INSPIRING SUCCESS: PERSONALIZED TRAININGS FOR MICROENTERPRISES

Adding sessions with role models and individualized assistance to intensive training courses for microentrepreneurs increased their household incomes, mainly through improved business practices and performances.

Featuring an evaluation by by Jeanne Lafortune, Julio Riutort, and José Tessada

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Microenterprises play an important role in labor markets in lower income countries by providing opportunities for self-employment and additional income. This can be especially relevant for those without access to stable or formal employment. However, microenterprises in developing countries tend to experience low growth and productivity, and microenterprises rarely hire employees outside of family members. Lack of access to credit and limited business management knowledge are among the most commonly cited factors for poor outcomes for microenterprises[1].

Training courses that focus on financial and managerial skills for microentrepreneurs are a widely used strategy to overcome the aforementioned constraints. However, previous research on business training found limited impacts on microenterprise growth and productivity. This suggests that microenterprises may face other barriers to improve their performance or that the trainings may have been poorly targeted to microenterprises needs.

Between 2013 and 2014, Jeanne Lafortune (Pontificia Universidad Católica de Chile, J-PAL), José Tessada (Pontificia Universidad Católica de Chile, J-PAL) and Julio Riutort (Universidad Adolfo Ibáñez) worked together with the Chilean non-profit organization Simón de Cirene to conduct a randomized evaluation on the impact of personalizing intensive training courses for microentrepreneurs. In addition to conventional classroom trainings, this program included two innovative personalized components to the courses: the integration of role models into the curriculum and the provision of individualized technical assistance.

KEY RESULTS:

Personalized training courses for microentrepreneurs increased household income. One year after the program, participants who either participated in a role model session or received individualized technical assistance earned US$30 - US$50[2] more in total income, about 15 percent more than businesses in the comparison group.
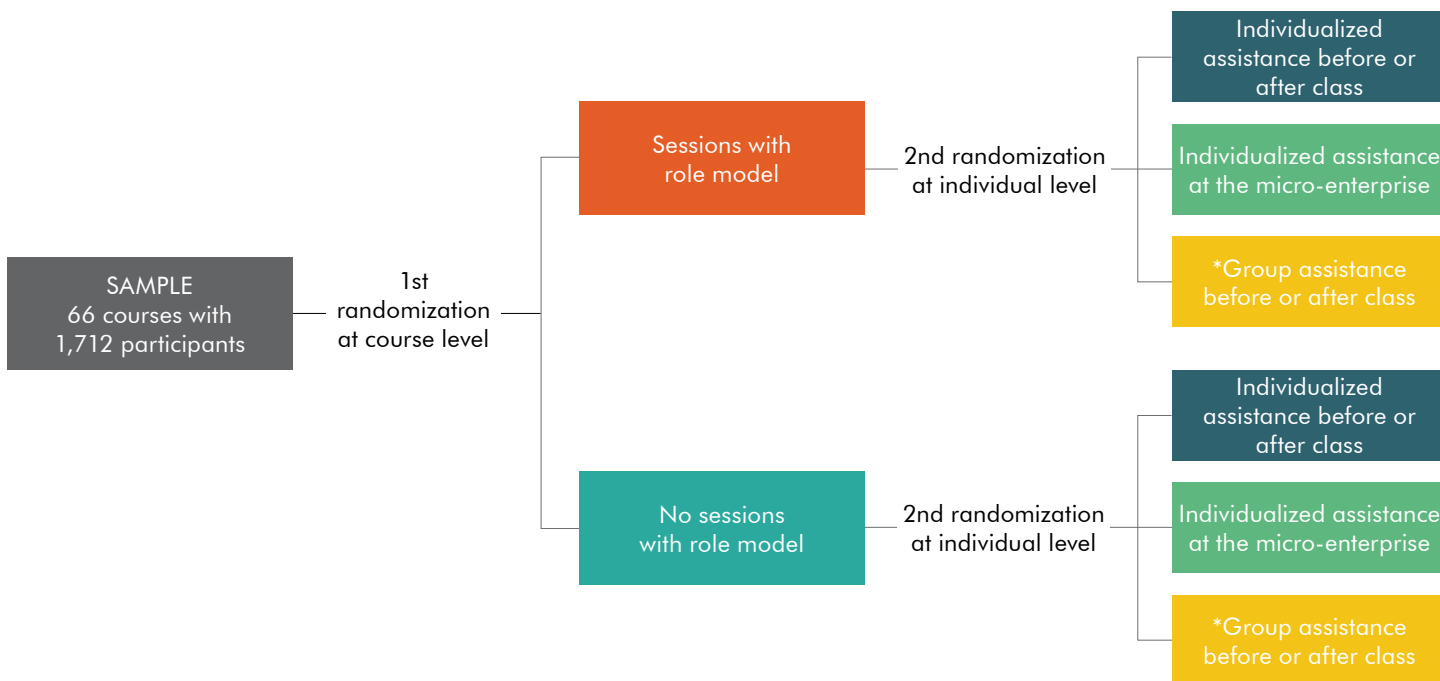
Individualized assistance increased business knowledge, while role models boosted confidence. The tailored components improved income through different channels: personalized assistance affected income by increasing knowledge and improving business practices. Role models boosted microentrepreneurs' confidence, leading to investment decisions that grew their businesses.

The additional personalized components benefited different types of microentrepreneurs. Role models had a larger impact on less experienced microentrepreneurs, while individualized assistance benefited participants with higher educational levels and more mature businesses. This underscores the importance of targeting trainings to participants' characteristics.

Including role models in instruction was more cost-effective than the individualized technical assistance. The role models in the courses were not professional motivational speakers, but rather former course participants with different characteristics.This suggests that this type of intervention may be a low-cost and replicable way to personalize other business trainings for microentrepreneurs.

EVALUATION

FIGURE 1. SESSIONS VARIED BY THE TYPE OF PERSONALIZATION AND THE LOCATION OF THE TRAININGS

*These serve as comparison groups

In 2016, 21 percent of Chilean workers were self-employed or owned a microenterprise, according to the National Institute of Statistics. Many individuals reported these endeavors as temporary or irregular forms of employment. In recognition of the importance of microenterprises, the Chilean non-profit Simón de Cirene aims to improve the welfare of microentrepreneurs through financial and managerial training courses. Simón de Cirene trains informal microentrepreneurs—both individuals who already own a small business or those who wish to open one—in the lowest two income quartiles.

Simón de Cirene partnered with researchers to conduct a randomized evaluation to study the effects of adding role models and personalized technical assistance to its standard in-person business trainings. The evaluation included 66 courses for a total of 1,712 participants. On average, 92 percent of the participants were women. Half of the participants had graduated from high school and about 30 percent had earned a technical certificate or university education.

To measure the impact of role models on microentrepreneurs, researchers first randomly assigned roughly half (34 of 66) of all courses to receive a role model session. The remaining 32 courses served as a comparison group. Role models were former participants of Simón de Cirene's training courses with successful businesses and average incomes of US$3,000 per month. Role models visited a class for an hour to share how they applied information from the training to their business. Additionally, the role models gave practical advice on seed capital funds and other business topics.

In a second stage, within 53 courses that taught basic business skills,[3] the researchers randomly assigned a total of 1,347 participants to one of three formats of technical assistance. One-third of participants in each class received individualized assistance at the microentrepreneurs' place of business. One-third of participants in each class received: individualized assistance before or after class. The remaining third received group assistance before or after class and served as the comparison group.

Participants in each group received the same content, including learning how to use different types of business strategies, such as break-even point analysis and SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis.

Researchers had access to Simón de Cirene's administrative data on participants' socio-economic characteristics and attendance rate. Researchers also collected data through an in-class questionnaire and a phone survey one year after the start of the program to measure business knowledge and microenterprise outcomes.
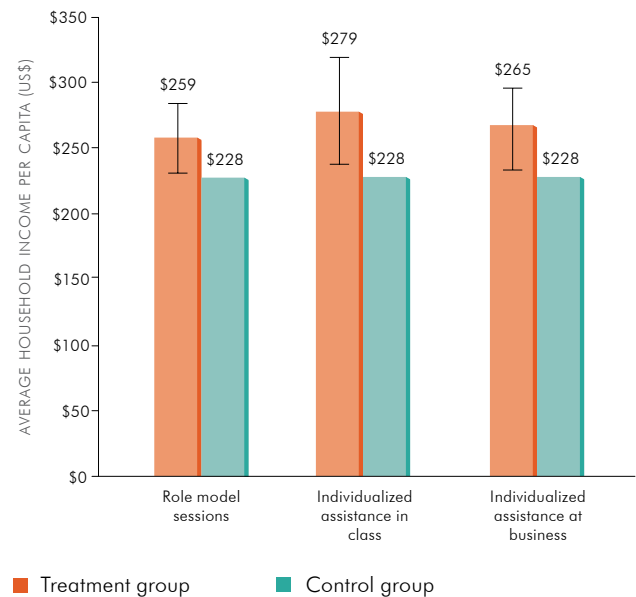
RESULTS

PHOTO: JUAN ARREDONDO/GETTY IMAGES REPORTAGE

Personalized training courses for microentrepreneurs increased household income. One year after the program, microentrepreneurs who received either the role model session or the individualized technical assistance earned US$30 - US$50 more over the last month, about 15 percent more than businesses in the comparison group.

Role models increased business performance through changes in motivation and expectations. Engaging with role models during the training made microentrepreneurs more optimistic about their businesses. In turn, microentrepreneurs took action to grow and formalize their businesses. Microentrepreneurs were more likely to apply for seed funds or to formally register their business with the tax authorities. Engaging with role models also increased the likelihood that microentrepreneurs continued to operate their businesses and improved other business outcomes. However, adding role model sessions did not have an impact on the learning levels of participants as compared to the standard curriculum.

Individualized technical assistance increased business performance through better administrative practices. Individualized assistance improved participants' business knowledge as measured by final exam performance, the number of business analyses conducted, and the ability to properly calculate revenues. Personalized assistance impacted business performance through improved knowledge and adoption of better administrative practices, rather than through motivation like the role models. There was no difference in impact between microentrepreneurs who received individualized assistance at their business versus during class.

FIGURE 2. PERSONALIZED ASSISTANCE INCREASED HOUSEHOLD INCOME

■ Treatment group   ■ Control group

Notes: At the time of the evaluation, US$1 was equivalent to ~CLP 553. The exchange rate was calculated using the monthly average across the entire study period, from March 2013 to May 2015.

Statistically significant difference relative to the comparison group is noted at the 1% (*), 5% (**), or 10% (*) level.

The additional personalized components benefited different types of microentrepreneurs. Individualized assistance had greater impacts for microentrepreneurs with more years of experience and higher educational degrees. In contrast, role models had larger impacts for those with younger businesses and less experience, regardless of participants' formal education levels.

Including role models in instruction was more cost-effective than the individualized technical assistance. The role model sessions cost about one-tenth of the individualized assistance, but both personalized components achieved similar impacts regarding business income. The difference in costs reflects the different costs of hiring individuals to provide each personalized component and whether the component was delivered individually or in a group setting. Simón de Cirene hired professional consultants to provide technical assistance, while the role models were former students of the training courses. Additionally, role models engaged with the entire class, while a consultant worked with only one entrepreneur at a time.

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1 For more information see the following literature review: McKenzie, David, and Christopher Woodruff. 2017. "Business Practices in Small Firms in Developing Countries." *Management Science*, 63(9): 2967 - 2981.

2 At the time of the evaluation, US$1 was equivalent to CLP 565.

3 Of the 66 courses included in the first stage of the evaluation, 53 courses covered basic content and 13 courses followed a more advanced curriculum. Only the 53 courses that delivered basic content participated in the second stage.

4 McKenzie, David, and Christopher Woodruff. 2017. "Business Practices in Small Firms in Developing Countries." *Management Science* 63 (9): 2967–81.

POLICY LESSONS

Microentrepreneurs face a variety of barriers which can be effectively addressed by personalized trainings. Though previous studies have found limited impacts from standard business training programs,[4] the results of this evaluation indicate that personalized trainings can remove important barriers beyond a lack of access to credit and limited business knowledge. The personalized components helped translate the acquired knowledge into practice, and role models boosted microentrepreneurs' confidence and motivation to make their business successful.

Adding sessions with role models to training courses can be a low-cost and replicable strategy to increase impact. Results suggest that training courses for microentrepreneurs do not necessarily need to hire professional coaches to effectively motivate participants, but can choose from a variety of microentrepreneurs to serve as a role model. The role models recruited from previous training courses worked in a variety of sectors, but were of a similar age and background to the microentrepreneurs participating in the trainings. Therefore, this kind of personalization can be an easily replicable and low-cost addition to trainings.

Tailoring activities to participants characteristics can improve the impact of training courses for microentrepreneurs. Role models and personalized advice benefited different types of microentrepreneurs. Sessions with role models were more effective for microentrepreneurs with limited experience, while individual technical assistance was more useful for individuals with higher education and established microenterprises. Therefore, targeting participants by education level and experience may lead to greater impact. However, more research is needed to understand how personalized trainings can best be adapted to participants' characteristics.

SCALE UP

Based on the results of the evaluation, Simón de Cirene incorporated role model visits into all of its classes. The organization continues to collaborate with J-PAL affiliates on other evaluations to improve trainings for microentrepreneurs.

The Abdul Latif Jameel Poverty Action Lab (J-PAL) is a network of affiliated professors around the world who are united by their use of randomized evaluations to answer questions critical to poverty alleviation. J-PAL's mission is to reduce poverty by ensuring that policy is informed by scientific evidence.

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