

Outcomes Working Group Webinar 12: Opportunities for outcomes management in MSME finance

21 July 2016

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Agenda

- Introduction
- Presentation
- Discussion with participants


Our speaker today



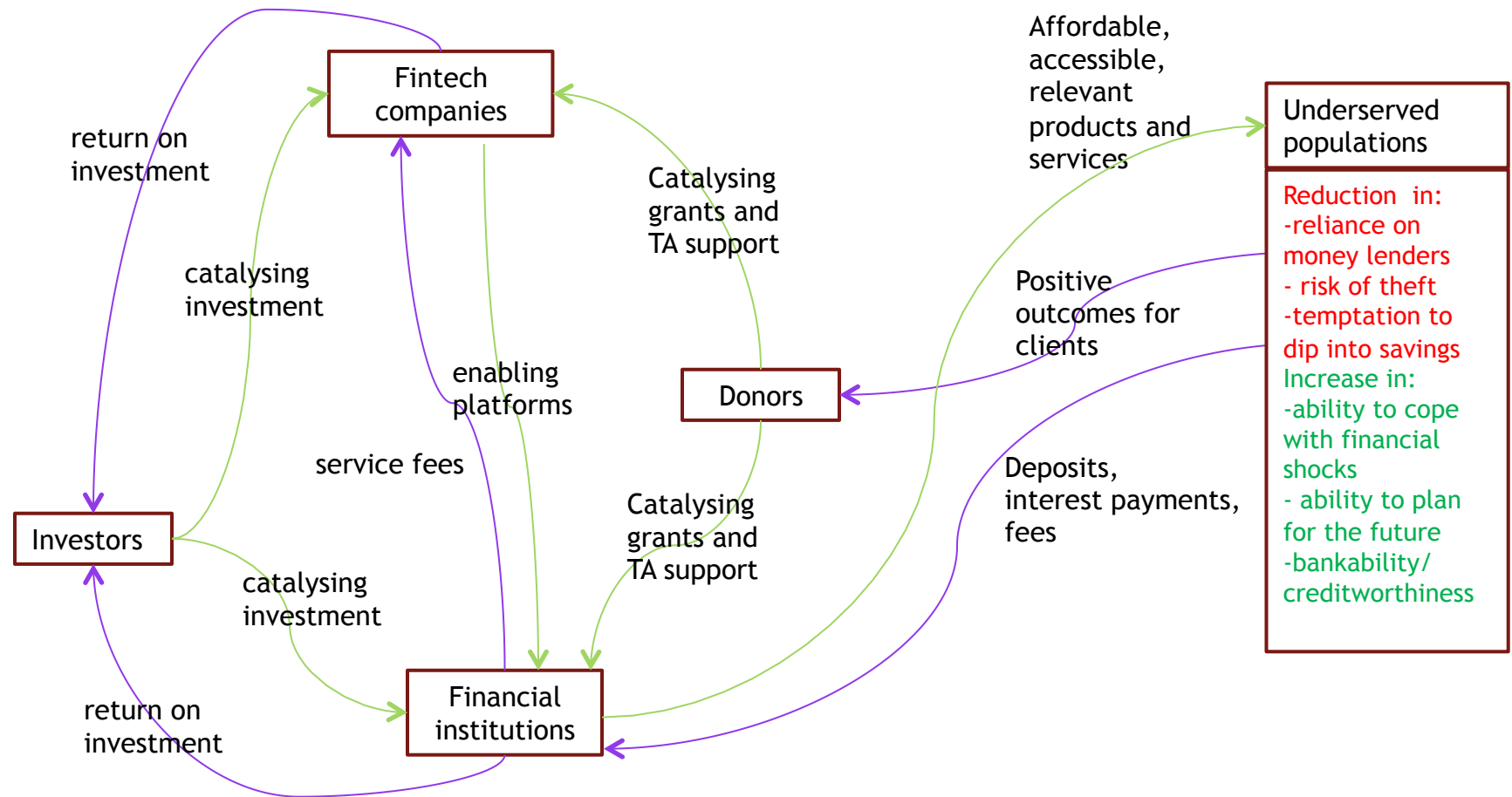
Debbie Watkins is Managing Director, APMEA of Fern Software. She has 30 years of experience in technology for financial inclusion, mobile-enabled products and services, business and strategy consulting and management, and has lived and worked in 20+ countries in Asia and Africa.

Agenda

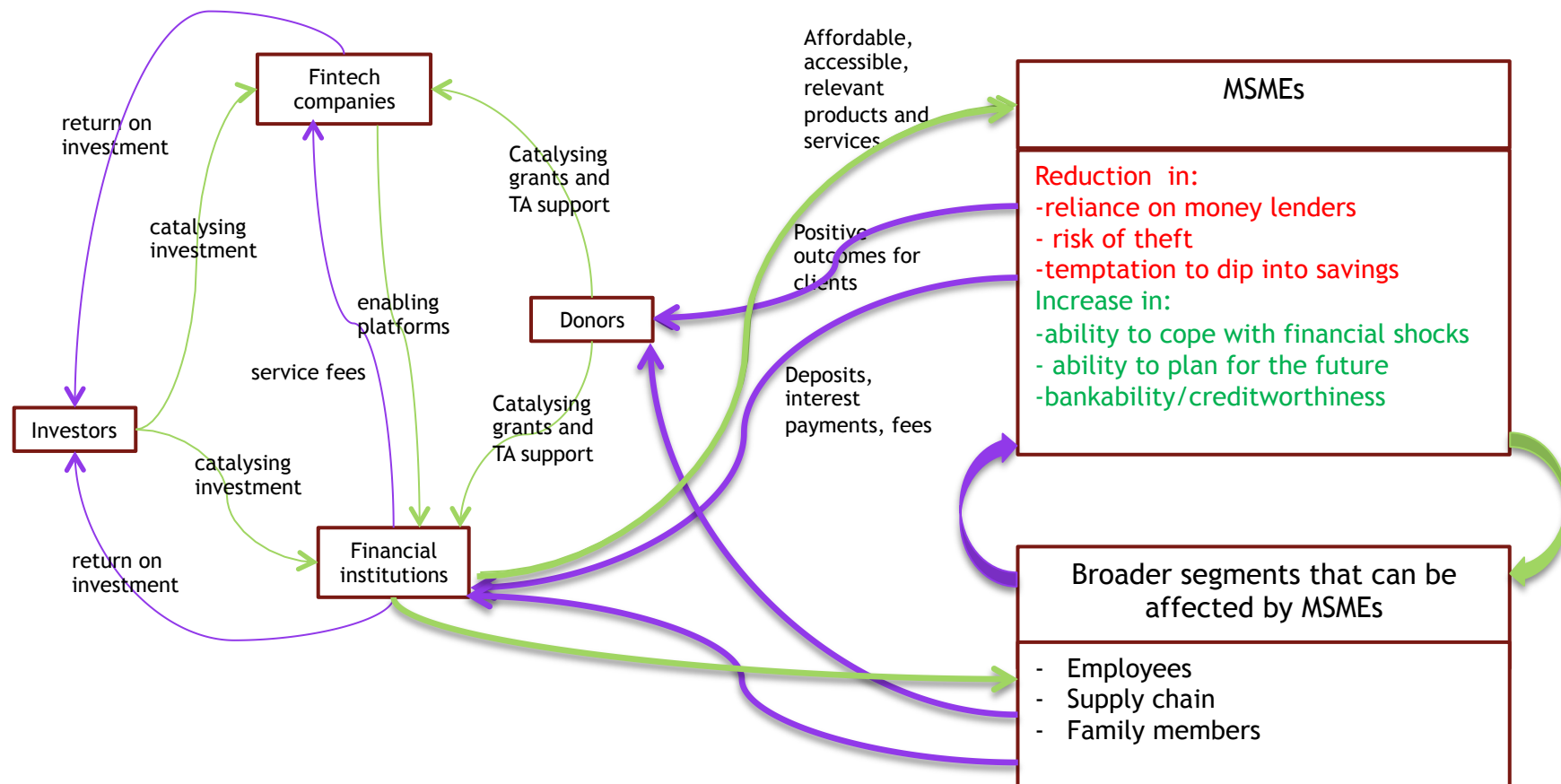
- Introduction
- Presentation
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- What are outcomes exactly?
 - How are outcomes for MSME different?
 - Approaches for determining outcomes
 - Implementation – a real-life example
 - MIS
 - Conclusions/reflections

Outcomes (aka **cause** and **effect**)



Outcomes for MSMEs



MSMEs

Reduction in:

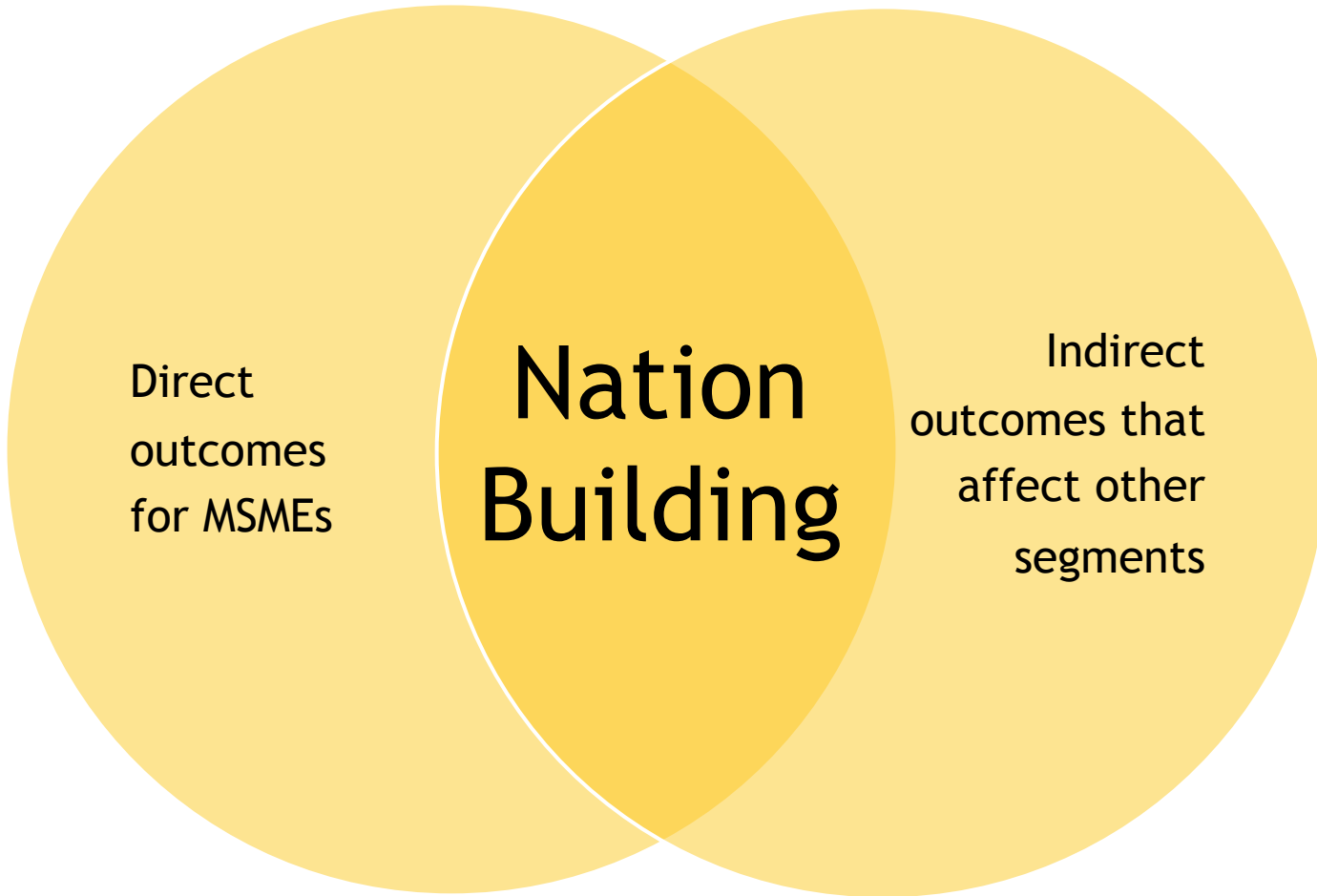
- reliance on money lenders
- risk of theft
- temptation to dip into savings

Increase in:

- ability to cope with financial shocks
- ability to plan for the future
- bankability/creditworthiness

Broader segments that can be affected by MSMEs

- Employees
- Supply chain
- Family members



Direct
outcomes
for MSMEs

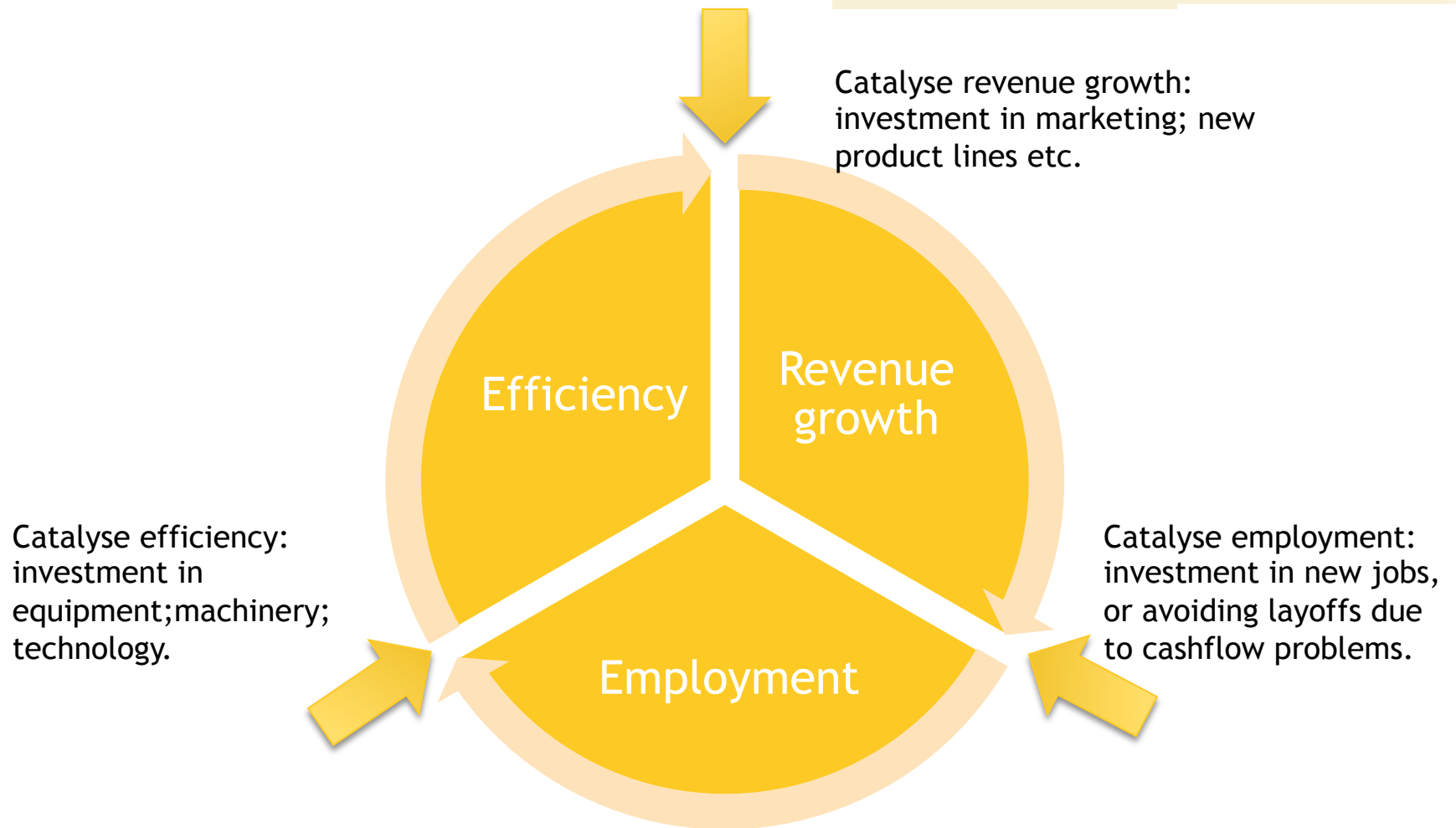
**Nation
Building**

Indirect
outcomes that
affect other
segments



Getting to the point

- Why do we want to measure outcomes?
 - To determine whether our services add value
 - To know that our services contribute to “nation building”
 - To ascertain the MSME’s suitability for follow-on services



All too often, business loans do not catalyse the “growth cycle” - the business owner repays the loan, but their business has not moved forwards.



What is the most effective and reliable way to measure outcomes?



We can ask direct questions:

“do you rely less on money lenders than you did before”?

“ are you more able to cope with financial shocks?”

We can ask indirect/triangulated questions:

“Where did you last borrow short-term funds from?”

“If you needed the equivalent of two months’ income urgently, where would you get it?”

We can observe how they deal with these issues in their daily lives.

We can consider other tangible measurements that would drive all of the other outcomes.



The challenges of asking questions

- Without triangulation or validation, you cannot be sure the answers are accurate - small businesses (and most people!) tend to overstate or understate facts and figures - because of pride; concern about the taxman, etc.etc.
- Triangulation often doesn't address this
- Observation or validation can be time consuming and intrusive - “why do you want to know all of this”?

One approach: aims and actuals

- Capture key targets of the *MSME* at intake
 - How will they use the money?
 - What will this achieve for them?
 - What do they expect the end result to be?
- Measure the results at the end of the loan cycle, and compare to the aims

The benefits (to you and the MSME)

- The business owner thinks about what they want to achieve with the funds
- You are able to evaluate this and provide guidance on any flaws in their approach (i.e. help them to become more business-savvy)
- If you decide not to give a loan, you can explain why not and what they could do to be reconsidered
- Having articulated it (and see you write it down) they are more focused on achieving it
- They will not have any objection to the end measurement, as it was discussed at the beginning and can be the basis for another loan



Implementing this approach

- What are the key outcomes you would like to see in your portfolio?
- Are you able to provide advisory services to help your borrowers develop their business skills (or refer them to someone that can)?
- Are there MSME lenders who have already adopted this approach? How can you learn from them?

OACFDC - a real-life example



- The OACFDC represents 60 Community Futures Development Corporations (CFDCs) - 36 in southern Ontario and 24 in the north - that offer free business counselling, loans for start-up and expansion of small business, strategic planning on local projects and community economic development in rural areas.
- Over the past 30 years, Community Futures has helped more than 120,000 entrepreneurs, created and maintained more than 495,800 jobs, and invested more than \$4.2 billion directly into Canada's rural economy, leveraging more than \$8 billion in additional investment. Today, Community Futures is driven by more than 3,415 volunteers and 1,400 staff in 269 offices across Canada.

CFDC activities



- Through Government of Canada funding, administering local investment funds to help finance new or existing small businesses and social enterprises for start-up, expansion or stabilization plans that help maintain or create jobs.
- Providing important services to businesses, entrepreneurs and social enterprises, including:
 - Business counselling, documentation and referrals
 - Guidance with business plans
 - Export support
 - Entrepreneurial training
 - Information on relevant federal and provincial programs and services

CFDC activities

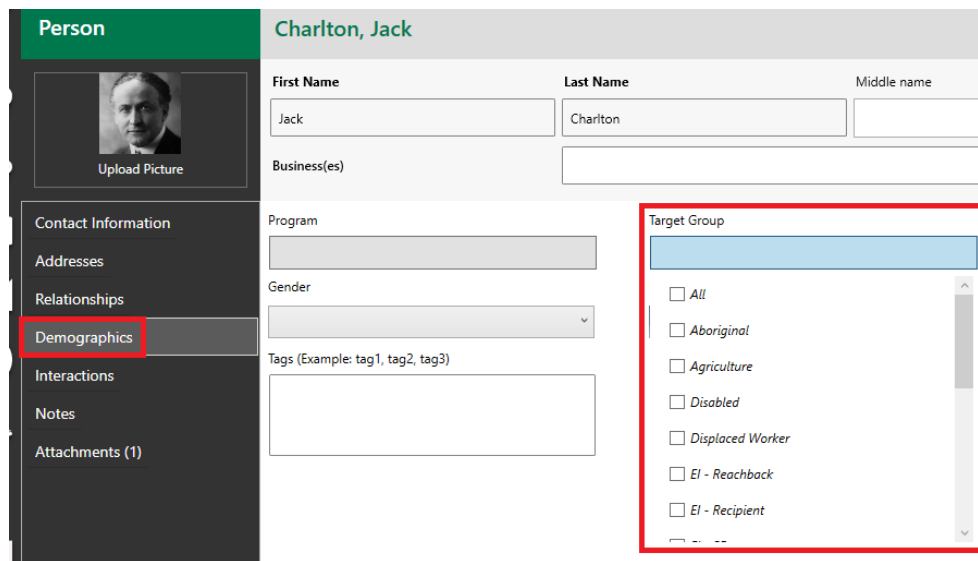


- Working closely with communities to assess local challenges and to look at new ideas and opportunities that could strengthen their economies. In consideration of the unique circumstances of the local area, they plan and help implement development strategies that are designed to build brighter futures for the communities they serve.
- Collaborating with a variety of partners from the public and private sectors to implement projects or special initiatives targeted to their communities in areas such as tourism, entrepreneurship, economic diversification and community adjustment.



The OACFDC was previously using a number of disparate and disconnected software solutions to track activities, loans and outcomes, and in 2014 contracted Fern Software to develop a new integrated MIS for them. The solution has been rolled out to 35 CFDCs so far.

What outcomes do CFDCs manage?



The screenshot shows a user interface for a person record. The main header is "Person" with a green background, and the name "Charlton, Jack" is displayed. The record is divided into several sections: "First Name" (Jack), "Last Name" (Charlton), and "Middle name" (empty). Below this is a "Business(es)" field. The "Demographics" tab is highlighted in the left sidebar. The main content area shows a "Program" field, a "Gender" dropdown menu, and a "Tags" field. A "Target Group" dropdown menu is open, showing a list of target groups with checkboxes: "All", "Aboriginal", "Agriculture", "Disabled", "Displaced Worker", "EI - Reachback", and "EI - Recipient".

- **Number of In-Depth Counselling and Information Services Interviews by Target Group**
The Canadian government want to know how many "in-depth counselling interviews" the CFDC held with Aboriginal and Francophone individuals.

In their MIS, this information is captured in the **person record's Demographics tab**. The MIS incorporates integrated CRM; loans; and outcomes and so enables all activities related to the client to be recorded in detail.

261

Loan Number* 261	Client* Quest Technology Service	Product* Term, Simple, Actual/Actual, Fixe	Business Impact* Maintenance	Payment Cash
Status Bad Debt	Interest Rate 3.75	Fund* Term Loans - Current	Startup	Payment
			Expansion	
			Maintenance	

Loan Details

[Print Loan Information Report](#)

Status History

Current Balance	\$0.00
Written-Off Amount	\$53,513.55
Recovered Amount	\$0.00
Last Transaction Date	04-01-2016
Principal Balance	\$0.00

Status	Date	Current	Amount	Reason
Application	2007-11-30	<input type="checkbox"/>	\$198,886.37	
Pending	2007-12-04	<input type="checkbox"/>	\$0.00	
Committed	2007-12-21	<input type="checkbox"/>	\$198,886.37	Added by Fern

- Number of Businesses Started / Maintained / Expanded

This metric indicates the type of business the CFDC is working with i.e. the starting of a new business, the expansion of an existing business, or the maintenance of an existing business This can be captured against meeting records and also loans.

Activity

Subject: Business Plan Discussion

Format: Phone Call

Program: Investment

General

Outcomes

Attachments

Referrals

Jobs
Add Job

Type	Hours	Impact	# of Jobs	Realized	Analyst
Regular	Full-Time	Created	2.00	2016-07-07	Admin
Regular	Part-Time	Maintained	5.00	2016-07-07	Admin

- Number of Jobs Created / Maintained

The number of new jobs created / existing jobs maintained as a direct result of assistance provided. Both the projected and realised numbers can be recorded, and the realised date/s can be recorded.

The CFDC can define whether the jobs are full-time, part-time or regular, and whether they were created or maintained.

Loan

261

\$

Loan Number*	Client*
261	Quest Technology Service
Status	Interest Rate
Bad Debt	3.75

Jobs Add Job					
Type	Hours	Impact	# of Jobs	Realized	Analyst
Regular	Full-Time	Created	3.00	2016-07-19	Admin

Leverages Add Leverage			
Leverage Source	Leverage Funds	Realized	Analyst
Owner's Investment	\$5,000.00	2014-05-06	CFDC Analyst
Federal Government	\$0.00	Enter date	Admin
<ul style="list-style-type: none"> Federal Government Municipal/Regional Government Other Owner's Investment Private Provincial Government SEA Leverages 			

- Summary
- Participants
- Calculator
- Schedule
- Projections
- Statement
- Collateral
- Interactions
- Outcomes
- Notes
- Attachments

- Leveraged Funds

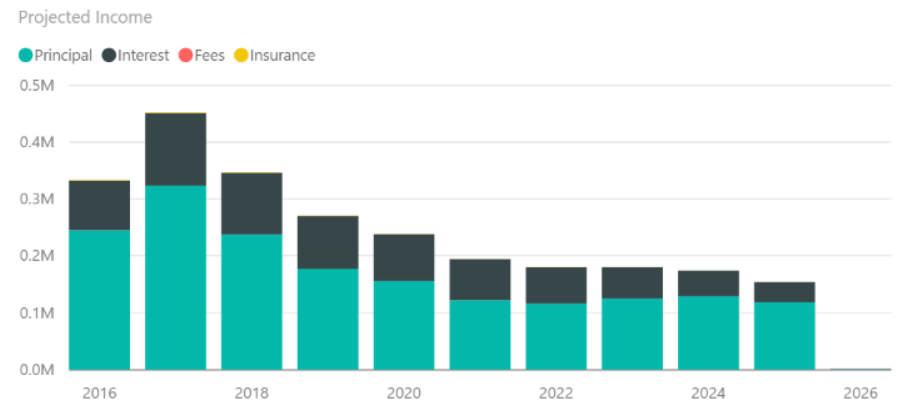
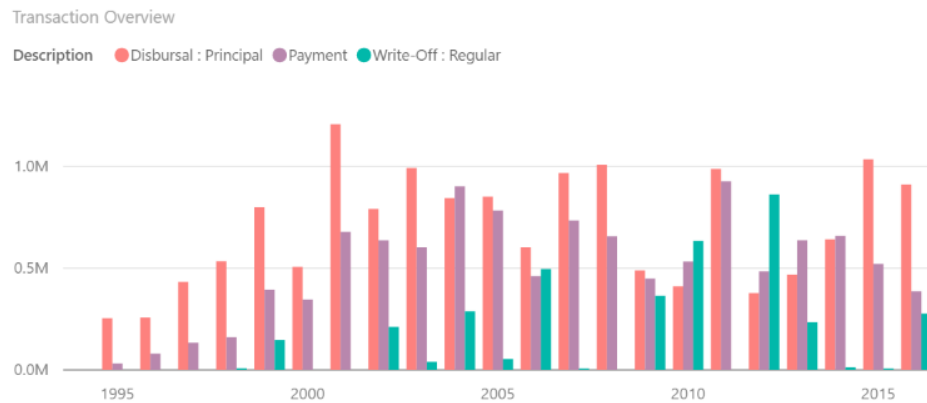
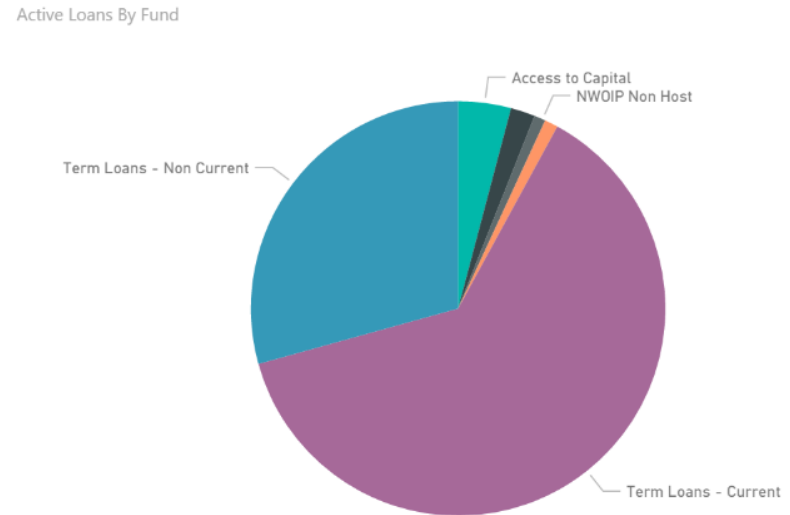
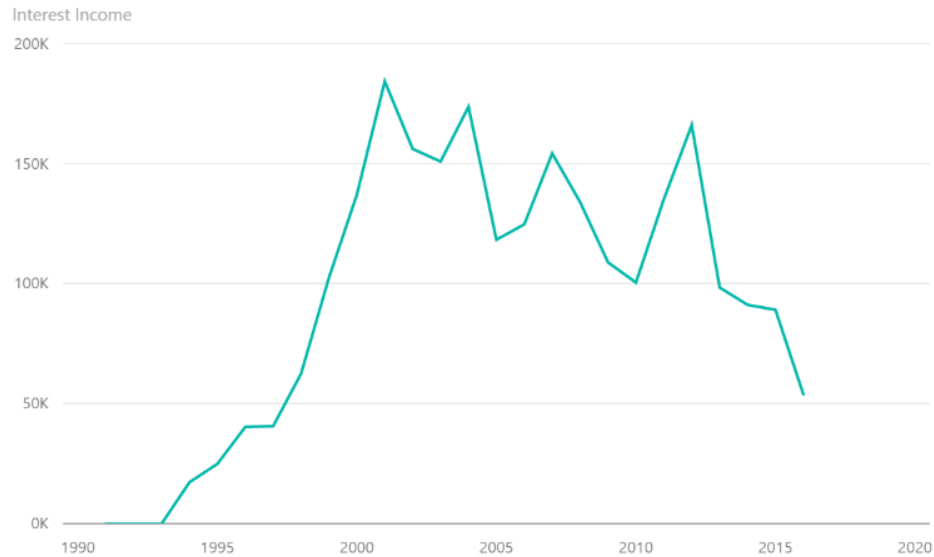
\$ value of money leveraged as a direct result of the CFDC's support to the business. It is broken down into two items: Owner's Equity, and Third Party i.e. how much did the business owner leverage, and how much did third party sources leverage.

Reporting		Section	Section Info	Result
Search Start Date <input type="text" value="2016-04-01"/> <input type="button" value="15"/> End Date <input type="text" value="2016-06-30"/> <input type="button" value="15"/> <input type="button" value="Previous"/> <input type="button" value="Next"/> FedNor Loan Balance Report Business Number Report Notes Report Preview Report FedNor Report			Section 1	
			Business Counselling and Information Services	
		1.1	# of General Inquiries	3
		1.2a	# of In-Depth Counselling and Information Services Interviews - Non-Loan Clients	3
		1.2b	# of In-Depth Counselling and Information Services Interviews - Existing Loan Clients	4
		1.31	In-Depth Counselling by Aboriginal - Prospective Clients	0
		1.32	In-Depth Counselling by French Language Services- Prospective Clients	0
		1.4	# of Businesses Started (Non-loan Clients only)	2
		1.5	# of Businesses Expanded (Non-loan Clients only)	0
		1.6	# of Businesses Maintained (Non-loan Clients only)	1
1.7	Total # of Businesses Assisted as a result of business counselling and information services activities	3		
1.8	# of Jobs Created (Non-loan Clients only)	0		
1.9	# of Jobs Maintained (Non-loan Clients only)	0		
1.10	Total Jobs created and /or maintained as a result of business counselling and information services activities	0		
			Section 2	
2.1	Administration of the Investment Fund			
	Investment Fund Activity			
2.1.1	# of Applications Received	9		
2.1.2	# of Applications Declined	0		
2.1.3	# of Closed Deals (Host)	2		

Outcomes are submitted to the Canadian Government using an Excel sheet that is automatically output from the MIS.



The CFDC can also provide a wide range of graphs for internal monitoring of interactions, loans and outcomes using the inbuilt business intelligence features.



The CFDC can also provide a wide range of graphs for internal monitoring of interactions, loans and outcomes using the inbuilt business intelligence features.

Conclusions/reflections

- Key to determine intended outcomes in advance with a focus on the catalysts of the “growth cycle”
- Asking questions may not produce accurate or meaningful results - tangible measurements are more reliable
- Combining loans with technical assistance/advice can help MSMEs to effectively use funds
- Integrated MIS ensures visibility of the “big picture”

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Thank you

- For follow up, please contact: info@sptf.info, francesinha@edarural.com
- Please note: presentations and recordings from all Outcomes Working Group Meetings are being posted to the SPTF website, working groups page:
<http://sptf.info/sp-task-force/working-groups>