

Developing A Program Success Theory Model

Vermont MBDP Case Study:
A Path Analysis of Factors That Lead to and
Mediate Client Success

Michele Cranwell Schmidt, MPA
Center for Rural Studies, University of Vermont
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Overview of Presentation

- Definition of microenterprise
- Introduction and purpose of study
- Study procedure and results
- Discussion
- Concluding thoughts
- Study limitations and areas for future research

Definition of Microenterprise

- Any type of business that has **<5 employees**
- Requires **<\$35,000** in start-up capital
- Do not have credit or collateral assets to access commercial loans (AEO)
 - Also referred to as a **micro business** or **self-employed**
- **Microenterprise Development (MED)** refers to services received, including training, TA, classes, seminars, loan packaging, etc.

Introduction

- Microenterprise development (MED) in US emerged in **late '70's/early '80's**
- MED movement grew in US in response to **unemployment and poverty**
- **Why pursue self employment?**
 - Need a job
 - Income patching
 - Employ others
 - Meet needs of specific populations, single parents or disabled
 - Builds on existing skills

(Blair & Klein, 2001; Clark & Huston, 1993; Cromie, 1987; Greene, 2000; Loscocco & Leicht, 1993)

Introduction

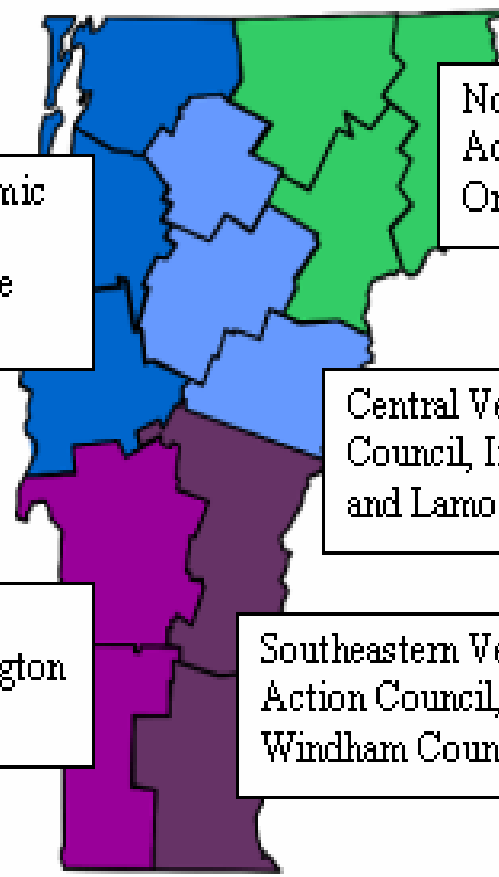
- **MED in theory:**
 - Through training, technical assistance, access to capital, and financial literacy
 - Low to moderate-income individuals can start or expand a micro business to generate income
- Research shows MED programs **impact lives and businesses:**
 - Increases social and human capital
 - Increases income – sole or patching
 - Decreases reliance on public assistance
 - Generates jobs – self and others

Microenterprise Development in the US and VT, 2004

	United States	Vermont
MED as % of total businesses	87.5%	88.4%
% employed by MB	18.2%	22.7%
% urban employed by MB	17.8%	17.7%
% rural employed by MB	20.7%	25.4%
Employment rate per 1 MB	1.7	1.7

(Kelly & Kawakami, 2007; Based on US BEA and Census Bureau)

MED in Vermont - MBDP



Champlain Valley Office of Economic Opportunity, Inc. – Addison, Chittenden, Franklin, and Grand Isle Counties

Northeast Kingdom Community Action, Inc. – Caledonia, Essex and Orleans Counties

Central Vermont Community Action Council, Inc. – Orange, Washington, and Lamoille Counties

Bennington Rutland Opportunity Council, Inc. – Rutland and Bennington Counties

Southeastern Vermont Community Action Council, Inc. – Windsor and Windham Counties

Purpose of Study

- To understand what leads to client success in MED programs and develop a **model of program success** theory
- Draw conclusions and recommendations for **MED program** and **public policy improvement**

Research Assumptions

- Not all MED program participants will benefit equally from their training
- Clients will achieve varying levels of success to lead to greater levels of success

Procedure

Conducted a **path regression analysis** of data from 302 **MBDP clients** to determine the relationship between:

- **Client characteristics**
- **Short-term outcomes achieved after MED training**
- **Long-term impacts achieved from self-employment**

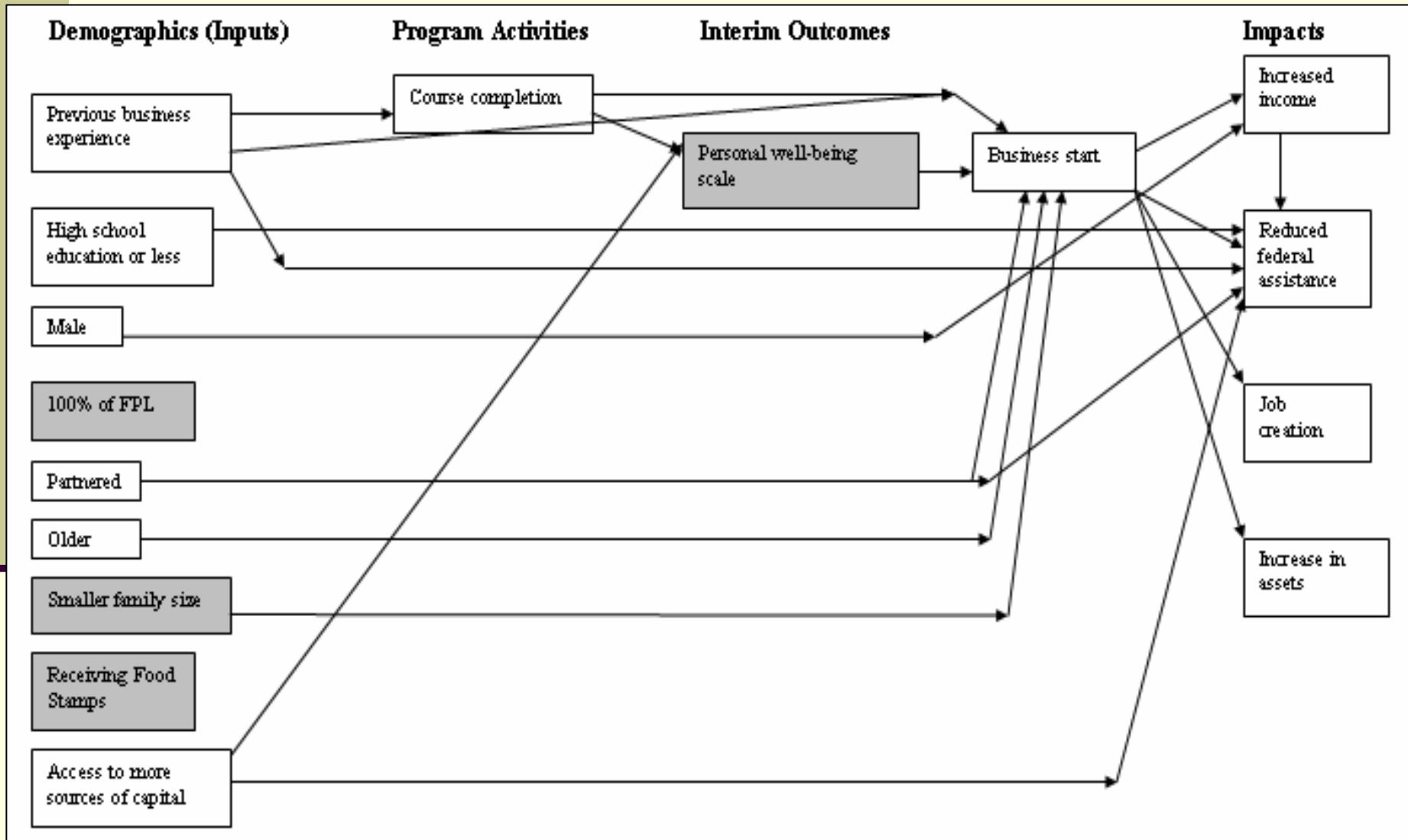
Research Questions

- What **client demographics** lead to the achievement of *interim and long-term impacts*?
- How does the achievement of **interim outcomes** effect achieving long-term *impacts*?
- How does the achievement of long-term **impacts** effect achieving *other impacts*?

Conceptual Model

- Model based on previous research
- Weis's (1998) model of program theory
 - Explains the causal links that tie program inputs to expected outputs

Conceptual Model



Sample and Data Collection

- Combines survey data collected from **three MBDP populations (N= 302)**
- Data collected through **CATI telephone** surveys using **reflexive control design**
 - Compare baseline to intake data

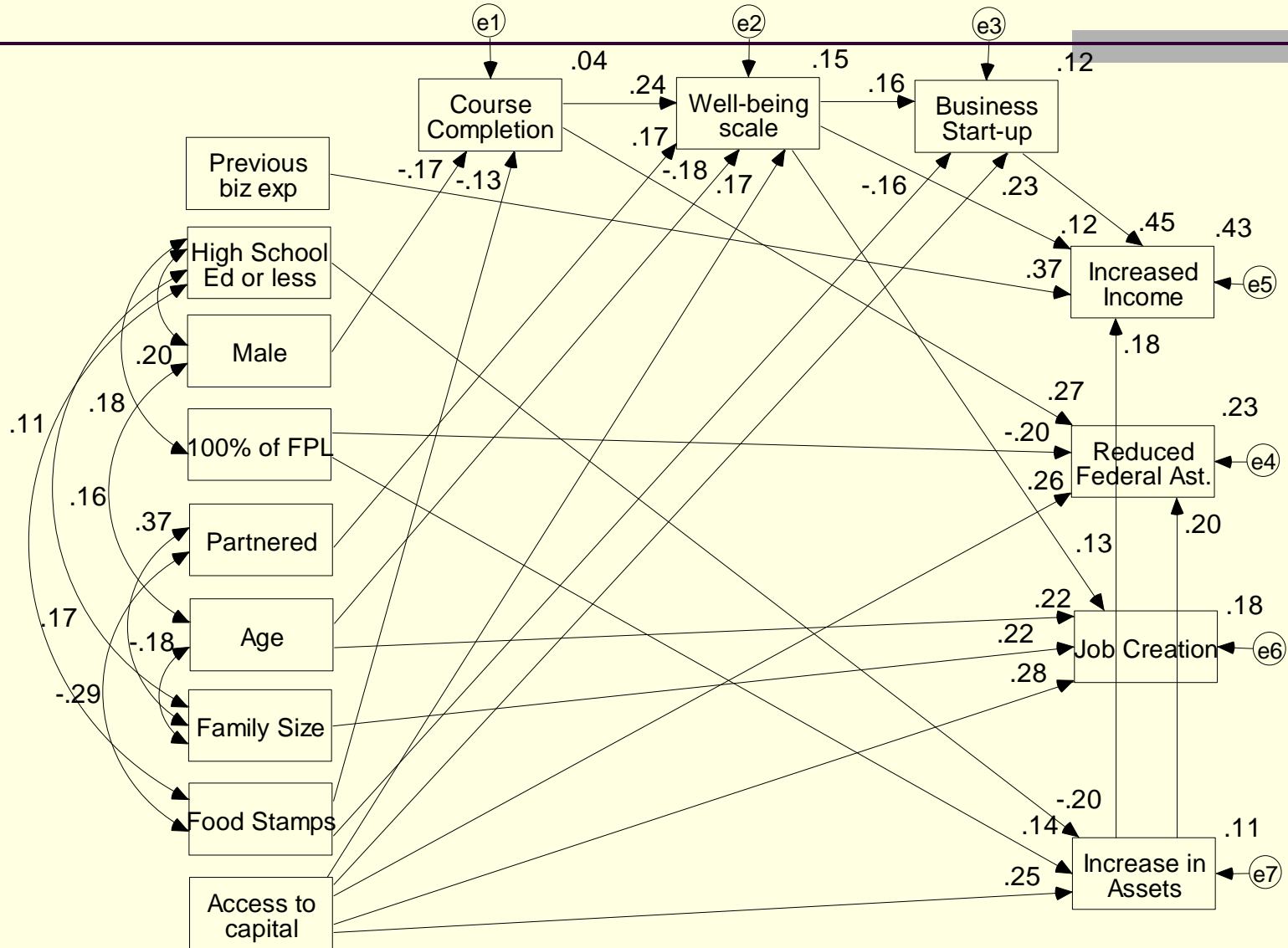
Model Development

- **Model of MED program success** was developed based on
 - Literature and theory
 - Preliminary analysis – correlation and regression
- Build model with AMOS
 - Conducted a **Path regression analysis (PA)**
 - Tests data to model fit
- Model was considered **identified**

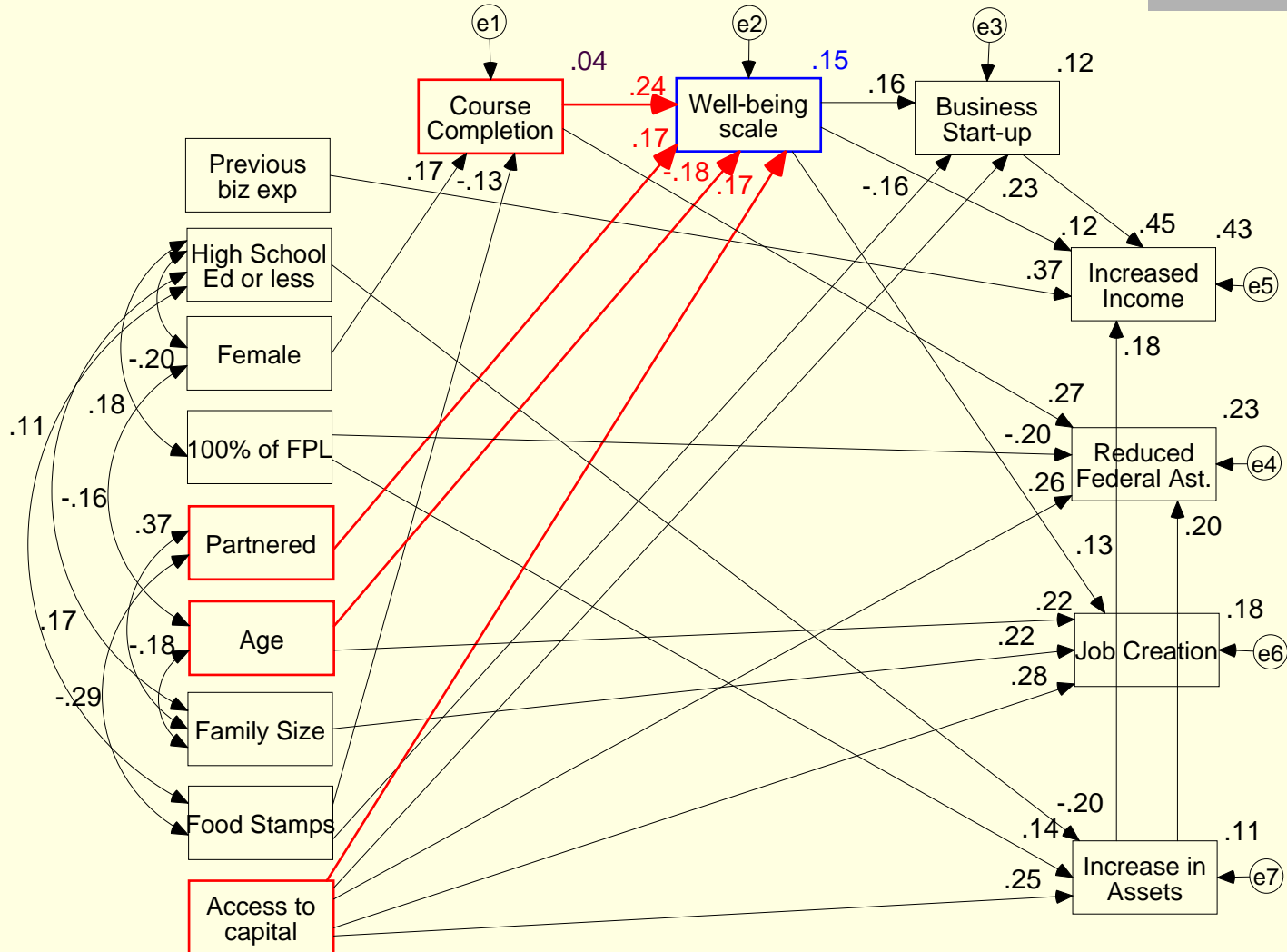
Benefits of Path Analysis

- **Accommodates Complex Models**
- **Maximum likelihood estimation**
 - Accommodates simultaneous regression equations
- **Iteration**
 - Uses previous approximations to refine estimates with each successive attempt

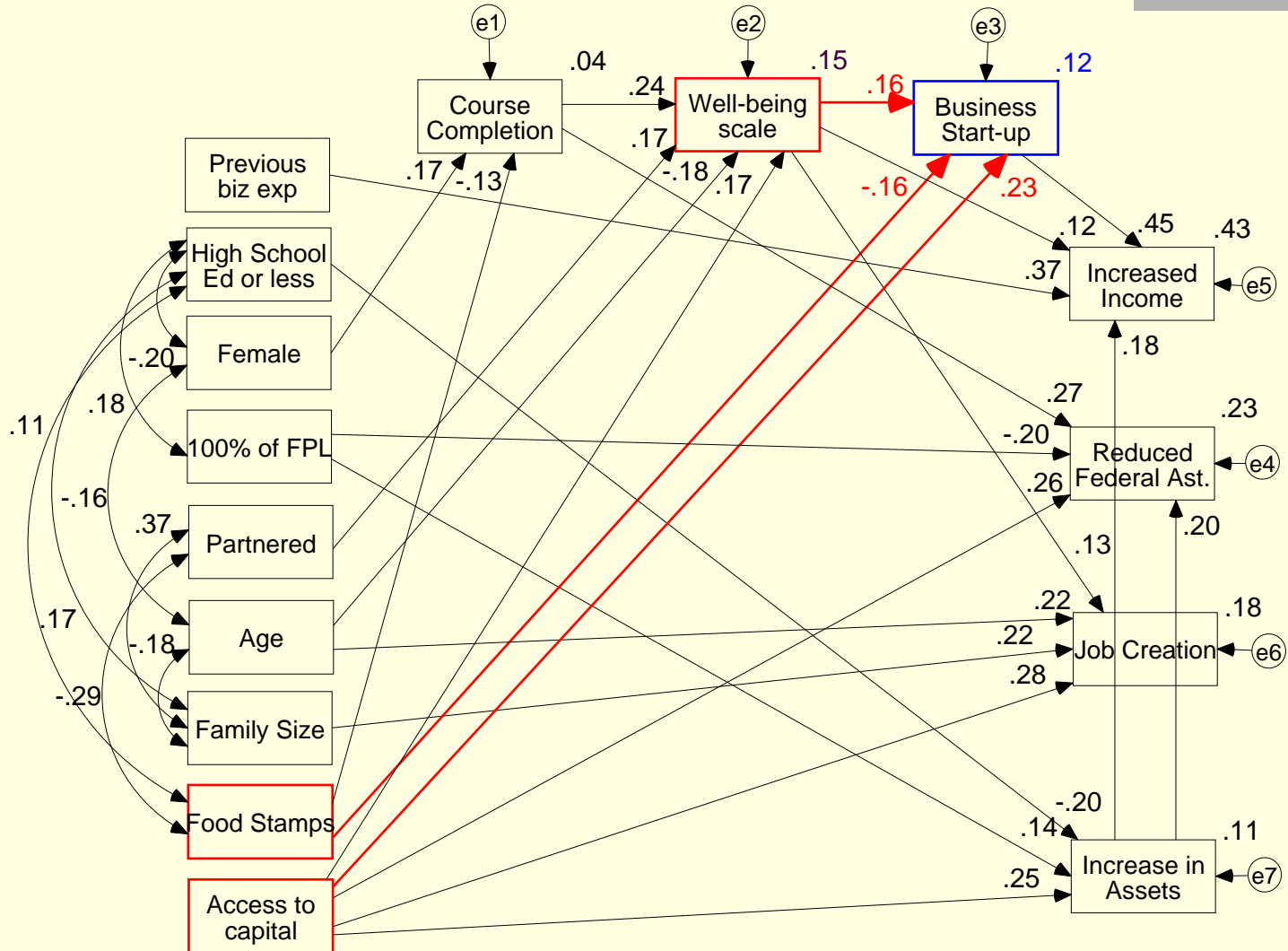
Results – Path Analysis



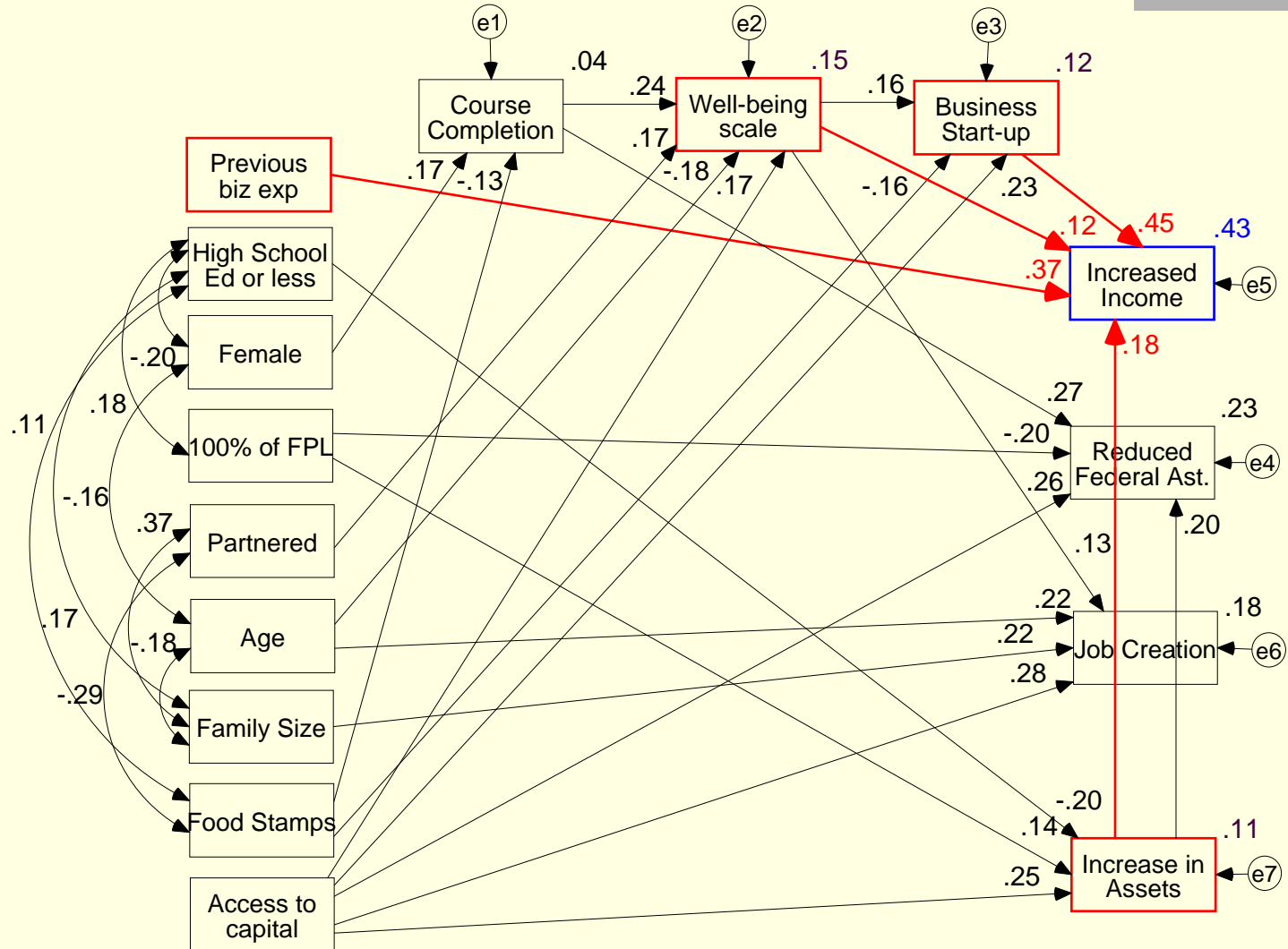
Personal Well-Being



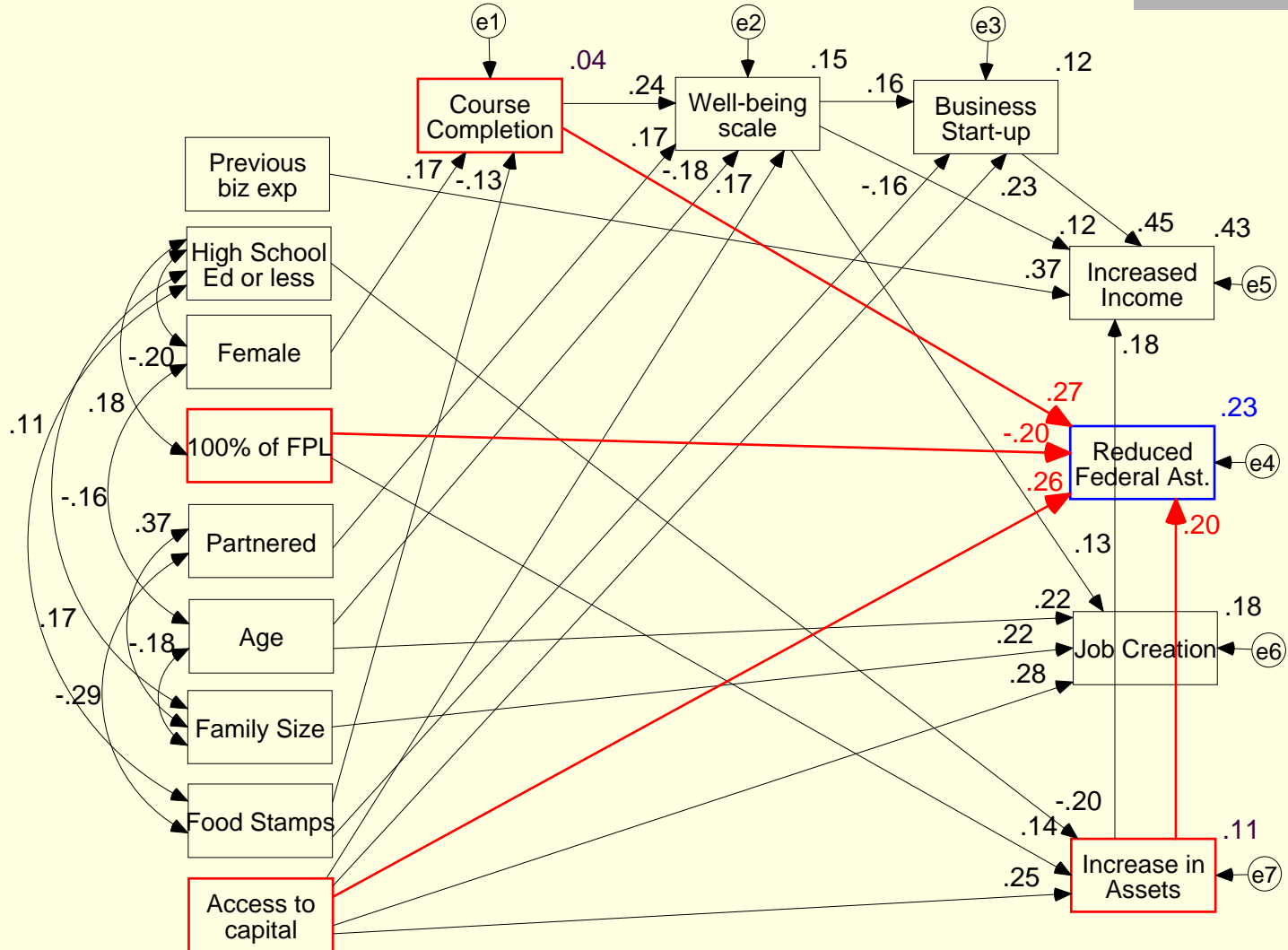
Business Start-Up



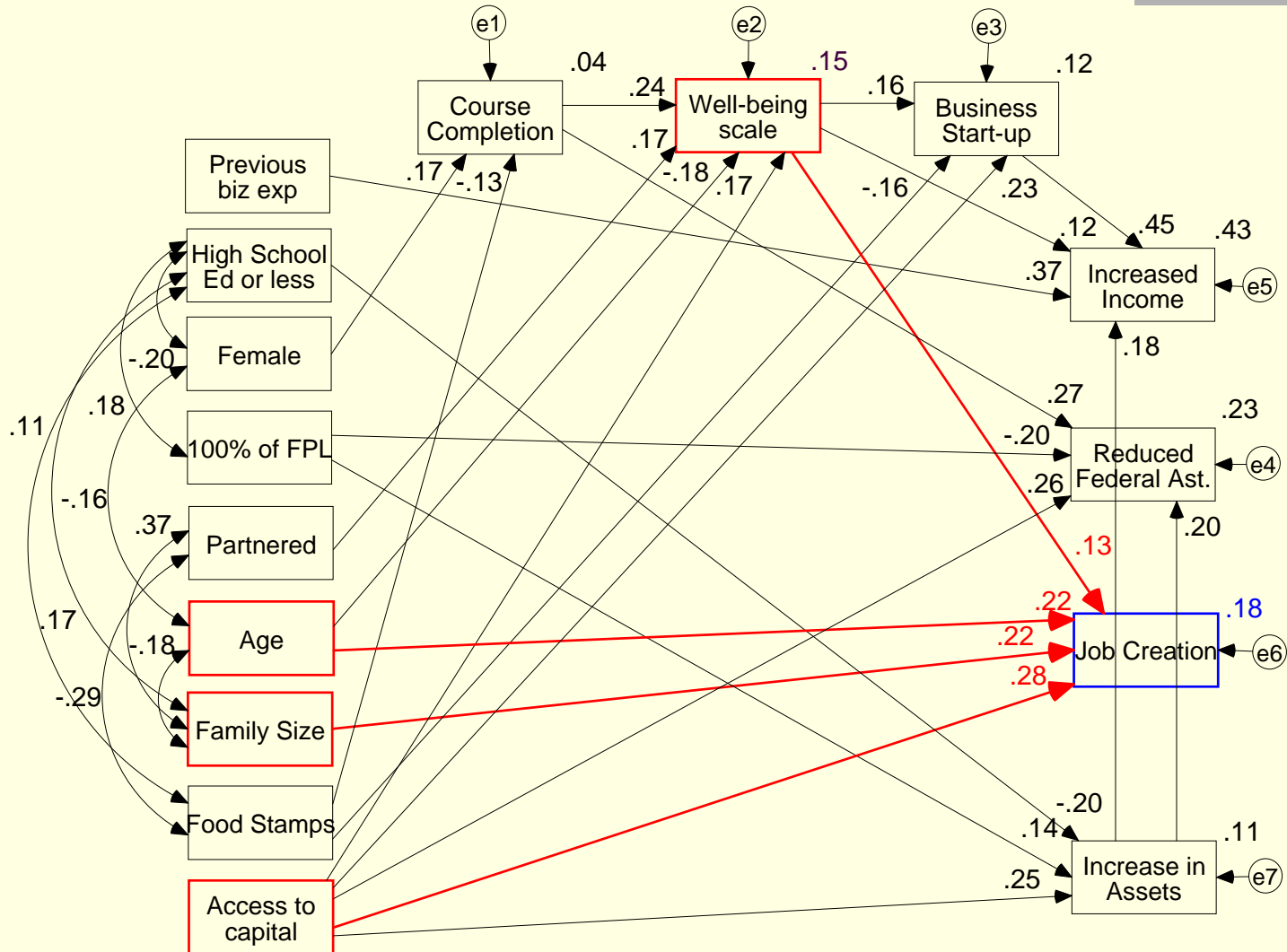
Increased Income



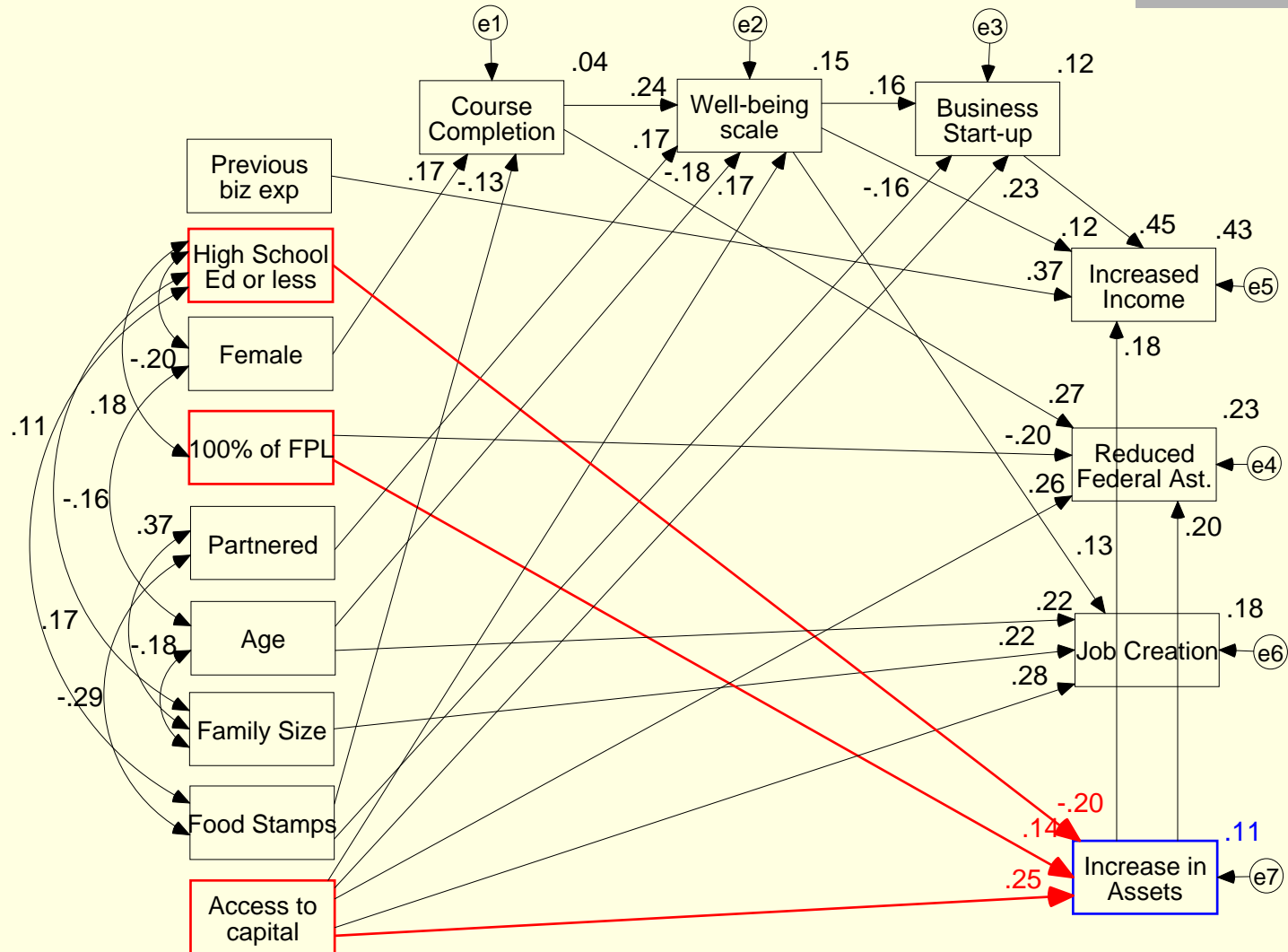
Reduced Federal Assistance



Job Creation



Increase in Assets



Model Fit Statistics

Test	Result	Desired Result	Met?
Chi Square	.01	> .05	No
IFI	.92	> .90	Yes
CFI	.91	> .90	Yes
NCP	32.9	Smaller than independence model = 368.1	Yes
RMSEA	.03	< .05	Yes
AIC	248.9	Smaller than independence model = 536.1	Yes
ECVI	.83	Smaller than independence model = 1.8	Yes
Hoelter's N	276	> 200	Yes

Discussion

- **Model fit statistics** demonstrate the model is **robust** and **relationships exist**
- Study suggests that **certain client characteristics** and the **achievement of short-term impacts** predict a client's likelihood of **achieving longer-term success** through self-employment

Discussion - Demographics and Mediator variables

- Persons can come to MBDP without prior business experience and **complete courses**, mediated by being female and not receiving food stamps.
 - **Course completion is a stepping stone** to improved well-being and reduced federal assistance
- Being younger and having a support system in place lead to **improved personal well-being**
 - **Well-being mediates** business start, increased income and job creation
- With access to more financial resources and greater personal well-being, a person is in a better position to **start a business**.

Discussion – Business Impacts

- **Increased income**
 - Related to previous business experience and increased assets
 - Mediated by well-being and business start
- Clients who were above poverty at intake, completed courses and made financial gains **reduced their PA benefits**

Discussion – Business Impacts

- Clients who entered MBDP in poverty **gained most assets.**
 - Assisted by higher levels of education and capital resources.
- Clients who are older with a larger family size and more resources **hired other people**

Importance of Access to Capital

- **Significant predictor of:**
 - Improved well-being
 - Business start
 - Reduced federal assistance
 - Increased assets
 - Job creation
- Corresponds with related literature
- MBDP is *filling a needed gap* by helping clients access capital through alternative lending sources

Overall Concluding Thoughts

- Self-employment **is a viable option** for certain people to reach economic self-sufficiency
- **Many factors impact** self-employment success model
 - Client characteristics
 - Skills and experiences
 - Financial, social and human capital
 - Relationship between MBDP and Reach-Up staff
 - Support of legislation

Implications for Policy

- Vermont should continue to allocate \$ to MBDP
 - MBDP *fills a needed gap* by helping clients access capital through alternative lending sources
- MBDP should ensure service offering of financial literacy, loan packaging, and access to capital
- Federal microenterprise lending legislation PRIME should continue to receive annual congressional appropriation

Limitations of Study and Areas of Future Research

- Conduct path analysis with other data sets to test model fit
 - Include business retention variable
 - Look at specific sources of capital

Thank you

- Any Questions?