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Society for Advancement of Management
Foreign Firms in China: Facing Human Resources Challenges in a Transitional Economy

While China officially encourages new management techniques, these are often difficult or impossible to implement without mastering numerous human resources challenges. Foreign firms must deal with legacies of the former "iron rice bowl" policy (guaranteed lifetime employment), with guanxi (using connections to facilitate business), and with myriad attitudes that seem antithetical to productivity and progress. However, a combination of pragmatic adaptation and innovative programs may overcome many of these challenges.

Garry D. Burton, David Ahlstrom, and Eunice S. Chan

Issues in Strategic Investment in the Global Electric Utility Industry

Between 1995 and 1998, U.S. electric utility companies invested heavily in utilities overseas, especially in the United Kingdom. Subsequently, however, a number of these takeovers came wholly or partially undone. A closer look at some of these combinations shows that some of the underlying assumptions prompting them, such as increased opportunities for growth and revenue, were in error. Nevertheless, the gradual liberalization of global markets undoubtedly creates opportunities that may succeed in the future.

Abby Ghabadian and Howard Viney

Third World Economic Empowerment in the New Millennium: Microenterprise, Microentrepreneurship, and Microfinance

Traditional strategies for aiding the world’s poor countries, such as large modernization programs, the Green Revolution, and the basic needs approach, have had mixed results. A fresh approach is to make use of the strengths of the traditional societies and incorporate them into small, focused, concrete projects. The often ignored "informal economies" of traditional cultures may be more dynamic than formal economies and may well benefit from targeted extensions of credit and other assistance. A close look at banks with such programs in three countries is instructive and encouraging.

Warner P. Woodworth

Sexual Harassment Investigations: A Portrait of Contradictions

Employers may have felt they already had their hands full complying with sexual harassment guidelines issued by the Equal Employment Opportunity Commission. But now they must also contend with guidelines issued by the Federal Trade Commission. The FTC claims jurisdiction over sexual harassment investigations as an extension of its sway over the Fair Credit Reporting Act of 1970, as amended by the Consumer Reporting Reform Act of 1996. The guidelines conflict in a number of ways, particularly in the FTC’s requirement that the employer obtain the accused harasser’s consent before hiring an experienced third party to investigate the complaint.

Susan Gardner and Kathryn Lewis
Managing Work-Related Learning for Employee and Organizational Growth

The saying that a company's major asset walks out the door every night recognizes the crucial role of a motivated and savvy workforce in today's highly competitive environment. Continuous learning in the workplace can increase productivity and job satisfaction, especially when supervisors are the principal coaches. However, relatively few aids are available to guide supervisors in this role. Some discussed here include encouraging a learning environment, providing learning opportunities as well as time and location flexibility, and emphasizing learning in employment decisions and evaluations.

Dorothy Lang and Ursula Wittig-Berman

The Relationship Between Individual Power Moves and Group Agreement Type: An Examination and Model

Permanent and ad hoc groups are essential to organizational effectiveness, but the dynamics of groups are not always well understood. Typically, each group member has some type of power, deriving perhaps from status or knowledge or influence. How he or she chooses to wield that power affects the outcome of the group's efforts. A conceptual model that relates "power moves" to the types of agreements a group is likely to reach sheds light on group dynamics and may help predict results.

John R. Carlson, Dawn S. Carlson, and Lori L. Wadsworth

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Third World Economic Empowerment in the New Millennium: Microenterprise, Microentrepreneurship, and Microfinance

Warner P. Woodworth, Marriott School, Brigham Young University

Introduction
Some 40 less-developed countries are economically worse-off in the late 1990s than a decade ago. Drawing upon the great Mahatma Gandhi’s global critique that “Poverty is the worst form of violence,” this paper will describe a creative new approach for dealing with the massive problem of underdevelopment.

This grassroots approach is intended to enable the poor to lift themselves by (a) obtaining training so as to successfully launch their own microenterprises in the informal economies of the Third World, (b) developing small business acumen and microentrepreneurial skills through consulting and technical assistance rendered by nongovernmental organizations (NGOs), and (c) obtaining capital through microfinance strategies.

Widespread Poverty
In 1997, over a billion people around the world lived in abject poverty (UNDP, 1998). The poor suffer economic deprivation, and among the “hyper poor” — hundreds of millions who try to survive on less than a dollar a day — there are related complications. These include one or more of the following correlates: disease, political conflicts, little or no formal education, and environmental problems such as polluted water, toxic air, and so on (Brown, 1998; Byram, 1997; PAHO, 1998). While Americans in the 1990s have enjoyed a remarkable rise in income levels, lower unemployment rates, and cleaner air and water, many nations around the globe suffer more than a decade earlier.

Traditional strategies for aiding the poor have produced mixed results so far. The Modernization programs of the 1960s in which industrialized nations attempted to jump-start the Third World often failed because they contradicted indigenous cultures and values or were too capital intensive to maintain (such as large power dams for generating electricity). The Green Revolution of the 1970s attempted to superimpose Western agricultural methods such as large tractors and chemical fertilizers on less-developed countries, resulting in unintended outcomes such as rising cancer rates and depleted soil. In the 1980s, the World Bank, United Nations, and others emphasized a Basic Needs approach — health care, access to clean water, housing, and education. But these efforts were enormously expensive and hard to sustain.

Rather than assume that the traditional Third World culture is an obstacle to development, more recent thinking suggests that the old culture and the modern are not mutually exclusive. Not only might they co-exist, but they may interface and interact to benefit one another. Tradition may be a useful component in the process of change, modifying the methods of the change agent to achieve greater congruence and success in the end.

Instead of the large-scale development strategies of the last 40 years, a new model emphasizes small, focused attempts. Huge, macro solutions are seen as inefficient, costly, and often wasteful when failure eventually occurs, exemplified by the problematic results of major donors such as the World Bank or the United Nations. Experts from such institutions often describe their projects in high-level abstractions, which seem ethereal to indigenous groups in the Third World. In contrast, the new strategy carries out small, concrete projects that the community can manage, grow and improve, directly affecting its members.

Over time, traditional development models
have tended to be administered in top-down, paternalistic fashion in which experts act as custodians of the projects, treating participants as second-class citizens or charity cases. The result tended to be dependence, whether economic, industrial, or technical. Elites and their relatives generally obtained most key management positions, and money flowed to those individuals as direct beneficiaries of the project, whether or not the community as a whole enjoyed any improvements in quality of life.

A New Small Business Model

Thus, in the 1990s a new strategy for Third World development arose that is referred to as microentrepreneurship, microenterprise, or microfinance. This movement has emerged from the grassroots, from the so-called “informal economy.” Social scientists have conceptually divided a society’s economic activities into the formal sector, such as factory or office work, or the informal sector — survival on the street as a vendor or provider of services.

Historically, the informal or underground economy was essentially regarded as a problem by some experts. Small enterprises are usually clandestine and unregistered, operated by individuals or as family-based economic activities that do not generate taxes. Typically, such people can be observed in Third World cities living in shanty towns or functioning as street vendors. Often marginalized, they subsist by “hustling” or other forms of sweat equity, making up for the lack of formal jobs such as factory work or government positions. While the informal economy has often been viewed as a minor phenomenon or a temporary reaction to natural or financial disasters, reality suggests the opposite. The informal economy is, in fact, growing. It is here to stay and makes up a significant percent of many Third World nations (De Soto, 1989).

Much research over the past decade points to the increasing significance of the informal economy as the vital means through which masses of the poor attempt to cope with life’s vicissitudes, feed their children, and survive, one day at a time. The primary tools for lifting people in the informal economy is training, consulting, and providing small amounts of credit. Even a very small loan can make a significant difference.

This strategy consists of developing technical assistance centers that provide training and consulting for microentrepreneurs — people in the informal economy who cannot obtain regular employment in large companies. Instead, they bootstrap themselves, essentially creating their own jobs. Most of this type of work requires the individual’s own sweat and equity, perhaps including that of the family. This bottom-up method for generating an income and becoming self-reliant enjoys considerable success in certain countries.

Microfinance may be classified as small-scale loans of $70 to $100 that are accessible to the very poor, primarily in the Third World. With even a small amount of capital, microenterprises may be started, or perhaps expanded. According to a major World Bank study (Paxton, 1995) of global microfinance schemes, there are in excess of 900 such institutions in 101 nations today that offer microcredit to the poor. The organizations studied had been in existence at least three years and each had over a thousand clients. They include banks, credit unions, and numerous nongovernmental organizations (NGOs). Clearly, thousands more newer and smaller such programs are not included in the bank’s analysis. But a sample of 206 of these 900 institutions indicated an aggregate loan portfolio of almost $7 billion, representing over 14 million small loans to people and their organizations, 53% of whom reside in rural regions around the globe. Within the sample group, 48% had been established in the 1980s and 21% since. Sixty organizations offered only individual loans, 42 offered loans only to solidarity groups of three to 10 people, and 59 provided loans to village lending groups (10-50 people). The remaining institutions used a mix of target groups. On average, 65% of borrowers were females and 35% males. The average microloan in Asia is $94, while those in Africa are just below $200, and just under $900 in Latin America. These findings reflect the GDP levels of various regions. By extending microfinance capital to the poorest of the poor, millions of new jobs have been created among those languishing in extreme circumstances, thereby empowering individuals and families to gain a greater degree of control over their destinies (Paxton, 1995).

Cases of Microenterprise and Credit

To empower the Third World poor, small businesses are created through microfinancing
schemes. The method for obtaining credit is often referred to as Grameen or “village banking,” as pioneered by a creative economist, Muhammad Yunus, in Bangladesh. In this strategy a nongovernmental organization essentially offers small loans to groups of villagers at market interest rates. They need no collateral, nor are they required to have a strong credit history. Instead, the borrowers as a group are jointly liable for paying off the interest and principal. Social pressure and trust function as powerful incentives for assuming financial responsibility and personal accountability.

- **Grameen Bank**

  The most impressive illustration of this bottom-up approach is a capacity-building mechanism known as the Grameen Bank of Bangladesh (Wahid, 1993; Yunus, 1997).

  Bangladesh, a country in Southeast Asia with 128 million people, is among the poorest of all nations with $208 per capita GDP, and over 80% of the inhabitants live below the poverty line. In spite of modernizing influences, most of the population lives in rural areas. Nearly 11% of all babies die before their first birthday, and life expectancy is a mere 53 years. Although the mortality rate has decreased substantially from 7.0 in 1970–1975, it still remains moderately high at 4.7 (United Nations, 1995).

  The low status of poor rural women in Bangladesh, combined with their informal economic activities, has made it difficult for them to receive credit from traditional banking systems to support the development and growth of their income-generating efforts. Banks perceive poor women, as well as men, to be high-risk groups with limited ability to pay back their loans (Mayoux, 1995). Furthermore, the poor generally desire loans that are not even of sufficient size to cover the bank's transaction costs (Berger, 1989). In some systems, a husband's approval and signature are required in order for a loan to be approved for a woman (Tomasevski, 1996; Berger, 1989). When banks are located in urban centers, time and geographic mobility are necessary to make multiple trips to the bank to complete the lengthy application and approval process. These become major constraints for women, particularly because of traditional property and seclusion norms (Berger, 1989; Mayoux, 1995). Illiterate women are also unable to fill out the multiple forms, and the whole process of applying for a

loan tends to be forbidding to a rural, uneducated, poor woman without previous experience in dealing with the formal lending sector. Collateral requirements are especially difficult for women, property is typically registered in the names of the male household members and passed from father to son (Tomasevski, 1996; Berger, 1989; Todd, 1996).

  Organizations in Bangladesh, such as the Grameen Bank and smaller NGOs, have sought to overcome these barriers women encounter when accessing credit. Collateral requirements are replaced by loans to a cluster of women who act as peer groups to give support and exert pressure for repayment. Bank workers go to the villages to meet with the women and disburse loans, thus eliminating the need for women to travel to unfamiliar urban areas. Furthermore, women are specifically targeted and sought after by Grameen (Todd, 1996). This motivation to loan to females stems not only from the desire to help poor, rural women but also to help their families. When women have their own income or control over the household income, they are more likely to spend money for food, health, and education for their children (Sebstad & Chen, 1996; Tomasevski, 1996). Thus, by targeting poor women, development programs feel they have tapped into a way to help the family as a whole. Consider the results since Muhammad Yunus was inspired to create the first village bank in the mid 1970s among landless peasants in Bangladesh, a place that then U.S. Secretary of State, Henry Kissinger, once called “the basket case of the world.”

- Some 2,200,000 people are village bank clients.
- 5 million family members benefit from these credit and savings programs.
- 37,000 village economies have benefited from the added flow of new capital.
- Cumulative loan disbursements are over U.S.$ 2 billion dollars.
- Total savings, including individual and group funds, exceeds U.S.$ 80 million.
- The percent of overdue loans not repaid after two years is a mere 1.32%.
- 1,094 village bank branches exist throughout Bangladesh.
- The bank has staff of over 12,600. Only 583 work at bank headquarters while about half of the rest conduct banking in villages. The remaining 6,000 staff are engaged in
technical projects such as wells and shrimp farms.

These numbers illustrate a dramatic change from the paltry $27 in capital Yunus first loaned to 42 poor women over two decades ago (Fuglesang, 1995; Yunus, 1990).

Incredible as it may seem, Grameen’s small-scale credit effort entails thousands of rural people engaged in financial transactions of over two million dollars daily in currency traded between peasants and poverty lenders — with virtually no losses. Its poor members are now owners of the very bank they originally sought to borrow from. And Grameen’s astounding success is currently being replicated by hundreds of other NGOs around the globe, defying the logic of economic theories that claim the poor are not bankable (Schuman, 1993).

- **Banco Sol**

  The economic suffering of the poor in the Latin American country of Bolivia gave rise to another approach to microcredit. In 1984, an NGO known as ACCION International, based in Massachusetts but active throughout Latin America, recruited influential Bolivian businessmen to lead an effort for microentrepreneurial development. These Bolivian elites became the board of directors for PRODEM (Fundacion para la Promocion y Desarrollo de la Microempresa), an NGO jointly launched in 1986 by these Bolivian leaders, who provided the seed money, local leadership, local contacts, and influence with the Bolivian government. ACCION International provided the technology and the methodology for the program (Glosser, 1994). To improve the lives of people in a country where so many suffer, these two groups worked together to establish goals and policies for PRODEM. The intent of PRODEM was to allocate monies in a way that would actually reach the Bolivian people at ground level. It was designed to serve the poor in a manner that would make a lasting difference in their lives. Maria Otero, an ACCION executive, succinctly expressed the mission: “Indians in this country get bad service and disrespect... We tell them we trust them. We make their word a guarantee. No matter how small their project is, selling lemons or collecting old bottles, we listen and call them madam and sir” (Goehring, 1996).

  PRODEM offered Bolivia’s poor access to credit and training. The credit came in the form of small, short-term loans, and the initial funding for the loans came from several outside sources: the U.S. Agency for International Development (USAID), the Bolivian Social Emergency Fund, the Bolivian private sector, and the Calmeadow Foundation (Glosser, 1994).

  The demand for micro loans was massive, but PRODEM was meeting less than 2% of it (Smith, 1997). The administration realized that it would never be able to expand at the desired rate while operating as an NGO because NGO status legally limited the banking services that could be offered to clients. The board of directors also felt that the only way to meet the demand for micro loans was to shift to a market-driven methodology in micro lending. In order for PRODEM to achieve substantial growth, it had to safely navigate several obstacles: it had to generate funds to augment its loan portfolio, its leaders needed to be able to cover operating costs until income from new loans could balance out their debt; and it needed to look beyond donor aid, which was exhaustible and could not be counted on for the continuous financing of operations.

  The type of aggressive program envisioned by PRODEM’s leaders required a stable source of income. To meet the overwhelming demand for microcredit, a self-sustaining organization had to be developed. It was thought that the only way to accomplish PRODEM’s objective was to gain access to more traditional types of funds including large-scale client savings, commercial debt, shareholder investment, and loans from the Central Bank of Bolivia (Glosser, 1994). For PRODEM to rapidly reach significantly more people, it needed to gain access to the world’s markets, rather than the world’s charity.

  As a result, the directors decided to explore the possibility of creating a new bank, whose primary purpose would be to serve the poor. The bank would also legally allow officials to capture the funds required for rapid expansion. Funds could be generated from client savings accounts that would act as capital for expansion and at the same time offer a wider range of services to the customers (Glosser, 1994).

  Savings, as well as credit, are an essential part of development. People who cannot gain access to traditional financial institutions, because they lack the literacy to fill out lengthy application forms or the minimum deposits for savings
accounts, need a place to put their money. They, too, would like to have savings for a future financial crisis. In a country like Bolivia, where the inflation rate is between 10% and 20%, the poor, more than anyone, need a secure place where their money can draw a reasonable rate of interest.

With these issues in mind, PRODEM's board decided to set up a for-profit bank. The directors, who took inspiration from the Grameen Bank in Bangladesh, formed a committee to carry out the transformation from a nonprofit NGO to a for-profit bank. The committee was called COBANCO (Comite Promotor del Banco para la Microempresa), and its task was to create a financially sound bank to serve the masses of the poor.

Thus, the work of the COBANCO group culminated in the formal incorporation of Banco Sol (Bank of the South) in Bolivia. Its loan qualification process was unique in that there was little paper work. Also, loans were given to groups rather than individuals. These group lending programs have three goals: they strive to serve the poor; they aim to help the poor attain self-sufficiency; thus eliminating further need for charity; and they seek to reach large numbers of the poor to aid in the alleviation of suffering (Berenbach & Guzman, 1994). The teams of clients receiving a loan are known as "solidarity groups." Although individuals, they act in concert as a support network for every other member of the group. Each member of the group encourages cohorts' timely repayment, and is, in fact, responsible for every other group member's debt. The solidarity groups have access, through the bank, to professional consultants who help build on micro business ideas. Basic economic and budget training is also available to, and in many instances is required of, the bank's customers.

The solidarity group methodology focuses on making available credit, training, and organizational building systems (Berenbach & Guzman, 1994). Group members must have some sort of pre-existing microenterprise to qualify for a loan. Most of these self-selecting group members are women with little or no training. Some 78% of Banco Sol's current loans are allocated to women (Chen, 1997). The group size is usually between three and 10 members. Self-selection is imperative to success because members share responsibility for the loan. Group members decide how much each mem-

ber will need and request a loan for the total amount. If credit is approved, it is loaned to the group as a whole. The initial loan amounts are small and payback time is short. In 1995, there was an $80 minimum on loans, the average initial loan size was about $110, and payback time ranged from one to 12 months (Chen, 1997). Upon repayment, the group may take out larger loans for extended periods to build their creditworthiness and expand their business. The loans may continue to grow until the person's business is substantial enough, and their credit strong enough, to be transferred to a traditional financial institution. At Banco Sol, the goal is to help members of the solidarity groups out of the informal and into the formal economic sector.

"Microenterprise credit stands at the threshold of being an effective and massive attack on world poverty." Statements like this one, given by Michael Chu (1995), CEO of ACCION International and former Wall Street mogul, are becoming more commonplace as the positive effects of micro lending proliferate around the globe. Wiping out poverty is not the only reason business people seem to be paying more attention to micro lending. It is simply good business, even by Wall Street's standards.

Banco Sol has grown into a $43 million loan portfolio with more than 69,000 loans outstanding (Chen, 1997).

Maria Otero testified before the House Committee on International Relations: "Banco Sol in Bolivia converted from an NGO to a bank three years ago. Today, Banco Sol serves more clients — over 62,000 — than the rest of the banking sector combined in that country. Its loans are as small as $80 and its losses have never reached 1 percent."

Furthermore, she testified that, "The superindensity of banks in Bolivia published the return on assets of all banks in the system. Banco Sol holds first place, demonstrating that lending to the poor can not only cover its costs but can be financially profitable" (Otero, 1995).

- Enterprise Mentors International

A U.S. foundation, Enterprise Mentors International (EMI), was incorporated in St. Louis, Missouri, by American volunteers who planned to raise funds from private donations in the U.S. and channel them first to Manila, the Philippines. EMI established PEDF (Philippine Enterprise Development Foundation), a non-
profit technical assistance organization that the
author helped create in 1990 in Metro Manila,
as a joint effort by Filipino and American
associates. A U.S. board was established, con-
sisting largely of Americans who had spent time
in the Philippines and were concerned about the
nation’s future. A PEDF board was simultane-
ously created in Manila, made up of native
executives, bankers, academics, and economists.
It oversees a technical assistance center, hires
indigenous staff members, and sets policy and
strategy for the organization (Woodworth,
1997).

Based on a series of interviews in the U.S.
and several in-depth trips to observe and pro-
vide training in the Philippines, the following
picture emerges of this NGO — a small-scale
alternative to Grameen and Banco Sol. PEDF’s
focus is to enhance sound business practices
among the urban poor so that participants
can create jobs and provide for their families.

PEDF services are not limited to offering
credit, but include small business training, start-
up assistance, referral services, field consulting,
business environment analysis, walk-in services,
the creation of business plans, and micro-
finance. Whether helping a potential client
launch a new business or strengthening the
capabilities of microentrepreneurs already
operating, the primary issues addressed are
growth, productivity, and profitability. The
ultimate goal is to develop self-reliance among
those who previously had no business training
or access to credit.

There are several problems in the informal
economy of the Philippines. For many, the
primary one is a lack of financial management
skills, so PEDF helps them create a simple
accounting system. For others with a small
operating enterprise, the difficulty is a lack of
growth because people have no marketing
skills. In still other cases, the challenge is to
build a total quality management (TQM) system
in the family business so that products better
satisfy customer expectations.

Applications of new, small business tools in
other Third World settings by EMI suggest the
potential for achieving results similar to those
of the Philippines. In 1995, microenterprise
projects were launched by the author and U.S.
associates south of the United States. In
Mexico, an NGO called Fundacion Dignidad
was created with a technical assistance center in
Mexico City. A staff was trained, a local board
of area business executives was created, and
funds were donated from individual North
Americans, as well as the Citicorp and Levi
Strauss foundations.

At about the same time, similar structures
were established in Guatemala City after de-
cades of internal struggle, political oppression,
and civil war. Known as Mentores
Empresariales, this NGO now has a staff of 10,
including a director, secretary, trainers, and
consultants. While both NGOs in Latin America
face the daunting task of combating ever-in-
creasing poverty, gradual change is occurring.
These interventions in Latin America are at-
ttempting to discover new methods for develop-
ing the poor in the informal economy.

EMI’s efforts in the Philippines have gradu-
ally expanded, and the results so far are quite
impressive for a startup NGO. During the first
five years, not only was PEDF established in
Manila, but two other NGOs began in the
central and southern islands of the Philippines:
Visayas Enterprise Foundation and Mindanao
Enterprise Development Foundation. Adding in
Mexico and Guatemala, the 1998–1999 EMI
overall outcomes were as follows:

• 1,182 new jobs created
• 6,000 estimated beneficiaries of higher
  living standards
• 26,142 participants in small business train-
  ing programs
• 3,060 business seminars conducted
• 3,523 small business loans accessed
• 6,423 consulting contracts

And perhaps most impressive, these results
were obtained with an annual budget of only
approximately $1 million.

Summary and Conclusion
The following table creates a topology of the
various approaches to microfinance described in
this paper.

While most microcredit efforts are too new to
be evaluated fully, a few studies point to posi-
tive results. Microentrepreneurship and credit
tend to increase women’s upward mobility
(Todd, 1996); approximately one-third of
Grameen borrowers have moved out of poverty
(Yunus, 1997); and by contributing to family
income, female borrowers have gained more
leverage in family decisions (Sebast & Chen,
1996). On the other hand, potentially negative
effects might include increased workloads for
Third World women laboring as microentre-

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<table>
<thead>
<tr>
<th></th>
<th>Grameen Bank</th>
<th>Banco Sol</th>
<th>Enterprise Mentors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal start-up date</td>
<td>1983</td>
<td>1992</td>
<td>1990</td>
</tr>
<tr>
<td>Type of services</td>
<td>Poor peoples' bank: lending and savings</td>
<td>Poor peoples' bank: lending and savings</td>
<td>NGO which offers loans, seminars and consulting</td>
</tr>
<tr>
<td>Primary affiliation</td>
<td>Bangladeshi government</td>
<td>Bolivian private sector and government</td>
<td>U.S. based international NGO</td>
</tr>
<tr>
<td>Purpose</td>
<td>Economic empowerment of</td>
<td>Community development</td>
<td>Entrepreneurial development</td>
</tr>
<tr>
<td>Geographic location</td>
<td>Bangladesh</td>
<td>Bolivia</td>
<td>Philippines, Mexico, Guatemala</td>
</tr>
<tr>
<td>Number of borrowers</td>
<td>2.2 million</td>
<td>62,000</td>
<td>5,900</td>
</tr>
<tr>
<td>Female entrepreneurs</td>
<td>94%</td>
<td>78%</td>
<td>61%</td>
</tr>
<tr>
<td>Size of group</td>
<td>20–30 people</td>
<td>3–10 people</td>
<td>varies</td>
</tr>
<tr>
<td>Total loan portfolio (US$)</td>
<td>$2 billion</td>
<td>$43.1 million</td>
<td>$1.2 million</td>
</tr>
<tr>
<td>Average initial loan (US$)</td>
<td>$64</td>
<td>$80</td>
<td>$170</td>
</tr>
<tr>
<td>Requirement of savings</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Locale</td>
<td>Mostly rural</td>
<td>Urban and rural</td>
<td>Mostly urban</td>
</tr>
<tr>
<td>Number of offices</td>
<td>1,094</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td>Number of employees</td>
<td>12,600</td>
<td>90</td>
<td>40</td>
</tr>
<tr>
<td>Interest rates on loans (APR)</td>
<td>16%</td>
<td>54%</td>
<td>30%</td>
</tr>
<tr>
<td>Funding Sources</td>
<td>Client deposits, many large foundations</td>
<td>Client deposits, Bolivian government, Bolivian public, USAID, Calmewood (Canada)</td>
<td>Client deposits, private donors, a few foundations</td>
</tr>
<tr>
<td>Loan repayment rate</td>
<td>98%</td>
<td>99%</td>
<td>93%</td>
</tr>
</tbody>
</table>
preneurs in the informal economy, as well as being primary care givers inside the home. Another possible downside to microcredit for women is that men might work less now that they enjoy a new, second income. Also, they may attempt to use the wife’s hard-earned income for their own recreational habits. Obviously, more data in the coming years will shed light on the pluses and minuses of grassroots development through small enterprise strategies.

However, the broad assessment of microentrepreneurship, microenterprise, and microfinance strategies seems to hold considerable promise. These bottom-up methods are being implemented in Asia, Latin America, Africa, the former Soviet Union, and even in the United States (Carbonara, 1997). Based on explosive growth in recent years, it may indeed happen that the wretched suffering of the have-nots may significantly diminish in the new millennium.

Dr. Woodworth teaches MBA courses in organizational change, effectiveness, and international economic development at the Marriot School of Management; he has published over 100 articles and six books, including Small Really Is Beautiful: Micro Approaches to Third World Development — Microentrepreneurship, Microenterprise, and Microfinance.

REFERENCES

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