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**SWP 12/90 MANAGEMENT DEVELOPMENT FOR
ENTERPRISE PROMOTION: NGO'S 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.

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 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.

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

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.

1). 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 rolled 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.

"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 in turn implies that staff should be prepared to be

more caring, PVA's. One consequence of this is that these specialist "enterprise support agencies" may no longer be 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.