

Chapter 3 pathway notes

Personal viability: an approach to sustainable micro enterprise

Designing inclusive pathways with young adults: A pathway from Papua New Guinea

Purpose

These pathway notes support chapter 3 of the book: *Designing inclusive pathways with young adults: Learning and development for a better world*. The chapter profiles the Personal Viability (PV) system developed by the Entrepreneurial Development Training Centre (EDTC) in Papua New Guinea. PV outcomes are certified by the Global University for Lifelong Learning (GULL). Organizations interesting in using the PV system should contact Samuel Tam via the EDTC website at www.edtc.ac.pg

GULL welcomes affiliation with any organization working with marginalized young people and the purpose of these pathway notes is to assist those who are using or developing a similar approach. For more details about how to affiliate with GULL please see: www.gullonline.org/affiliate

Pathway implementation

EDTC typically implements PV levels 1-4 over a 12-24 month period and the foundation levels (1 and 2) consist of a blend of classroom input followed by practical application. During the practical phase, participants work on a series of income generation projects with weekly guidance provided by a PV approved coach. Participants also learn how to implement their own master plan and apply the knowledge they derive from setting goals and achieving scheduled targets (on time and within their budget) to developing their own micro enterprise. Participants who receive a scholarship loan must repay the loan prior to starting the next level.

The role of reality business games

The main purpose of the level 2 reality game (the 'Game of Money') is to enable participants to address their own financial needs. In most cases, participants at this level have little or no experience of 'seeing' with their mind and so playing and learning from a reality game is both a practical and useful way to gain experience of the process of action learning and holistic thinking. The Game of Money enables participants to gain experiential knowledge about how to use time more effectively, the use of money, the role of teamwork, organization and other resources, and the financial realities reflected in the concepts of a profit and loss statement and balance sheet. The Game of Money also exposes PV participants to the principles of a demand-driven economy and the importance of developing demand-driven thinking and behaviour.

The level 3 'Game of the Rich' enables participants to fully implement their own master plan (established during level 1) and work towards completing an individual financial goal. Every participants must work closely with their PV coach who helps them to deal with personal interferences and distractions (such as family issues) and with project feasibility. The coach also monitors results and provides feedback and advice to help ensure that the participant achieves their individual goals. The coach monitors and grades all weekly targets and if the participant is on target, their grade for that week is 100 percent. If the participant exceeds their target, their grade is greater than 100 percent and if the participant under achieves, their grade is less than 100 percent, and the coach assists the participant to explore options that might help them to meet the target in the coming week.

Level 3 micro projects are normally agriculture based (fruit and vegetable farming) or small scale retail projects (micro-retail). To facilitate these projects, EDTC typically provides a start-up kit of materials, and technical support to the participant throughout the practical training period (this includes teaching participants how to treat soil, plant from seedlings, prepare the garden, look after the plants, reduce pests and insects and stagger timing of production). A gross profit of 80 percent from agriculture sales is generally possible and the typical timeframe to achieve this outcome via a personally owned micro garden is 12 months. The participant can accomplish the same outcome in just six months if they establish a demonstration micro-garden, renting the same amount of land (0.50 hectares) on which they must plant and harvest fruit and/or vegetables for sale at the local market.

If participants opt to establish a micro-trade enterprise they will utilize and expand on skills they learned at level 2 to sell retail items. These skills include how to talk to customers, establish a customer base, use and invest money wisely, and sell goods quickly.

The gross profit from retail sales is generally 20–30 percent; therefore, the timeframe needed is at least 12 months. So wherever possible, level 3 participants are, encouraged to establish and operate micro-gardens (with higher gross profit yields), and later develop their skills in retail trading. This way successful level 3 participants are able to build up sufficient capital to acquire their own land in preparation for the level 4 project, without needing a loan or additional capital.

At level 4, a structured approach with weekly reporting and coaching is essential to ensure the approach is fully embedded and developed. The nature of the challenge includes planning for an array of immediate, medium and long-term needs and so participants are again supported throughout their work at this level by their PV coach. As coaching sessions are held weekly, these sessions are used to monitor results and to provide feedback and advice, to ensure that the participants generates the required surplus equivalent to US\$7,475 over a 12 month period.

Verifying outcomes

PV participants must know how to establish, run and add value to a business. EDTC's own longitudinal tracking shows that around 80 percent of PV participants can successfully run and sustain their business, compared with about 10 percent of those who follow conventional business courses and who succeed without this form of systemized preparation and development.

EDTC sustains its work in PNG and the Pacific Island region by operating as a commercial business (fees are modest at the level 1 entry point and they rise to reflect progress) and so its verification system for monitoring and grading progress is not on open access. The overview that follows explains in general terms how EDTC verifies progress and outcomes.

The PV grading system

EDTC believes that the core of the development challenge is mindset development and in particular, preparing participants to succeed, on their own, in developing sustainable economic activity. Any process of this kind must have an in-built system to monitor outcomes and the PV grading system is designed to measure incremental progression. To facilitate this, PV coaches meet weekly with their participants at coaching clinics to provide support, friendship, encouragement, praise, care and needed advice. Here EDTC's coaches are able to review and verify progress together with their participants using two indices: character development via the balance sheet of life (life index) and competence development via a financial balance sheet (financial index).

The life index is similar in concept to a financial balance sheet but is used to reconcile human assets and human liabilities. Scores are determined based on the positive use of a human asset category (such as 'commitment') or the negative impact of a human liability category (such as 'procrastination'). For example, on use of an asset such as talent, value, or positive attitude, daily use would score a 9–10; weekly use: 7–8; fortnightly use: 5–6; monthly use: 3–4; sometimes: 1–2. The same is true for liabilities such as negative attitudes or burdens. The life index score is calculated by summing all of the assets and subtracting the liabilities.

Monitoring is guided by what EDTC terms a weekly praxis report that enables PV participants to reflect and comment on their own performance before meeting their business coach.

During the one-on-one coaching sessions at the weekly clinic, the coach and participant additionally: (1) prepare a weekly profit and loss statement and financial balance sheet; (2) deduct the amounts for agreed purchases, savings, scholarship re-payments and personal needs allowance; (3) take digital photographs of the financial data (which is stored in a computer database); (4) discuss business and life issues (e.g. results, deficiencies, mistakes, lessons learnt) drawing on the praxis report; (5) review year-to-date project performance results; and (6) agree on stock replenishments. A book-keeper is also available each week at the coaching clinic to help participants compile and audit their weekly financial statements (profit and loss/financial balance sheet) and assets (cash on hand/stock on hand), and review other records (such as sales and purchases).

As the outcomes relating to each level are attained, GULL's primary role is to certify the evidence of learning as verified by the PV grading system.

EDTC's experience over many years underpins the importance of establishing personal and business discipline in the four areas of productivity, economy, law of success and integrity. The majority of PV participants begin the process at the subsistence livelihood level and secure their financial needs via micro enterprise activities. Gradually, participants become more and more commercially oriented, although the transition from livelihood to commercial level is almost undetectable. The main difference is reflected in the volume of production and sales activity. In this context, a participant is deemed to have successfully made the initial transition from subsistence level when they have secured a surplus that exceeds their financial requirements.

Productivity discipline

EDTC measures productivity in relation to the quantity of goods and services produced for sale or for consumption and PV participants use EDTC's productivity record book to document customer orders received or customer transactions made. The productivity measure equates solely to actual sales in monetary terms because items produced that remain unsold represent only potential value.

Economy discipline

EDTC's economy discipline is measured in terms of savings and investments. An economy record book is provided so that participants can record their daily savings. All entries are expected to specify the date, amount, type of investment and the name of the institution where the investment was made. In so doing, progress in this discipline area can be verified independently.

Law of success discipline

EDTC's law of success discipline is monitored and measured in relation to a PV participant's progress in developing organizational ability and also in terms of the volume of repeat customers the business generates. EDTC's law of success record book is used to record the activities of each team member and the record-keeping covers: the rate of progress, daily quantity of work completed, value of work undertaken and benefits arising from their efforts. The volume of repeat business is determined from sales records and from the productivity record book. Additionally, the law of success record book facilitates the documenting of customer complaints and how they were rectified, and commentary on what might best be described as 'service beyond the call of duty' to add value for business stakeholders (customers, suppliers and others). PV participants are encouraged to carefully track the impact of value-added service as this helps their business to proactively approach corrective action and generates invaluable goodwill.

Integrity discipline

The integrity discipline relates to the successful completion of business commitments and 'success' equates with completing commitments on time and to specification. The key implication is that all commitments must have related time limits to help ensure that when firm commitments are made, they are kept. For example, loan repayments are commitments that can be measured and the main commitment categories are personal, family-related, work-related, church, business, financial and local customary. The EDTC integrity record book is used to document all commitments. Each record includes all relevant details of the participant's commitment such as date and time, details, name of recipient, start/finish dates and times, associated costs, and whether or not the commitment was honoured on time.

Concluding remarks by Samuel Tam on the business start-up challenges facing young adults in Papua New Guinea

The culture of PNG accords respect to elders and if young people are branching out into something new, they are likely to face jealousy and other forms of criticism from within the community. It's the kind of negativity that might cause some young people to give up. When we are coaching youth, we come across this issue all the time and although young people are generally very good at action learning, they have to learn how to deal with the community and the traditional customs that can act as a brake on their progress. For example, customary obligations are largely social – they are not business oriented and 'sharing what you have with others' is the normal expectation. This kind of behaviour does not fit well with a commercial business – especially at the micro enterprise level. The response is likely to be: 'We are family and so why can't you share this with me?' If young people give into this kind of pressure, the business will decline rapidly and then that's the end of it. A viable business cannot operate with family members sharing the proceeds and so managing this situation is often more difficult to deal with than establishing and operating the business in the first place.

All I can do is emphasize the importance of compartmentalizing these two issues: For example, a bag of rice in the house can be shared as it is subject only to customary obligations but a bag of rice in a young person's shop cannot be shared because it is subject to the Companies Act. The young people understand the difference but getting the family to understand this is counter-cultural to the Melanesian way of life.

Commercial mathematics can also pose difficulties because there is no formula that can be universally applied in business! Instead, each individual must determine for him/herself whether the business is viable – or not. It's essentially a way of thinking about how resources are being used and it requires constant review. In school, we are given formulae but commercial maths is different. For example, if I want to make a surplus of \$5,000 and my means of securing this outcome is to grow pineapples, I will need to work out the gross profit target, how much land I will need and the number of pineapples that I need to grow. The question I am most often asked is: 'What is the formula' for this? My response is that they will need to think it through themselves!

In summary, the above issues are in my view, challenging for all young people living in traditional, indigenous settings. What is needed is independent thinking skills, self-discipline and the separation of business from traditions and customs. The importance of grassroots maths and weekly calculations and cross-checking cannot be under-estimated, together with coaching but never teaching. Finally, a person with a business mindset ensures that all assets (like money) are being fully utilized – that is our goal for young people.

Micro enterprise appeals to and attracts young people – they don't like being told what to do and they like to experiment! They want to discover their potential and while PV with GULL provides the standard, what they do thereafter is up to them. All youth need is encouragement – if a business idea isn't going to work then it's helpful to know this before attempting to build a business on the idea – it isn't in any sense 'failure' – they can try something else – that's the nature of business entrepreneurship.