OED programs within their districts. Finally, OED service providers such as the OSCSs, BICs, SBDCs, WBCs, and SCORE chapters provide services directly to entrepreneurs and prospective entrepreneurs.

Structural Challenges. SBA's OED programs have evolved over a 36-year period in response to perceived needs and initiatives of various Presidents, Members of Congress, SBA administrators, and others. Several of these programs were established through legislation, while others were created by administrative action. The OED program delivery structure is the product of many diverse initiatives involving disparate interests and complex partnership arrangements, and it must manage a set of programs in which important operational facets are outside of its control.

To deliver OED services, SBA partners with many non-Federal providers for which SBA often provides only partial funding and, consequently, exerts limited control. SBDCs, for example, receive at least half their funds from non-Federal sources and must balance SBA's needs against those of their other funding partners, e.g., State governments and educational institutions. Similarly, at OSCSs resource partners most often contribute the majority of staff, whether paid or unpaid. Moreover, SBDCs, SCORE, and WBCs operate under contractual agreements with SBA, rather than as SBA line programs. Thus, while the Agency can greatly influence the actions of these resource partners, it cannot dictate policy. Serving OED clients is genuinely a collaborative effort, perhaps more so than in any other SBA program.

Finally, no two SBA districts are alike. They may be predominantly urban or rural, high-tech or agricultural, densely or sparsely populated. OED, therefore, must deal with diverse populations and a wide range of needs. Accordingly, a "one size fits all" approach is unlikely to be successful in meeting the objectives of OED.

Potential Duplication of Effort. On first impression, there appears to be substantial duplication among the OED programs, types of service providers, and their geographical coverage. For example, two markets that were not part of our field visits seem to duplicate services. One city has two BICs located within walking distance of each other: the first is collocated with the district office, as is common in other districts, and the second was created as part of an Empowerment Zone-based OSCS. No attempt was made to combine the BICs because the second BIC was specifically established to serve residents of the Empowerment Zone, per SBA's commitment to that initiative. According to an

OED official, discussions between OED and OFO, which has purview over the first BIC, have not resolved the problem. Nonetheless, the situation may change because several original funding partners have been reluctant to renew their contributions to the first BIC, leading to the possibility of the two BICs eventually being merged.

Another city with two BICs faces a different situation. The first BIC was established in the District Office, while the second was funded through a non-SBA grant and serves low-income clients in a different part of the city. Thus, the BICs appear to serve two distinct populations without duplication.

In a third case, the OSCS and WBC in a city are located within two miles of each other. However, OED's control over such situations is limited because some service providers were in their current locations long before they became SBA resource partners.

Despite these indications of overlap, the team discovered from its field work substantial evidence of effective coordination. For example, the district directors and service providers in the districts visited make an effort to segment their markets by having providers target different types of clients. SCORE volunteers in two of the districts focus on serving startups, while SBDCs concentrate more on businesses that have been in operation for at least one year or need assistance with particular business issues, such as marketing or finance. With such market segmentation, a client can utilize different service providers at distinct stages of business development or when confronting specific problems.

Service Provider Competition. In some cases, however, we found that OED service providers were more likely to compete than to cooperate. According to SBA and provider staff, a major point of contention often is who gets credit for successes. One service provider, for example, charged that SBA had taken credit in a large newspaper advertisement for helping a client without mentioning the provider or other resource partners that had furnished essential support. The team observed a strained relationship between SBA's district office and a local agency resulting in part from the latter's perception that SBA contributes relatively few resources compared to the credit it claims.

Based on our record searches, it is not always clear to what extent one service provider refers a client to another, and possibly more qualified, provider. Evidence of such referrals was generally found only if a counselor happened to make detailed notes on a client intake form or log. Thus, in most cases it is impossible to determine if service provider rivalry may have had an adverse impact of any consequence on the routing of clients or the services they received. Most of the service providers we interviewed believe that there is sufficient demand for their niche, i.e., the provision of relatively low cost or free entrepreneurial services, to keep all the OED providers busy. If this is the case, even in a period of a relatively strong national economy, the level of competition may not be an impediment to the efficient delivery of services. Indeed, it may actually spur the providers to improve their outreach and service efforts.

Central Intake for Clients. Designating an *intake coordinator* who is knowledgeable about the local OED programs can moderate the competition for clients among service providers and make a referral process more effective. Depending on local circumstances, the coordinator might be a program analyst, BIC manager, or receptionist; the position might be full-time or part-time; and directions to clients might be given primarily in person or by phone. The most important criterion is the ability to ask probing questions about a client's needs and promptly direct that client to the most appropriate service providers. An effective coordinator can also eliminate potential confusion on the part of clients

by, for example, informing them that an OSCS does not provide direct financial support, thus sparing service providers potentially wasted time and effort.

Although such referrals appear to work best when service providers are located in close proximity to one another, the team also observed a coordinator effectively referring clients by phone to providers spread over a large metropolitan area. The key is to select an individual who understands the roles and activities of the different service providers and is perceived as unbiased in making referrals. Officials at a facility with strained relationships among providers stated that because previous coordinators had not been sufficiently knowledgeable about OED programs, they no longer had one. It is ultimately the district director's responsibility to make certain that a coordinator receives the proper training for the job, and that prospective clients know how to contact the person. Ideally, SBA and service providers' promotional materials and advertisements would refer those clients to a central phone number and e-mail address. Regardless of the outreach methods used, establishing an intake coordinator is an effective way to ensure that clients are efficiently matched with the correct service provider at the outset.

> **Recommendation 1.** *To improve coordination among its service providers, OED should (1) identify districts that lack an efficient referral process or effective cooperation among providers, and (2) work with OFO to require the District Directors in such areas to designate and train at least one person as an intake coordinator to route clients to the appropriate service providers.*

Other Effective Practices. During its field visits, the inspection team generally found OED service provider staff to be dedicated, resourceful, and client-oriented. Perhaps the greatest strength of the programs is their ability to accommodate the widely varying needs of their local markets and clientele. For example, while one OSCS's clients most often needed credit repair, an OSCS in another part of the country identified training in basic business skills as the most critical need. The staff at each of the service providers adapted their training and counseling services accordingly.

OED's decentralized program delivery structure, while difficult to manage in the traditional sense, does allow service providers to act as laboratories of innovation. The following are examples of effective practices that the team found in the districts visited:

- An OSCS had a large number of business development entities—Federal and State-funded—under one roof in a readily accessible location. Such collocation made it easy for clients to obtain assistance and for counselors to draw upon each other's expertise. With sufficient intake coordination, it was model for full client-friendly service.

- An SBDC required that clients requesting counseling assistance first attend a seminar on the basics of starting and managing a small business. This served to screen out the less serious prospects for entrepreneurship and suited the SBDC's goal of serving fewer clients but serving them better.

- A service provider developed a long-distance learning initiative using a mobile Internet van, the "Netmobile," that travels to area towns to train prospective small business entrepreneurs in the use of the Internet. Such a service was particularly well adapted to this market, which has a relatively small population spread over a large geographical area.

- One district found that the SCORE model of retired executives serving as small business counselors did not always match the needs of clients from other backgrounds. To compensate, a "Business Coaches" model was developed, using a more diverse group of volunteers that had not yet retired from the business world.

- A WBC overcame its clients' lack of formal education by customizing the coursework to meet that situation. In some cases, for example, it taught financial management through single entry, instead of double entry, bookkeeping.

- An OSCS operated as a satellite SBA facility by using three Agency New Markets managers in addition to the usual OSCS director and BIC manager. Among other things, clients were able to obtain loan and procurement assistance in one place.

- Alliances with civic groups enabled OED service providers in the districts visited to extend their reach beyond what their limited resources normally would allow. For example, by working closely with a local civic agency, one OSCS was able to contribute significantly to a downtown economic redevelopment project of a formerly neglected area.

OED Goals. To guide overall delivery of services, OED sets output goals based on historical achievement and a percentage increase over the previous year. For example, OED's overall FY 2000 goals are 3 percent over FY 1999 accomplishments. In addition, providers such as SBDCs and SCORE have their own internal goal-setting processes. Two issues emerge from this. First, it is questionable whether district directors and service providers perceive OED goals as firm targets rather than simply as guidelines, particularly when SBA tends to emphasize and reward loan production over OED activities. Second, if goals are to be useful, they should first be based on reasonable performance measures, as discussed in the next section.

MEASURING PERFORMANCE

Not everything that can be counted counts, and not everything that counts can be counted.
--Albert Einstein

Challenges in Performance Measurement. In the realm of counseling and training, achievements are not always quantifiable. Conversely, some of the numbers representing supposedly quantifiable achievements may mean little and create unintended incentives, e.g., a focus on the quantity of clients at the expense of quality of service. Nonetheless, some type of performance measurement—however imperfect—is necessary for managing OED programs and for complying with the Government Performance and Results Act of 1993 (GPRA).

GPRA requires that each agency establish performance indicators to assess the relevant outputs, service levels, and outcomes of each program activity. GPRA defines an *output* measure as the tabulation, calculation, or recording of activity or effort. In contrast, an *outcome* measure is defined as

"an assessment of the results of a program activity compared to its intended purpose."[2] Expressed another way, outputs are the goods and services produced by a program, and outcomes are the final or long-term consequences.

OED faces three major challenges in performance measurement: (1) ensuring that output and outcome measures are portrayed as accurately as possible, (2) minimizing the reporting burden on those who actually deliver the services, and (3) avoiding measures that might create unintended—or adverse—incentives.

Number of Clients as an Output Measure. In SBA's FY 2001 GPRA Annual Performance Plan, performance measures for the various OED programs included the number of clients who received counseling, training, business development services, or financial assistance.[3] The SBA FY 1999 Annual Performance Report also referred to the number of clients by stating, "Our small business counseling and technical assistance programs provided help to almost 1.2 million entrepreneurs in FY 1999…"[4] At first glance, it appears that 1.2 million separate individuals were served. However, the team found inconsistencies in counting clients that appear to overstate the efforts of some OED service providers.

In the districts we visited, we found significant differences in the way service providers count their clients (see Appendix B). At nine of the 16 service providers interviewed, a person was counted only once, regardless of the number of times he or she visited the provider. Four providers counted multiple visits by the same person as multiple clients, thus appearing more productive than their equally industrious counterparts who counted more conservatively. Two providers counted new clients for a particular month, without regard to the number of visits each made during the month, plus the number of clients from previous months continuing to visit the provider. Finally, one provider counted a person visiting multiple times as no more than one new client and one repeat client.

It is not surprising that there are assorted methods of counting clients, given each program's independent origins and the different funding organizations to which they must submit reports. However, just as reporting client totals without acknowledging that some are repeat clients may overstate the number of individuals served, simply counting the number of people served may understate the true magnitude of some service providers' efforts. Aggregating the counts for SBA reporting purposes, moreover, is all but impossible with such discrepant methods.

According to service providers' staff, OED has not disseminated guidance on how to count clients or services. Senior OED officials acknowledged that, although guidance was developed at one time, none has been promulgated in recent years. Without such guidance, the inconsistencies among providers are unlikely to be corrected, and the lack of standardization will prevent total counts from being made. Another problem is simple mechanics. A client making his/her first visit to a service provider usually completes an intake form, e.g., the SBA Request for Counseling form (Form 641) or a special SBDC or WBC form. While it is possible at the provider level to determine whether one person has been

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[2] Government Performance and Results Act of 1993, Sections 1115(a)(4), 1115(f)(2), and 1115(f)(3).

[3] "Helping Small Businesses: Fiscal Year 2001 GPRA Annual Performance Plan, Congressional Submission, pp. 91-92.

[4] Opportunities for Success: SBA Fiscal Year 1999 Annual Performance Report, pp. 16, 41-42. This included approximately 385,000 clients served by SCORE, 595,000 by SBDCs, 123,000 in BICs, 4,000 in Tribal BICs, 31,000 in WBCs, and 53,000 in OSCSs, as well as 43,000 export clients served at U.S. Export Assistance Centers and SBDCs.

served multiple times, it would be impossible to determine this from the aggregated information reported to Congress.

One potential solution is emerging. OED has developed an electronic Form 641 to replace paper intake forms, at least for counseling services. It eventually expects service providers to enter such information into the central Entrepreneurial Development Management Information System (EDMIS) database, which OED will manage. With the proper enhancements, the EDMIS should be able to distinguish both the number of clients and the amount of counseling services provided, according to a senior OED official. However, this capability is likely to be at least two years away. Moreover, it has not yet been determined how the EDMIS will record clients receiving training.

Alternative Output Measures. A common unit of measurement applicable to all OED programs is needed for accurate reporting, but determining which unit to use is difficult. For example, counting the number of *actual* clients assisted may seem reasonable; however, we observed that some individuals require much more extensive assistance than others. If SBA puts emphasis on the number of individuals assisted, it risks inadvertently encouraging service providers to "count bodies" at the expense of clients requiring multiple sessions and more effort. Calculating training and counseling *hours* would appear to be a fairer and more accurate output measure, but it would also be administratively cumbersome for the providers. Moreover, counting hours would require changing paper or electronic intake forms and obtaining Office of Management and Budget approval for such changes. Finally, according to one SBA official, such a tabulation may not be meaningful to Congress.

Although SBA field offices and service provider staff recognized the limitations of their current output measurement methods and expressed the need for Central Office guidance in this area, few had suggestions for change other than, for example, including online counseling in client service totals. Others believed that counting the number of services or activities reflected their level of performance more accurately than counting the number of individual humans served.

Given the need for accuracy, fairness, and administrative simplicity, it appears that the best overall measure would be the *number of client sessions*. In this context, a session would be an interaction with a client—regardless of the length of time spent—in which advice or other assistance is provided to resolve a specific business-related problem. For example, one person receiving five counseling sessions might count as five client counseling sessions. Twenty people in a one-day training class would count as twenty client *training* sessions. If the twenty people attended a two-day class, that would be forty training sessions. A very brief exchange, such as handing out a brochure or application form, would not constitute a countable session. To ensure consistent reporting by the providers, OED would need to disseminate guidance to the providers to define clearly what can be counted.

Although not perfect, such a method would minimize the pressure on service providers to focus on head counts at the expense of depth of service—a predominant concern among the staff we interviewed. As it evolves, the EDMIS should be able to show how many sessions a client received from a provider, with OED eventually planning to divide them between counseling and training sessions.

Until the above can be implemented, SBA should explain in its reports that one client may use more than one type of service provider and do so multiple times. For example, in the Agency's FY 2001 Performance Plan, SBA's target is to serve 1.4 million clients, which gives the impression of 1.4

million separate individuals. SBA should acknowledge that, at least for the moment, the same person may be counted several times.

Other OED Outputs. Although SBA's current measures may overstate the number of separate individuals served, they also may *understate* other OED efforts. For example, many service providers perform counseling, in addition to routine inquiries, by phone. A client appearing in person would have been asked to complete an intake form, but because there is no equivalent record-keeping for phone assistance, such counseling is often not counted. The same understating of performance is likely to occur as more counseling is done through electronic communications, such as by e-mail.

To ensure that phone and computer counseling—but not routine inquiries—are counted, the threshold for a counseling session should be advice or other assistance provided to a client to resolve a specific business-related problem. To keep the process from becoming to cumbersome, it would not matter whether the counseling session takes ten minutes or five hours, or whether the interaction occurred over the phone, in an interactive computer session, or in person. What would count is the effort to address a client's specific problems. To be able to count an interactive phone or computer counseling session, the counselor needs to request the basic identifier information shown on the Form 641, i.e., name, address, and phone number. This would allow managers or others to verify later that counseling did occur.

OED might also consider counting other efforts. For example, if a service provider could show that its efforts resulted in a client obtaining a non-SBA loan, then that loan could be counted in a category separate from SBA loans.

Outcome Measures. Outcome measures indicate the intermediate- or long-term results of services received. When staff at service providers were asked which outcome measures should be used, they referred to business formations, business failures, sales, amount of taxes paid, number of employees hired, and even the number of counseled clients deciding *not* to go into business (thus preventing potential loan defaults and bankruptcies). Clearly, attribution of outcomes can be a significant issue. If a prospective entrepreneur received OED assistance and then started a successful business, how much of that business' additional sales or hiring was due to OED assistance as opposed to the entrepreneur's initiative, market conditions, or just plain luck? Conversely, if the business failed, to what extent would that failure reflect an OED provider's performance?

Regardless of which outcome measures are chosen, obtaining the data necessary to report on them can be difficult. To survey 10 or more clients, for example, the Paperwork Reduction Act requires as least one 60-day notice in the Federal Register and approval from OMB. The Act has been interpreted very broadly by OMB, according to A Guide to Federal Agency Rulemaking (3rd Ed.)[5], and the requirements appear to apply to resource partners if they are acting on behalf of an agency. The approval process can add several months to the time needed to complete a mail or phone survey, posing a conflict with the Agency's need for timely outcome data under GPRA. Although OMB waivers for certain Paperwork Reduction Act requirements are rare, OMB can approve an information collection instrument for up to three years.

Unfortunately, the alternatives to surveys also have various shortcomings. For example, a sample of OED clients could be provided to the Census Bureau, which in turn could produce aggregate outcome

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[5] Jeffrey S. Lubbers, A Guide to Federal Agency Rulemaking (3rd Ed.) (Chicago, IL: ABA Publishing, 1998), p. 119.

statistics. This would require Social Security Numbers or Employer Identification Numbers, which are not currently collected by service providers. Moreover, given the Agency's concern for client privacy, it is unlikely that such identifiers will be collected in the near future. Proxy indicators, such as business licenses obtained from local governments and bankruptcy filings with U.S. District Courts, are incomplete at best and would have to be accompanied by qualifying statements outlining their limitations. Another option is focus groups, which allow for detailed discussions with participants but do not produce results that are representative of the client populations.

Despite the workload involved, some service providers follow up with clients to learn what has happened to them. For example, one SBDC contacts clients by phone to see how they have progressed one year after receiving assistance. Other SBDCs distribute forms to record each client's estimate of the economic impact of counseling and training in terms of sales and employment growth. Until more systematic procedures for capturing outcomes can be developed, OED reports should acknowledge the factors complicating the determination of a given outcome.

We believe that OED should develop and periodically conduct a survey of a sample of clients across the service provider programs. The samples would be drawn from the EDMIS when it becomes fully operational. Developing a single instrument is the simplest approach, given existing approval procedures, and a properly designed survey should provide the necessary information for performance measurement. Regardless of program, service providers generally agreed on the types of outcomes that should be measured, e.g., a business' sales, number of new employees, and taxes paid. Operationally, OED would need to obtain only one OMB approval for a single instrument, and it could control the methodology, e.g., surveying by program, geographical area, or some other characteristic. At the time of our inspection, the Office of Business Initiatives was developing a customer satisfaction survey for BICs that could serve as the basis for an expanded instrument that measures outcomes for all OED programs. The BIC survey represents a good start and includes some questions that may provide accurate indications of intermediate program outcomes.

Clearly, linking outcome measures to OED efforts is not an exact science. The best that can be hoped for is a reasonable association between what the programs have done and the outcomes observed based on surveys or proxy performance indicators. The most useful information would be the trends shown over time. For example, OED clients' bankruptcies should not increase dramatically in a stable economy. While such an increase may not be attributable to an OED shortcoming, it may help the Office to sharpen its training or counseling. As one official described the value of outcome data, "If you can't collect, you can't correct."

Cost Per Client Analysis. Early in the inspection, the team attempted to compare OED programs in terms of FY 1998 cost per client data prepared by a committee responsible for district office goals. Unfortunately, such comparisons had limited value due to numerous program funding inconsistencies. For example, the full funding for the BICs was not distributed to the field, thus skewing the cost per client. In the case of SCORE, its use of volunteers kept its cost per client low compared to other providers. Complicating comparisons further is the fact that SBDCs are funded through SBA and non-Federal sources, thus making true cost per client figures difficult to obtain. Similarly, two of the OSCSs we visited had non-Federal sources of support: one had its lease paid for by the city government, and the other received support from an area financial institution.

Perhaps the most important limitation on such a comparison is that different service providers provide different types and levels of service. For example, it is difficult to make meaningful comparisons

between the SCORE chapter providing a client with four hours of one-on-one assistance and the WBC providing a multi-week course of instruction to a roomful of clients. Given these complications, the best use of cost-per-client data would be to compare costs within the same program from one year to the next. Although imperfect, it avoids "apples and oranges" comparisons between programs.

Recommendation 2. *To ensure consistency in service provider reporting, OED should issue specific guidance to the providers on how to count (1) clients served and (2) client counseling and training sessions.*

Recommendation 3. *To report program performance as accurately as possible, OED should use the number of clients served and the number of counseling and training sessions as its principal output measures.*

Recommendation 4. *To obtain outcome information, OED should develop a client survey to be administered periodically by the Office.*

Table 1
Comparison of Clients Served by OED Programs in the Three Districts Visited

Program	Small Market	Medium Market	Large Market
Business Information Centers (BICs)	Both established small businesses and startup home-based businesses.	Mostly startups (approx. 90%).	BIC 1 and BIC 2: Mostly startups.
One Stop Capital Shops (OSCSs)	Majority are startups (approx. 80%), although more established businesses are being served.	Mostly startups (more now than in the past).	Mixture of clients (e.g., startups are referred to SCORE, businesses in operation for more than one year are referred to SBDC).
Service Corps of Retired Executive (SCORE)	Does not focus on any particular type of small business; rather, serves anyone visiting the OSCS, especially people just "exploring options" in starting a business or needing specialized assistance.	75% startups.	Businesses that have been operating for a while (approx. 67%), as well as startups (approx. 33%). Women now represent 43% of clients.
Small Business Development Centers (SBDCs)	Mostly startups, especially clients needing help preparing a business plan.	Mostly startups (though more clients now are existing businesses).	Typically, businesses that have been operating for at least a year.
Women's Business Centers (WBCs)	Majority are startups, especially women-operated and home-based, although more established businesses are being served.	Approx. 67% startups; approx. 33% existing female business owners.	Approx. 50% startups; approx. 50% going concerns.

Table 2
Comparison of Methods for Counting Clients Served by OED Programs in the Three Districts Visited

Program	Small Market	Medium Market	Large Market
Business Information Centers (BICs)	The intake form (641/641A) is used to count someone as a client. Clients are counted once, initially, regardless the number of times they visit the BIC in the first month, and then once for every month the client uses the BIC thereafter. Two people from same business count as two clients.	Clients are only counted once, regardless the number of times they visit the BIC. Two people from the same business count only as one client.	BIC 1: Clients are counted only once, regardless the number of times they visit the BIC. BIC 2: Repeat visits are recorded on a sign-in sheet as repeat clients. Thus, five repeat visits equal five repeat clients. BIC 1: Two people from same business count only as one client. BIC 2: Two people from same business count as two clients.
One Stop Capital Shops (OSCSs)	The intake form (641/641A) is used to count someone as a client. Clients are only counted once, regardless the number of times they visit the OSCS in the first month, and then once for every month the client uses the OSCS thereafter.	New clients are differentiated from repeat clients. A person visiting 50 times counts as 1 new client and 1 repeat client. Two people from the same business count only as one client.	*Activities* are what are counted, not clients per se. Every visit is counted as a client.
Service Corps of Retired Executive (SCORE)	Clients are only counted once, regardless of the number of SCORE counseling sessions. New cases and follow-ups are reported separately.	Client visiting SCORE three times counts as one new case and two follow-on clients. Two people from same business count only as one client.	Client visiting five times would complete five Form 641s. This one person would count as five clients.
Small Business Development Centers (SBDCs)	Clients are counted based solely on the completed Form 641 (for initial counseling session).	Client visiting SBDC three times counts as one client with two follow-on visits. Two people from same business count only as one client.	After initial phone screening, the state SBDC counts a person coming in several times as one client.
Women's Business Centers (WBCs)	Only the first intake form is used to count someone as a client.	Distinction made between a "contact" and a "client." A person who visits the Center 50 times would still count as just one client.	Tracks the number of *services* received per client, rather than the actual number of clients. However, staff stated that client numbers are unduplicated because services are associated with unique clients.

28 SEP 2000

To: Tim Cross
        Assistant Inspector General
        for Inspector and Evaluation

From: Darryl H. Dennis
        Associate Deputy Administrator
        for Entrepreneurial Development

Subj.   Entrepreneurial Development Comment's to the Draft Inspector Report

Thank you for the opportunity to review, discuss and comment on the Draft Inspection Report. My office appreciates the level of courtesy and cooperation your office has extended to us. Overall, we think the report is factual and captures the significant impact Entrepreneurial Development programs have on the SBA's delivery system and the methods used for gathering essential program performance data.

Our comments on the report are as follows:
- We disagree, in part, with Recommendation #1. Current language includes two sub recommendations; the second of which requires OED to,"...work with OFO to require District Directors in such areas to designate and train at least one person as an intake coordinator to route clients to the appropriate service providers." ED has no problem working with OFO to inform district directors to accomplish this. This sub recommendation needs further analysis to determine how the spirit of this recommendation can best be implemented throughout the agency.
- We strongly agree with recommendation #2, suggesting a method of counting both clients and clients sessions.
- We also strongly suggest that all non-SBA loans resulting from the work of ED resource centers and partners are counted towards office performance goals.
- We agree on recommendations #3 and #4.

CONTRIBUTORS TO THIS REPORT

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