SWP 37/91 MANAGEMENT DEVELOPMENT FOR ENTERPRISE
PROMOTION: NON-GOVERNMENTAL ORGANISATIONS
AND THE DEVELOPMENT OF INCOME-
GENERATING ENTERPRISE

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ABSTRACT

Management Development for Enterprise Promotion: NGO's and the Development of Income Generating Enterprise

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There is increasing interest in many developing countries in the need to encourage local self-sufficiency and new approaches to income generation. There is, therefore, growing pressure to implement programmes to promote new and small enterprise in all sectors of the economy including the informal sector, and economically marginal sections of the population, including isolated rural communities, the unemployed, refugees, and the disabled. Staff of NGO's, who traditionally have been involved in community programmes and welfare issues, are finding that they are now expected to become involved in the enterprise creation process and ensuring that income generating projects are viable enterprises. Experience suggests that few NGO staff members have the background, or necessary skills and training to promote such ventures. This paper reviews the role of NGO's, particularly voluntary agencies, in developing income generating projects, and assesses their staff development needs in the context of their work in promoting viable small-scale enterprise.
There is growing pressure on NGO's and voluntary agencies in many developing countries to play an increasingly active role in local economic development. Governments and aid organizations expect them to encourage local self-sufficiency by promoting indigenous business and developing income generating enterprises.

But because of the traditions and nature of such agencies their staff are often ill prepared to run viable enterprise development programmes, or cost-effective credit schemes; let alone coping with the conflicts that arise between community needs and the demands inherent in self-sustaining business ventures. This paper assesses the changing role of such agencies, and the staff development needs raised by the increasing involvement of their staff in income generation and enterprise promotion.

Small-Scale Enterprise

The current emphasis on promoting indigenous small-scale enterprise and self-sufficient income generating activities comes from a recognition of both the economic and societal benefits of such ventures. Collectively such small enterprises generate a range of opportunities previously unavailable in many communities. They create new employment and wealth, and are potential agents for future economic growth and balanced development even in the most disadvantaged communities. Thus these small enterprises provide employment, income, and productive outlets for many of the disadvantaged, and the marginal sections of the community such as women, the unemployed, refugees, or the disabled.

Small-scale enterprises play an integral role in local communities, and being small and adaptable can operate in markets in which larger firms could not profitably survive. They can effectively cater for the needs of the local market by providing goods and services appropriate to the local consumer, and can mobilize and use local resources more effectively than do larger operations. Thus, for example, they can avoid the economic inefficiencies and structural inflexibility common to overblown public corporations, and are more likely to use local materials, scrap or agricultural production, and draw on the talents of the local labour force. Such small enterprises should also be seen as a source of local innovation acting as seed beds to test the commercial viability of new products, technologies, and new market opportunities.

Governments and aid agencies recognize the wider benefits of a viable indigenous business sector, and look towards small-scale enterprises to help redistribute wealth and opportunity within communities, and so promote the development of a more balanced society. They also recognize that such local ventures can provide basic services in rural or marginal urban communities, such as schools, clinics, transport, refuse collection, and even latrines, which in the past had been inefficiently and uneconomically provided by the public sector.

Simultaneously there has been a reappraisal of the effectiveness of existing approaches to community development throughout the world. In many developing countries foreign donors, and multinational agencies have turned to alternative forms of development organization to supplement the work of government and facilitate community based development projects.

These alternative development organizations are commonly some form of non-governmental organization (NGO). This a much misused term that has been applied to political parties, trade unions, religious institutions, charities, sports organizations, and assorted quango's. For the purposes of this paper we shall use the term "private voluntary agencies" (PVA's) to describe such organizations. PVA's are predominantly
concerned with community based development and the provision of programmes appropriate to the needs of the local population.

Private Voluntary Agencies

Such voluntary agencies are non-profit making and rely on voluntary support. They employ volunteer staff who earn significantly less than they could otherwise earn, but who are strongly committed to the principles of the agency. Such staff pride themselves on being action orientated, innovative, and community based. Most PVA's are closely tied to the community with which they are working, and depend for their success on their ability to generate grass-roots support and contacts. As such they are in direct contact with their potential clients, and responsive to the needs of their target group being well positioned to identify those most in need.

Their funding is mainly from voluntary, as opposed to taxpayer sources, and as such they have to spend considerable time fund raising or developing donor relations. They thus perform a useful intermediary function by acting as a link between external funding or advisory organizations and local communities. Furthermore experience suggests that PVA's with their relatively low overheads and adaptable organizational structure are a relatively cost-effective and flexible mechanism for promoting community development.

For all the obvious advantages of developing the role of PVA's in community development the effectiveness of such agencies is limited by: a). political suspicions, b). economic constraints and c). managerial problems.

a). Politically PVA's are still looked on with suspicion by governments, they are outside the political orbit of most politicians and not under the control of a government department or local authorities. Such suspicions are aggravated in that many PVA's receive a significant proportion of their funds from overseas agencies or individual foreign donors. Their very independence constitutes a threat to the authorities, and the fact that they are specifically intended to promote change reinforces such suspicions.

In many cases the goals of PVA's are such that they run counter to the dominant interests or the beliefs of the majority of the population. Thus for example in rural communities PVA's often work with the landless poor, and work to counter the influence of a politically powerful landowning elite. In other cases the PVA may have an explicit religious agenda which means that the it espouses the beliefs of a religious minority and focuses solely on the adherents of a minority religion. For example the Copts in Egypt (a Christian minority in a predominantly Moslem country), or the work of evangelical Protestant PVA's in Catholic Latin America.

By focusing on political underdogs or minority groups many PVA's expose themselves to political interference and suspicion which in turn can jeopardise funding, freedom of movement, and long-term plans. The situation is made worse in that many staff members have political commitments or ideologies at odds with government thinking - itself one of the reasons they were attracted to PVA employment.

The political or religious agenda of staff members raises questions as to inherent biases in certain PVA's. This further alienates them from the political establishment, which in turn can use its power to disrupt their work or even close them down.
b). Economically PVA's are generally under-resourced and lack sufficient funding. They lack qualified staff, basic equipment and transport is limited and what they have is often pushed beyond the capacity for which it was designed, office facilities and administrative support is negligible, and communication is erratic. By the very nature of their work PVA's are involved in unforeseen emergencies - hurricane or drought relief, refugee camps and similar consequences of political turmoil. The competition for already meagre funds is highlighted in these circumstances, and the resulting unforeseen drain on PVA resources jeopardises existing commitments and attempts to implement long-term projects.

Fundamental to the economic problems of many PVA's is their dependence on uncertain funding, and their inability to generate long-term finance. They rarely have the capability to write complex funding proposals that meet the terms and conditions of donor agencies. Moreover they are subject to the whims and fancies of donor agencies, and have to be able to accommodate currently fashionable issues, such as environmental awareness, in their project proposals.

Such funding uncertainty hinders the preparation of long term plans, moreover the planning process is itself liable to be hi-jacked by donor agencies. The integrity of many PVA's is threatened by donors who, indirectly or directly, try to influence their programme or priorities. As a result staff are all too often trapped between the desire to develop their programmes and the need to maintain close relations with funding agencies.

c). The managerial problems common to most PVA's are the consequence of the culture common to such organizations. All too often the purpose of many PVA's is ill defined, with goals and objectives couched in vague developmental terms. The success of which are difficult to measure and evaluate, and because they are open to differing interpretations are the cause of recurrent conflict between agency staff. Such goals are often based on ideals, rather than practical realities, and as such specific objectives are often unattainable. Thus, for example, they may fail to account for the traditional dynamics of a local community or the political clout of village elders or chiefs.

Because of the endemic lack of long-term finance common to most PVA's, long-term planning is difficult and often overlooked. Agencies are liable to be merely opportunistic, reacting spontaneously to emergencies or accepting projects with aid finance irrespective of whether they fall within their original remit or capabilities. Such behaviour is all too easily excused as reflecting the agencies responsiveness to change. Whereas in reality it not only reflects a lack of strategic planning, but also demonstrates a marked susceptibility to the blandishments of donor organizations. This in turn reflects a marked failure to accommodate the long-term needs of the communities with which they are supposed to be working.

This lack of strategic planning results in an inherent short-sightedness, and contradictory goals and objectives. This results in confused lines of authority, unclear organizational structures, and inefficient management systems. The short-term reactive management style common to many PVA's means that many of the long-term considerations which are supposed to be implicit in such community based work, particularly those of replicability and sustainability, are not major considerations in the thinking of PVA managers.

The situation is aggravated by the fact that the management of PVA's is often in the hands of those with little management or financial expertise. There is little to attract experienced managers to the voluntary sector, recruitment is arbitrary, career
prospects are limited, staff turnover is high, while funding constraints and agency ideology means that low salaries are the norm.

PVA's instead attract committed staff who join the agency for personal or ideological reasons, rather than for reasons of career development or financial gain. Such staff for all their good intentions are rarely equipped to handle the complexities of managing agency programmes, controlling budgets, writing funding proposals, handling donor agencies, maintaining political and community ties, supervising staff, and possibly most demanding of all, resolving the internal conflicts that commonly bedevil such agencies.

Such institutional and staffing shortcomings are particularly apparent when PVA's become involved in developing income generating enterprises or the promotion of indigenous small businesses.

Private Voluntary Agency Staff and Enterprise Promotion

For the reasons already noted the staff of PVA's are increasingly involved in enterprise promotion, the development of new markets, and the creation of profitable businesses. Yet such work, with its implicit emphasis on market forces and profit, often seems at odds with the values of those working for such agencies.

Most of those working for PVA's have a background in one of the caring professions - nursing, teaching, or social work, and have joined agencies to help the poor and the disadvantaged. Few have any business experience and many may in fact harbour anti-business sentiments. They often have a strong commitment to the community ideal, which by implication suggests that they have little time for individualistic entrepreneurship or the profit motive. They tend to see income generating activity as an additional welfare support measure for the community. And as a consequence support is targeted to the neediest, rather than those who could be expected to make best use of it.

This raises fundamental questions about the role of PVA's in enterprise promotion; particularly in that, as a general rule, successful enterprise development programmes focus on those most likely to succeed, and are for example selective in whom they will support or lend to. This causes very real dilemmas for agency staff who are committed to work with the disadvantaged and those in need. They see little point in focusing their energies and time in helping an advantaged group, who by virtue of their age, sex, education, or innate talents are likely to succeed anyway.

Furthermore agency workers prefer to help communal enterprises that involve community groups rather than those established by individuals. With this preference for cooperative or group enterprises, and the expectation that they should benefit the community as a whole, it appears that vaguely defined developmental considerations and non-measurable social goals often dictate agency thinking.

Agency staff thus appear more interested in the societal benefits of any venture, and less interested in whether an enterprise is feasible or has any measurable long-term viability. One implication of such thinking is that agency staff denigrate entrepreneurial individuals and refuse to support perfectly viable, but non-community based, businesses.

The Attitudes of PVA Staff

Thus far generalizations have been made as to the attitudes of agency staff. These generalizations are based on our experience of working with PVA's in a
number of different countries in Asia, Africa, and the Pacific. They are also supported by the findings of attitudinal surveys of PVA staff who have attended recent Cranfield courses on Developing Income Generating Enterprise (DIGE). These six week courses have been held for the last three years, and are designed to introduce staff of PVA's in developing countries to the basic tools of promoting viable income generating enterprises.

Responses to these attitudinal surveys reflect the importance to agency staff of the "soft" dimensions of enterprise development programmes. They emphasise the importance of non-selective support, and expect agency staff to focus on the poor and the most disadvantaged members of the community. It is thus common for support to being given to cooperative or community owned businesses rather than to individual entrepreneurs. Furthermore PVA staff see their role is proactive, and expect to identify potential clients in the community and persuade them to accept agency support and services.

One would expect PVA's with their philanthropic, charitable, even religious, background to emphasise such "soft" aspects of the income generation process. But despite the underlying "softness" of staff attitudes it is apparent that their thinking is changing. The results of these attitudinal surveys when seen in conjunction with the participant's action commitments suggests that there is a shift towards a more business orientated approach.

In the initial surveys undertaken in 1987, the majority of participants stressed the importance of "soft" issues in income generation. They emphasised non-selective support for all applicants and the need to help group or community enterprises. Agencies though intended to be self-sufficient were expected to provide interest free loans and not enforce repayment schedules on outstanding loans.

But recent responses suggests there has been a hardening of attitude. For despite remaining adherence to certain "soft" issues including the importance of providing support for the most disadvantaged and the non-selectiveness of agency programmes, respondents have demonstrated a new responsiveness to the "hard" issues in enterprise development programmes. Thus PVA staff attending the Cranfield DIGE courses have placed an increased emphasis on the cost-effectiveness of such programmes and the need to ensure greater accountability of agency staff. They expect agencies to provide a fully integrated package of services to clients, including fully enforceable loans rather than grants. But most surprising of all has been the growing number of respondents who accept that clients should pay some fee, however small, for services provided by agencies.

The significance of this evidence is that it suggests that there has been a real attitude change amongst the staff of PVA's involved in enterprise promotion. The traditional "soft" attitudes seem slowly to being superseded by a more "hard", realistic business-like approach. This process of change may explain the obvious inconsistencies within many agency programmes. For example there is the growing acceptance of the need to charge fees to help cover costs to allow programmes to become self-sustaining, yet at the same time there is an unwillingness to charge realistic rates of interest or follow-up bad debts.

Evidence of this shift of attitude toward a more business-like approach is supported in the preliminary findings of research carried out by Jon Westborg at Cranfield, sponsored by the Stromme Memorial Foundation in Norway. This research suggests that success of PVA-run enterprise development programmes is closely related to the basic attitudes of the staff within these agencies; with those agencies whose staff seem to be adopting a more "hard", professional approach are more effective.
Moreover this research suggests that small local agencies, based in developing countries, are more likely to take a "business orientated" view than the larger international agencies. Different hypotheses can be applied to explain this, but one explanation must surely be that the expatriate staff commonly employed by international PVA's and charities are motivated by ideological or humanitarian ideals; whereas the local staff employed by local PVA's see their job merely as gainful paid employment with long-term career potential.

Yet while the staff of such PVA's may not always be impeded by "soft" attitudes or ideological baggage, their efforts to promote new enterprise are all too easily jeopardized by their lack of basic skills. From our experience it is impossible to separate skills from attitude. And even those agency staff who are persuaded of the value of holding "hard" business orientated attitudes find that they cannot apply them because they lack the skills.

Policy Alternatives for PVA's

It appears therefore that any initiatives to improve the capabilities and managerial skills of PVA staff involved in income generation and enterprise promotion need to focus on two distinct but interrelated issues: first the need to change attitudes of PVA staff towards business and individual enterprise, and second the need to increase the pool of staff in PVA's who have basic commercial and managerial skills.

In our experience those agencies attempting to do this must also: 1). clarify agency strategy in light of staff capabilities; 2). review agency recruitment policies; 3). strengthen ties with the local business community; 4). ensure a greater degree of staff accountability and introduce a business ethos into the agency organization; and 5). reassess training practices for both staff and clients.

In clarifying a PVA's long-term strategy decisions need to be made as to whether the agency should be involved in enterprise promotion at all, and whether agency staff have the appropriate skills and background to effectively promote new enterprise. Agencies should not be steam rolledered by fashion or donor pressure into becoming involved in enterprise development activity if such activity runs counter to their basic tenets or its original remit.

PVA's need to devise strategies that build on their organizational strengths and the skills of their staff; if these are not enterprise-oriented then agency strategists must seriously question whether the agency should become involved in work that would merely divert resources away from what it does best. In this context one must recognize that there is still a major welfare and educational role for community based PVA's who want to facilitate change and improve the quality of life without through non-enterprise methods. Similarly it is vital to remember that the need for welfare and relief activities is as important as ever faced with recurrent famine, war, and natural disasters.

But in the circumstances where there is strong pressure for a non-enterprise orientated PVA to become involved in income generating activities, then agency strategists should consider the possibilities of sub-contracting such enterprise related work to an agency specialising in enterprise support work. In this way not only are resources and clients directed to specialists, but a useful synergy between agencies develops which could lead to future cooperation.
2) PVA's involved in enterprise promotion work need to recruit staff who not merely have basic business or managerial skills, but importantly have some sympathy for the commercial ethos and recognize the role of individual enterprise in the development process. Arguably it is more important to recruit staff with a positive attitude towards enterprise and entrepreneurship than on the basis of their skills or qualifications, for the necessary skills can be developed later.

In most developing countries there are many potential PVA staff presently working in the local private sector. For example private sector employees who see they have little long-term future with their present employer, including those who are frustrated by their lack of promotion opportunities, or whose careers have been curtailed because of an unwillingness to transfer, or those threatened with redundancy because of corporate restructuring. Moreover the PVA sector is attractive to those who for reasons of conscience or age are willing to retire from the business world, but still want to use their skills and experience in what they might see as relevant socially beneficial work.

Other potential recruits are those with business experience who see career opportunities in the PVA sector. In many countries it is a sector which is obviously growing rapidly, and will appeal to potential high profile recruits as such. PVA's are also increasingly attracting staff with a business related education. It has been noteworthy that an increasing number of participants on the Cranfield DIGE courses have Degrees in economics or business related subjects. The 1989 programme had, for example, participants from Tanzania and the Sudan with MBA degrees. Experience suggests that PVA's can attract staff with the appropriate business experience or education, and that they need to review their recruitment policies with this in mind.

3) PVA's have traditionally kept the private sector at arms length, concerned at being tainted by their support or suspicious of their motives. Such suspicions are understandable in light of the background and strongly held beliefs of many PVA staff, and exploitative reputation of much of the business community. But such attitudes are changing and their opportunities for both sides in developing links, particularly for PVA'S promoting new enterprise.

For the PVA these links can be in terms of direct financial support, or support in kind. In many ways such "support in kind" is of more lasting value for PVA staff than direct cash contributions. It can allow PVA staff to tap into a powerful network of contacts within the business community, and to draw on its managerial and financial experience. PVA staff may be allowed to join private sector run training programmes, or to gain access to specialist support, including computer time, or accountancy and legal advice. Such support can be provided on a personal ad hoc basis, or made available to PVA clients through regular clinics staffed by volunteers from the business sector.

From the private sector perspective working with PVA's can be beneficial in improving their local image, and gaining political and social kudos, as well as gaining a broader set of contacts within the community. For larger firms, including multinationals, such PVA work can be developed on a regular basis and seen as part of staff training. Thus staff can be seconded on attachment to PVA's working in enterprise promotion, or gain useful exposure by working with PVA clients at regular clinic sessions. Such interaction between PVA staff and the business community not only reinforces contacts but also promotes the transfer of essential skills.

In general PVA's need to tap into the residual goodwill within the local business community, rather than being alienated from it. PVA staff need to develop links with the local private sector, and recognize that in certain situations that
"enterprise is best helped by enterprise". In many cases individual entrepreneurs, local banks, as well as local private sector organizations (Chambers of Commerce, Jaycees, Rotary, etc.) are willing to be exploited for a good cause - and enterprise promoting PVA's are in their eyes just such a good cause.

4). PVA staff need to manage their own agency in a business-like way. This is not only because they should anyway be making efficient use of resources and being responsive to client (customer) needs, but also it is necessary if they are to be credible in teaching/advising others to be good business managers. Staff should also be responsible for individual clients or projects, and therefore be accountable to both the PVA and the client if they fall short of expectation.

The staff/client relationship can be placed on a formal, even professional footing, with clients paying the PVA a fee. This is something which, as already indicated, PVA staff increasingly recognize as being an essential part of the agency/client relationship. Moreover both parties should negotiate informally what it is they expect from each other, and though not binding legally, such informal contracts have a certain moral force and help define mutual expectations.

To ensure success and generate a climate of accountability staff/client performance monitoring needs to be introduced on a regular basis, loan arrears need be followed up on initial reporting, and staff evaluation should in some way be linked to client performance. It is also clear that PVA's thrive on success, and that success comes when agency staff are seen to be both effective and well managed. When such success is recognized agency staff gain kudos in the local community, the agency itself benefits from political support and protection, and donor organizations are willing to provide finance and extra resources.

There is also an argument that PVA staff can be more cost-effective and business-like in approach if they themselves become responsible for an independent cost-centre or are encouraged to run their own businesses in their spare-time. The logic of the latter proposal is self-evident, and includes the suggestion that PVA staff control their own staff cooperatives or run an alternative marketing organization (AMO) for local handicrafts or produce.

The former proposal comes from the perception that any enterprise promoting PVA can be divided into viable self-sustaining components. Thus the PVA provides the overall direction and administrative support, while staff can define their own remit within PVA established guidelines. They can then generate income by charging client fees, through interest repayments, by taking an equity shareholding in client businesses, or sub-contracting out their specialist skills or consultancy services to other parts of the agency or to outside interests.

5). Training is all too often seen as the panacea for both the clients and the agency staff involved in enterprise promotion programmes. Although recent commentators have increasingly questioned the cost-effectiveness and applicability of traditional training practices used in enterprise development programmes.

In particular doubts have been cast on the real value of one-off training programmes for potential entrepreneurs with their emphasis on record keeping and accounting skills, or their attempts to develop "entrepreneurial" skills. Experience suggests such training should be more selective and based on a self-learning approach which is geared towards the development of a business plan. Client training is therefore merely seen as one component of an integrated programme of support provided by agency staff. This is turn implies that staff should be prepared to be
selective with whom they work, and be capable of providing advice or training, as well as being able to arrange finance.

From our experience of running training programmes for PVA staff involved in business promotion schemes and income generating enterprise there is an immediate need to improve their financial skills and managerial capability. Participants on these programmes commonly want practical advice on how to establish and run enterprise development programmes, and in particular ask for basic introduction to applying accounting techniques, and the necessary skills to evaluate prospective clients.

The approach we adopt is one that not only develops these basic practical skills, but also questions the values and beliefs commonly held by PVA staff because as has already been suggested a major problem faced by PVA staff is their inability to separate skills from attitudes. Thus using case studies, field exercises, enterprise experience and attachments we attempt to confront participants with the implications of their "softer" attitudes, and the impact of their failure to take a "harder" business orientation. In so doing we emphasise the importance of programme viability and cost-effectiveness, the role of market forces and profit, and the financial cost to the agency of being non-selective or favouring social goals.

Drawing on our experience as trainers who have run programmes in a number of different developing countries, it is apparent that such training programmes should not merely provide basic skill training, but should also confront PVA staff with the implications of their beliefs and values on the business development process.

Conclusion

As PVA's become more involved in the local economy by promoting viable self sustaining enterprise, so should agency staff question whether they are suited to such work. If the ethos and remit of the agency is ill-suited to enterprise promotion then this should be honestly recognized, and the agency should focus on whatever it is good at. Alternatively the agency can make a concerted effort to meet the demands of the enterprise promotion process by not just improving the skills of their staff and clients, but also by changing their thinking and confronting them with the implication of their beliefs and biases.

It is our experience that while some PVA staff are becoming more business orientated, the attitude of the majority of PVA staff is still rooted in a "soft" caring ethos. This obviously has a fundamental effect on their attitude to profit orientated individualistic businesses, which in turn must influence their advice to clients trying to establish new enterprises. Thus any attempt to develop the capacity of PVA staff must focus as much on their attitudes as on improving their skill base.

PVA management can do much themselves to improve the effectiveness their enterprise promotion capability. They can clarify the agencies' role and assess its strengths in determining whether they are suited to enterprise promotion work, they can revise their recruitment criteria to include those with a business ethic, and develop links with the local business community, as well as inculcate a business ethos and introduce a degree of accountability into the agency culture. One implication of this is that certain PVA's will become specialists in enterprise development, as can be seen in the work of Partnership for Productivity (Kenya) and other agencies in East Africa. This leaves other agencies to focus on wider welfare or community development issues.

This process of specialisation raises an unforeseen dilemma. There is some concern that those PVA's which concentrate on enterprise development work may become so specialised that they become alienated from other "softer", apparently
more caring, PVA's. One consequence of this is that these specialist "enterprise support agencies" may no longer considered to be an integral part of the development process in a local community, and are merely seen as a tool of the private sector.

The possible ghettoisation of such "enterprise support agencies" raises fundamental questions as to their role. Above all it highlights the need for their management and staff to clarify their thinking as to whether it is really the role of voluntary agencies to actively promote profit making enterprise.
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