

Demand for an Entrepreneurship Training: Experimental Evidence from Mexico



Recent studies have shown that a psychology-based entrepreneurial mindset training can have promising effects on business outcomes, but there is little evidence on how to improve the financial sustainability of these programs. Researchers are evaluating the effects of an entrepreneurial mindset training paired with business training on firm outcomes for female entrepreneurs in Mexico. They are also investigating the demand for training programs and examining whether the returns to training change depending on how much an entrepreneur is willing to pay.

Policy Issue

Female entrepreneurs face unique constraints to starting and growing their businesses. On average, female-owned businesses tend to start with fewer financial assets, managerial skills, training, and education compared to their male counterparts. While billions of dollars are spent subsidizing skills training programs for women entrepreneurs worldwide, there is little rigorous evidence on how these trainings should be priced. On one hand, charging a price could target entrepreneurs who value the training, improve the financial sustainability of these programs and encourage the development of a market for business services.^[1] On the other hand, participants who are the least willing to pay might actually benefit more from the program, and high-potential firm owners with less cash on-hand could be screened out if they are unable or unwilling to pay for the program.^[2] There is evidence that suggests that firm owners do not necessarily know if they are poor managers and if they would benefit from further training, which could also be discouraging take-up.^[3]

Recent randomized evaluations have found that integrating psychology into entrepreneurial skills training programs can have stronger and more sustained impacts on sales and profits than traditional business training alone.^[4] However, scaling these in-person training programs nationwide can be challenging given the costs of implementation and potential difficulties in maintaining the quality of the program. New evidence can shed light on how to overcome these challenges by exploring participant fees, understanding what the optimal pricing structure could be, and examining whether the benefits of training change with participants' willingness to pay.

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COUNTRY

Mexico

PARTNER

World Bank

PROGRAM AREA

Small and Medium Enterprises

TOPICS

Human Capital & Skills, Training & Mentoring

TIMELINE

2019-

Evaluation Context

In Mexico, only 47 percent of working-aged women participate in the work force, compared to 67 percent in OECD countries.^[5] To address the low rates of women's work force participation in Mexico, researchers developed an entrepreneurship training program paired with personal initiative soft skills for female firm owners in collaboration with the Mexican National Institute of Entrepreneurship (INADEM) and Crea Comunidades de Emprendedores Sociales (CREA).^[6] The training program will be delivered to 1,000 randomly selected female business owners with 2 to 3 employees from Mexico City (México DF) and the State of Mexico (EDOMEX). It is part of a broader effort to understand the replicability and scalability of entrepreneurial mindset training given the demand in different contexts.

Details of the Intervention

The study will shed light on how demand for the entrepreneurship program changes as price changes, and if participants who pay higher prices are likely to exert more effort. Researchers will also examine what drives an individual firm owner's willingness to pay a certain price for training, and whether firm owners who are willing to pay more for the training see different impacts on business outcomes. Finally, they'll examine if those who pay higher prices exert more effort.

The entrepreneurship program is a combination of a psychology-based entrepreneurial mindset training paired with a hard skills program. The hard-skills training component covers cost and price determination, organization and production strategies, marketing and sales, and the creation of a business plan. The entrepreneurial mindset training focuses on developing personal initiative behavior including adopting a self-starting attitude, a future-oriented vision, and persistence. Training for both programs will be provided by professional instructors who have at least two years of professional and academic experience.

To understand the demand for training programs, participants will attend a demonstration to learn about the content of the entrepreneurship program and asked in private the price they are willing to pay to attend the course. Based on their responses and a menu of pre-determined prices, participants will be randomly offered a price for the course and assigned to one of the following groups:

- **Treatment group** (1,000 participants): Participants who are offered a price equal to or less than their reported willingness to pay will pay for the course and receive training.
- **Comparison group** (1,000 participants): Participants who are offered a price greater than their reported willingness to pay will not receive training and form the comparison group.

Detailed data will be collected through in-person surveys on business practices, personal initiative, business investments, use of finance, profits and revenue. The baseline survey will be taken at the demonstration session and the endline survey is scheduled for 6-8 months after the training.

Results and Policy Lessons

Project on-going; results forthcoming.

Sources

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