COMPLEMENTING MANAGERIAL TRAINING WITH SOFT SKILLS

PRELIMINARY EVIDENCE FROM MEXICO

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Trade & Competitiveness

September 2016

OUTLINE

1. MOTIVATION

2. THE INTERVENTION

3. PRELIMINARY RESULTS

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1. MOTIVATION

MOTIVATION

(1/3)

Micro-enterprises employ a substantial fraction of the population
- 47% in México (ENOE, 2013).

Two main constraints for entrepreneurial success (Bruhn et al. 2011)
- Access to credit
- Managerial skills

Weak effects of trainings on female entrepreneurs
- Interventions have not had a significant effect in increasing the size of female-owned enterprises nor in ensuring their survival. (De Mel et al, 2013)
- Female-owned enterprises tend to have lower returns to capital than male-owned enterprises. (De Mel et al, 2013)

MOTIVATION

(2/3)

However impact is found in some studies
- Valdivia (2012) trainings + technical assistance
- Calderón et al(2012) in Mexico using same managerial training (no soft skills + more rural settings + much smaller sample)

Heterogeneous effects
- Heterogeneity is found in some studies suggesting that impact is higher on those entrepreneurs with lower demand for trainings. (Valdivia 2012)

MOTIVATION

PREVIOUS STUDIES

Study	Gender	Profits		Revenues	
		% increase	95% CI	% increase	95% CI
Berge et al. (2012)					
	Male	5.4%	(-20%, +38%)	**31.0%**	(-4%, +79%)
	Female	-3.0%	(-23%, +22%)	4.4%	(-23%, +22%)
Bruhn and Zia (2012)	Mixed	-15%	(-62%, + 32%)	n.r.	n.r.
Calderon et al. (2012)	Female	**24.4%**	(-1%, 56%)	**20.0%**	(-2%, +47%)
De Mel et al. (2012)					
Current Enterprises	Female	-5.4%	(-44%, +33%)	-14.1%	(-68%, +40%)
Potential Enterprises	Female	**43%**	**(+6%, +80%)**	**40.9%**	(-6%, +87%)
Drexler et al. (2012)					
"Standard"	Mostly Female	n.r.	n.r.	-6.7%	(-24.5%, +11.2%)
"Rule-of-thumb"	Mostly Female	n.r.	n.r.	6.5%	(-11.4%, +24.4%)
Giné and Mansuri (2011)	Mixed	-12.1%	(-40%, +16%)	-2.0%	(-23%, +23%)
	Male	-6.1%	(-44%, +32%)	4.8%	(-25%, +34%)
	Female	-20.6%	(-62%, +20%)	-7.00%	(-41%, +27%)
Glaub et al. (2012)	Mixed	n.r.	n.r.	**57.4% (b)**	n.r.
Karlan and Valdivia (2011)	Mostly Female	17% (a)	(-25%, +59%)	1.9%	(-9.8%, +15.1%)
Mano et al. (2012)	Male	54%	(-47%, +82%)	22.7%	(-31%, +76%)
Valdivia (2012)					
General training	Female	n.r.	n.r.	9%	(-8%, +29%)
Training + technical assistance	Female	n.r.	n.r.	**20.4%**	(+6%, 37%)

MOTIVATION

- What is the joint impact of support services including **business training ("hard skills")** and **personal initiative ("soft skills")**?

- Can we improve outcomes by targeting a specific sub-group of women?

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WHAT WE EXPECT TO FIND

We are looking at the impact of the program at different levels:

Step 1: Learning → Step 2: Adoption of practices → Step 3: Business Performance

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SUMMARY OF PRELIMINARY RESULTS

LEVEL 1: LEARNING	Knowledge acquired on:
	    -Costs and pricing
	    -Legal and fiscal regards
	    -Knowledge acquired on marketing and sales
	    -Organization strategies and creation of business plan

LEVEL 2: ADOPTION OF PRACTICES	Management practice indexes Marketing, stock, records and finance Pricing Able to do accounting Does Accounting Total indexes

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SUMMARY OF PRELIMINARY RESULTS

LEVEL 3: BUSINESS PERFORMANCE	Changes in business Clients and products per day New products and ideas Hours and days worked Number of workers and salaries paid Firm registry and access to credit Market reach Sales and profits Input and materials expenditures
PERCEPTIONS	Wishes to grow or close Maximum loan expected Opportunity cost of closing business Expected salary on the labor market

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TWO SAMPLES ANALYZED

First experiment

- Representative of the typical female micro-entrepreneurs in Mexico
- Identified through a bloc enumeration
- Randomization for this group was done at the AGEB level
- Started from **initial large survey** (10,000+) female entrepreneurs surveyed through **block enumeration in high business density areas**

Second experiment

- "Interested sample" of women who became interested in the trainings after hearing about the program
- Randomization for this sample was done at individual level
- It started from an **initial sample of 5,000+ female entrepreneurs**

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KEY FINDINGS

For both experiments we find:

- An effect on acquired knowledge of management
- An effect on all management indexes except pricing.
- An effect on the firms' level of formality

Differences in size effects between two experiments:

- Substantially larger effects in experiment 1

Relatively to "training only":

- Comparable effects on # products and clients
- Stronger effect on managerial practices
- Weaker (non significant) of effect on profits and revenues

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2. THE INTERVENTION

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THE INTERVENTION

MUJERES MOVIENDO MÉXICO

Mujeres Moviendo México is a network of
INADEM* centers for entrepreneurial
development offering business trainings
and specialized services to female micro-
entrepreneurs.

**Crea, Comunidades de Emprendedores
Sociales A.C. (CREA)** is a Mexican non-
for-profit organization implementing the
program

*INADEM is the National Institute for
Entrepreneurs.

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THE INTERVENTION

COMPONENTS: 1 – "DESARROLLO DE HABILIDADES EMPRESARIALES"

42 hours of hard-skills training throughout fourteen weeks

Seven modules:

- Three hours, two times a week each:

  1. **COST** CALCULATION
  2. DETERMINATION **OF PRICES**
  3. **LEGAL AND FISCAL** CONCEPTS
  4. ORGANIZATION & **PRODUCTION STRATEGIES**
  5. **MARKETING**
  6. **SALES** STRATEGIES
  7. CREATION OF A **BUSINESS PLAN**

HARD

SKILLS

COMPONENT

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THE INTERVENTION

COMPONENT: 2 PERSONAL INITIATIVE

18 hours of soft-skills training throughout three weeks

SOFT

SKILLS

COMPONEN
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LEUPHANA
UNIVERSITÄT LÜNEBURG
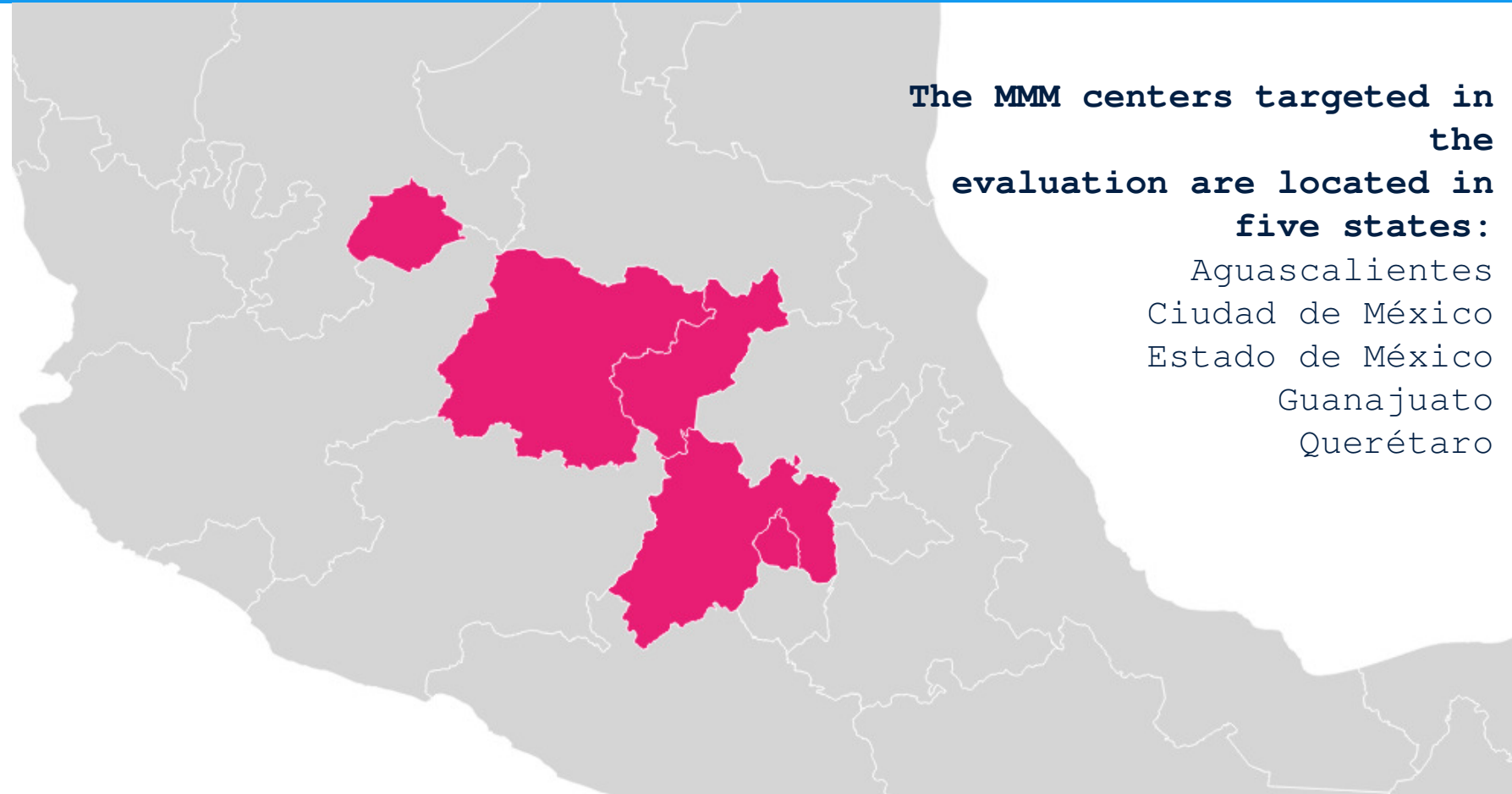
The Personal Initiative course seeks to promote:

1. Self-starting behavior: changes and innovation by herself promoting **actions instead of reactions**

2. Enhance future orientation: thinking of future market opportunities and to prepare to face possible obstacles.

3. Persistence against obstacles, helping entrepreneurs to preserve and gain competitive advantage.

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THE INTERVENTION

MUJERES MOVIENDO MÉXICO

The MMM centers targeted in the evaluation are located in five states:
Aguascalientes
Ciudad de México
Estado de México
Guanajuato
Querétaro

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BUSINESS CHARACTERISTICS

COMPARISON BETWEEN EXPERIMENT 1 AND EXPERIMENT 2

Business characteristics

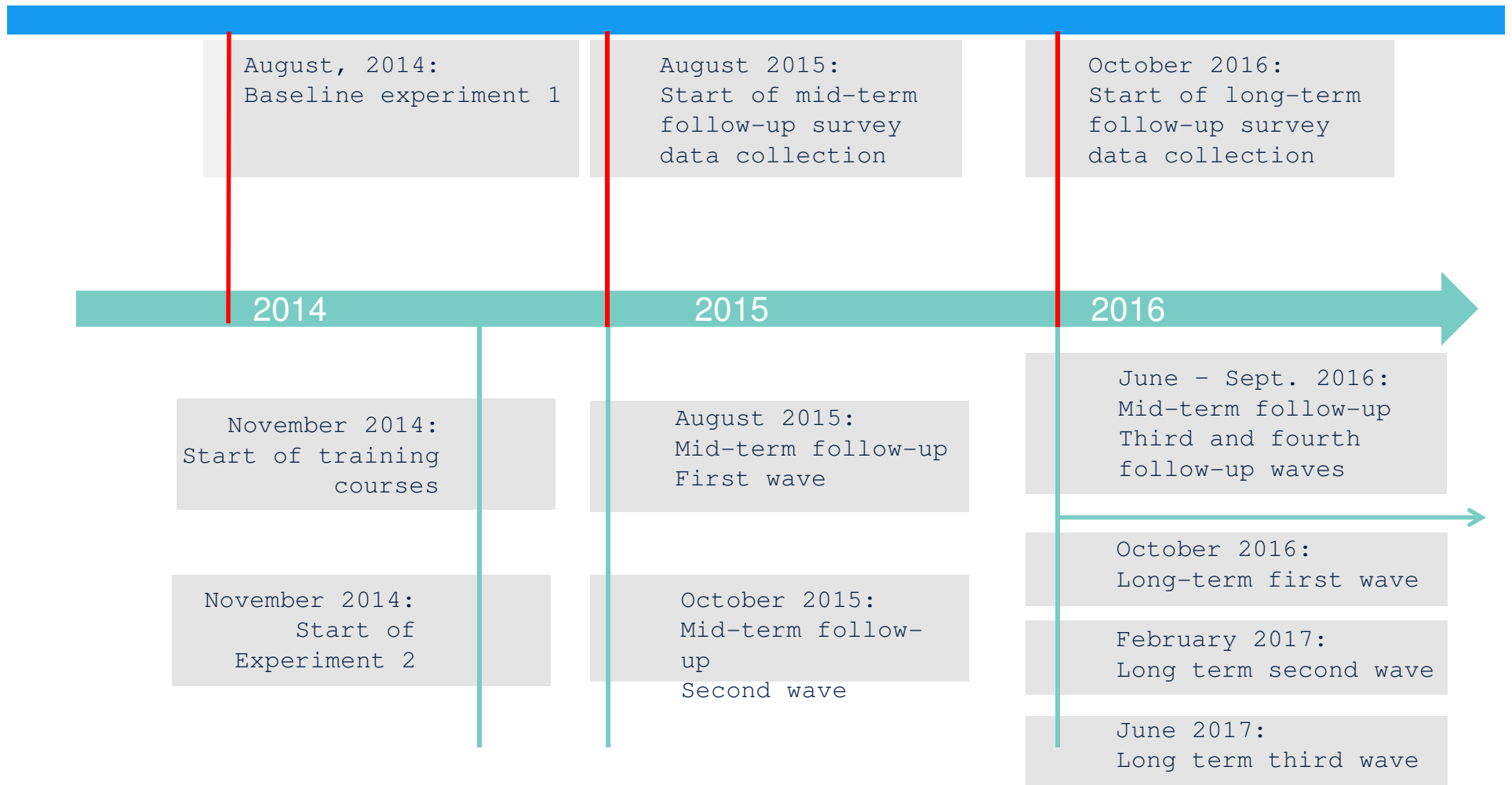**We find that entrepreneurs from experiment 1:**

- Attend more clients and sell more products per day.
- Have a higher monthly expenditure on inputs
- Work more hours and days a week.
- Have less workers, both paid and unpaid. They pay less salaries.
- Have lower sales per day and per week
- Have lower profits per day but higher profits per week

Cognitive

- Have less years of education, come from less educated families, and have lower scores for the Raven and Digit Span tests.

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TIMELINE

Two follow-up surveys

August, 2014:
Baseline experiment 1

August 2015:
Start of mid-term
follow-up survey
data collection

October 2016:
Start of long-term
follow-up survey
data collection

2014

2015

2016

November 2014:
Start of training
courses

August 2015:
Mid-term follow-up
First wave

June – Sept. 2016:
Mid-term follow-up
Third and fourth
follow-up waves

November 2014:
Start of
Experiment 2

October 2015:
Mid-term follow-
up
Second wave

October 2016:
Long-term first wave

February 2017:
Long term second wave

June 2017:
Long term third wave

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TAKE-UP AND FOLLOW UP SAMPLE

Take up of the program and mid-term follow up surveys conducted

	Control	Assigned to treatment	Completed treatment	TOTAL MID-TERM FOLLOW UP SURVEYS
Experiment 1				
Follow up sample	396	413	209	
	261 (34% attrition)	340 (18% attrition)	188 (11% attrition)	601
Experiment 2				
Follow up sample	1,048	956	503	
	785 (27% attrition)	748 (22% attrition)	418 (17% attrition)	1533

Average time after treatment:
Experiment 1 - *10.36 months*
Experiment 2 - *7.7 months.*

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BALANCE
Experiment 1

VARIABLES	treated	Obs.	VARIABLES	treated	Obs.
Management index	0.0213	599	Unpaid workers	0.00029	599
Marketing index	0.0105	601	Firm registry	0.0735*	601
Mgmt Stock index	-0.0197	601	Bribes paid per month	12,992	12
Mgmt Records index	0.0314	601	Access to credit	0.0476	600
Mgmt Finance index	0.0381	600	Market reach	0.0138	593
Composite Business Score	0.0214	600	Sales per day p99	85.79	543
Composite Busines Score Extended	0.0201	600	Sales per week p99	-75.25	547
Pricing index	0.0227	601	Profits per day p99	37.68	477
Accounting index	0.00543	601	Profits per week p99	222.0	484
Able to do accounting	-0.0330	601	Salaries paid per month p99	11.20	498
Total management index	0.0195	599	Inputs expenditure per month p99	-1,601	495
Hours worked per week	0.673	599	Wishes to have bigger business	-0.0211	601
Days worked per week	-0.112*	597	Max. loan they could get	34,533	347
			Opportunity cost of closing business	1,153**	481
Clients per day p99	0.288	596			
Products per day p99	-0.314	595	Salary that could be perceived	466.5	459
Number of workers	-0.0281	596	Wishes to close business	-0.0551*	601

BALANCE
Experiment 2

VARIABLES	treated	Obs.	VARIABLES	treated	Obs.
Management index	-0.00615	1,531	Unpaid workers	-0.0169	1,528
Mgmt marketing index	-0.00939	1,533	Firm registry	0.00445	1,513
Mgmt Stock index	0.00252	1,533	Bribes paid per month	-67.57	1,402
Mgmt Records index	-0.00899	1,531	Access to credit	0.00808	1,531
Mgmt Finance index	-0.00617	1,534	Market reach	-0.0145	1,529
Composite Business Score	-0.00686	1,531	Sales per day p99	-45.17	1,480
Composite Busines Score Extended	-0.00983	1,531	Sales per week p99	-47.90	1,489
Pricing index	-0.0183	1,536	Profits per day p99	-64.11	1,427
Accounting index	-0.0312	1,536	Profits per week p99	-12.25	1,412
Able to do accounting	-0.0726***	1,536	Salaries paid per month p99	14.61	1,489
Total management index	-0.00899	1,531	Inputs expenditure per month p99	-1,004	1,413
Hours worked per week	-0.113	1,533	Wishes to have bigger business	0.00643	1,536
Days worked per week	-0.0219	1,533	Max. loan they could get	-1,750	1,355
Clients per day p99	0.489	1,523	Opportunity cost of closing business	-241.7	1,383
Products per day p99	2.336	1,515	Salary that could be perceived	-135.5	1,405
Number of workers	-0.00175	1,505	Wishes to close business	-0.00118	1,536

TAKE UP ANALYSIS
Experiment 1

VARIABLES	Take-up	Obs.	VARIABLES	Take-up	Obs.
Management index	0.00728	339	Unpaid workers	-0.0329	339
Mgmt marketing index	-0.0200	340	Firm registry	0.0651	340
Mgmt Stock index	0.0211	340	Bribes paid per month	21,315	7
Mgmt Records index	0.0379	340	Access to credit	0.00338	339
Mgmt Finance index	0.00416	340	Market reach	0.00815	338
Composite Business Score	0.00606	340	Sales per day p99	41.21	299
Composite Busines Score Extended	0.00226	340	Sales per week p99	-18.81	300
Pricing index	-0.0742	340	Profits per day p99	80.34	263
Accounting index	0.0505	340	Profits per week p99	153.4	265
Able to do accounting	-0.0971*	340	Salaries paid per month p99	230.4	285
Total management index	0.00356	339	Inputs expenditure per month p99	2,228	271
Hours worked per week	3.983**	339	Wishes to have bigger business	-0.0181	340
Days worked per week	-0.0966	338	Max. loan they could get	-12,685	189
Clients per day p99	0.489	337	Opportunity cost of closing business	-490.0	274
Products per day p99	1.157	337	Salary that could be perceived	1,590*	263
Number of workers	0.0429	338	Wishes to close business	-0.00112	340

TAKE UP ANALYSIS
Experiment 2

VARIABLES	Take-up	Obs.	VARIABLES	Take-up	Obs.
Management index	0.0414**	750	Unpaid workers	-0.0123	750
Mgmt marketing index	0.0406**	750	Firm registry	0.0541*	750
Mgmt Stock index	0.0322	750	Bribes paid per month	-17.64	697
Mgmt Records index	0.0614***	749	Access to credit	0.0935***	751
Mgmt Finance index	0.0344	750	Market reach	0.0389	748
Composite Business Score	0.0419**	749	Sales per day p99	465.0***	720
Composite Busines Score Extended	0.0409**	749	Sales per week p99	278.4	724
Pricing index	-0.0217	751	Profits per day p99	96.89	688
Accounting index	0.0948***	751	Profits per week p99	223.0	684
Able to do accounting	0.00929	751	Salaries paid per month p99	116.5	736
Total management index	0.0404**	750	Inputs expenditure per month p99	403.0	679
Hours worked per week	0.930	749	Wishes to have bigger business	-0.00708	751
Days worked per week	-0.0776	751	Max. loan they could get	28,217*	658
Clients per day p99	-0.511	748	Opportunity cost of closing business	1,661**	681
Products per day p99	6.301*	743	Salary that could be perceived	388.4	690
Number of workers	0.0643	740	Wishes to close business	-0.0275	751

# 3. PRELIMINARY RESULTS

MID-TERM SURVEY

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SUCCESSFUL CASES

CASOS DE ÉXITO

Claudia | Querétaro, QRO

Claudia produce quesos y productos lácteos. En 2014, aplicó a la Convocatoria 2.2 del INADEM y resultó beneficiada con un apoyo de $70,000.00 pesos por su proyecto, con el cual pudo invertir en maquinaria más adecuada para realizar sus productos. Además, registró su marca y actualmente está pensando en llevar su producto a otros rincones del país.
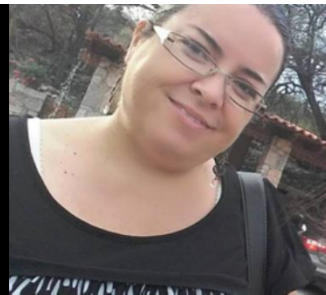
CASOS DE ÉXITO

Patricia | Toluca, EMX

Tomó las capacitaciones de MMM en Toluca en 2014.
Recibió apoyo de INADEM: 80,000 pesos de la Convocatoria 2.2
En tan sólo un año creció su negocio inimaginablemente: tiene más de 100 sabores de tamales y está exportando sus productos.

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PRELIMINARY RESULTS

METHODOLOGY

We use a simple ANCOVA estimation:

- ANCOVA where baseline data available:

$$Y_{i,t} = \beta_0 + \beta_T T + \beta_1 Y_{i,t=0} + \beta_2 Mbl_{i,t=0} + \epsilon_{it}$$

$Mbl_{i,t=0}$ is a dummy that takes the value of 1 when there is a missing value for the variable in the baseline.

- Post where baseline data unavailable:

$$Y_{i,t} = \beta_0 + \beta_T T + \epsilon_{it}$$

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EFFECTS ON LEARNING

How do we measure learning?

9 questions are posed with regards to the content of the 7 modules

of the **"managerial skills"** part of the program:

- Two questions on cost estimation
- Two questions on optimal pricing strategies
- One question on legal and fiscal considerations
- One question on organization and production
- One question on marketing
- One question on sales strategies
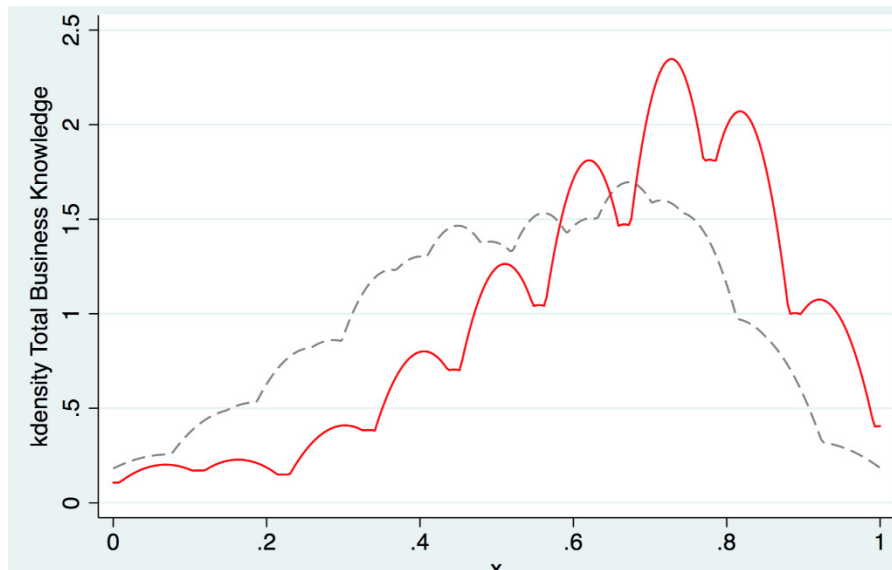- One question on creation of a business plan

The variable **Business Total Knowledge** corresponds to a total index considering all answers **and it is normalized**.

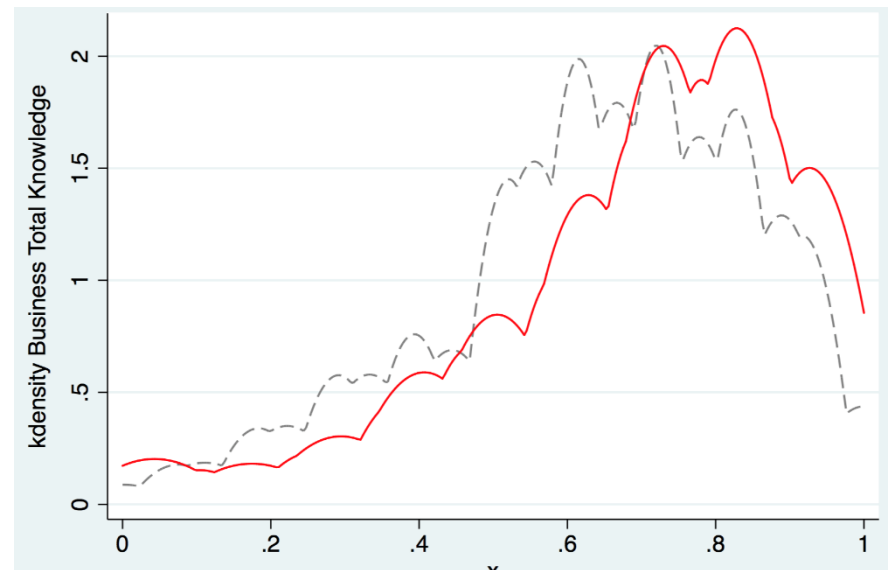**WORLD BANK GROUP**
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LEARNING

BUSINESS TOTAL KNOWLEDGE

——————— ITT group
——————— Control group

Experiment 1

Experiment 2

LEARNING

EXPERIMENT 1

	Control mean	Treated	N
Business total knowledge	0.5377	0.116**	601
Business knowledge - costs	1.3487	0.273***	601
Business knowledge - pricing	0.5364	0.167	601
Business knowledge - legal and fiscal concepts	0.4789	0.155***	601
Business knowledge - organization and production strategies	0.6475	0.068	601
Business knowledge - marketing	0.7395	0.074**	601
Business knowledge - sales strategies	0.341	0.175**	601
Business knowledge - business planning	0.7471	0.131*	601

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LEARNING

EXPERIMENT 2

	Control mean	Treated	N
Business total knowledge	0.6412	0.055***	1533
Business knowledge - costs	1.5516	0.110***	1533
Business knowledge - pricing	0.7962	0.086**	1533
Business knowledge - legal and fiscal regards	0.5401	0.141***	1533
Business knowledge - organization and production strategies	0.6879	0.042*	1533
Business knowledge - marketing	0.8662	0.016	1533
Business knowledge - sales strategies	0.465	0.098***	1533
Business knowledge - business planning	0.8637	0.001	1533

EFFECTS ON BUSINESS PRACTICES

How do we measure managerial practices?

Management index:

Composed by four measures of business practices
- Marketing score
- Stock score
- Records score
- Financial planning score

According to activities that they have implemented during the last three months and activities that they perform in the present to keep track of their business performance.

Total index:

Includes also practices on pricing and accounting

ALL INDEXES ARE NORMALIZED

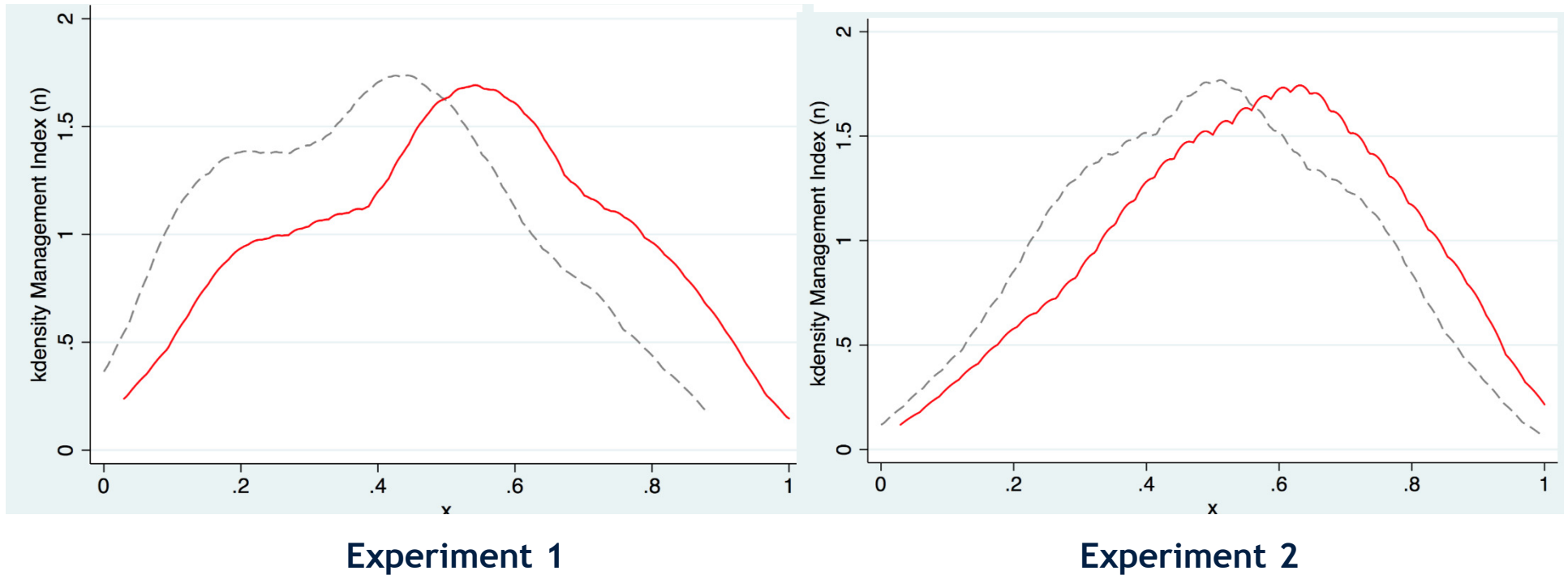# MANAGEMENT PRACTICES

MANAGEMENT INDEX

Experiment 1

Experiment 2

MANAGEMENT PRACTICES

TOTAL MANAGEMENT INDEX

KERNEL DENSITITES
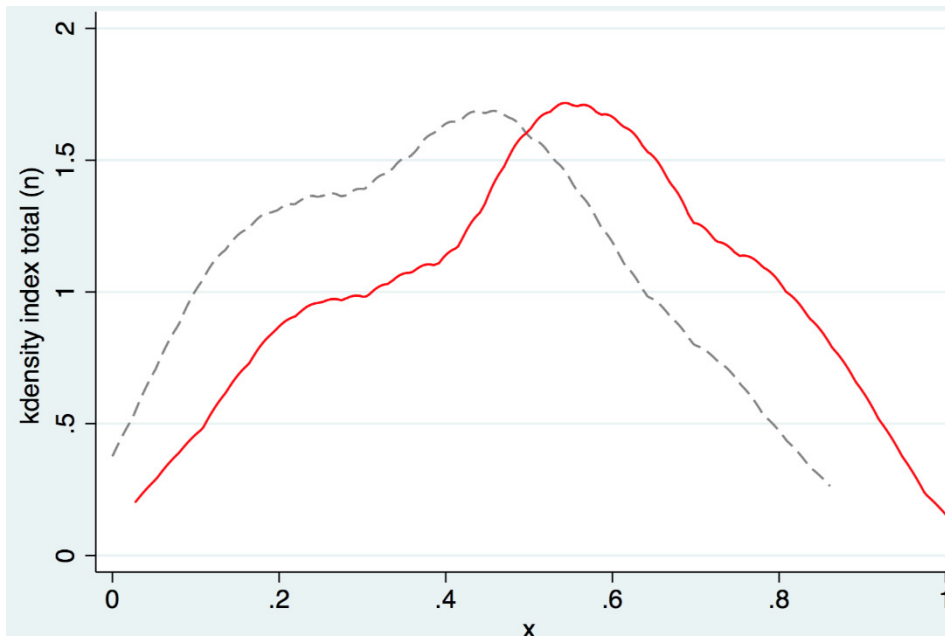
Experiment 1

Experiment 2

PRELIMINARY ANALYSIS

STEP 2: ADOPTION OF PRACTICES // EXPERIMENT 1

	Treated	N	control mean
Management index	0.107***	544	0.3974
Management - marketing index	0.111***	554	0.2918
Management - stock index	0.096***	554	0.5862
Management - records index	0.126***	554	0.5123
Management - finance index	0.103***	553	0.3725
Composite Business Practice Score	0.108***	553	0.4036
Composite Business Practice Score Extended	0.115***	553	0.4086
Pricing index	0.122**	601	0.6782
Accounting index	0.194***	601	0.5441
Able to do accounting index	0.240***	601	0.5402
Total index	0.114***	544	0.4027

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PRELIMINARY ANALYSIS

STEP 2: ADOPTION OF PRACTICES // EXPERIMENT 2

	treated	N	control mean
Management index	0.068***	1315	0.4933
Management - marketing index	0.060***	1317	0.4394
Management - stock index	0.051***	1317	0.6617
Management - records index	0.083***	1313	0.5958
Management - finance index	0.069***	1319	0.4368
CBP score	0.069***	1313	0.4987
CBP extend	0.074***	1313	17.7515
Pricing index	0.015	1533	0.7363
Index accounting	0.082***	1533	0.6408
Able to do accounting	0.127***	1533	0.6166
Index total	0.074***	1315	0.5018

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EFFECTS ON BUSINESS PERFORMANCE

How do we measure business performance?

We consider variables related to work performance (hours and days worked), and business performance (clients and products sold, sales, profits, and expenditure on inputs)

Most variables are trimmed at the 99 percentile

Variables are self-reported.

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BUSINESS PERFORMANCE

EXPERIMENT 1

	treated	N	Control mean
Has closed business	-0.057*	601	0.1034
Has opened a new & different business	0.02	601	0.023
Doesn't work	-0.044	601	0.0498
PI basic index	0.094	601	1.1839
New products and ideas	1.147	586	6.3452
Hours worked per week	2.079	539	47.8816
Days worked per week	-0.012	544	5.9913
Clients per day p99	1.23	544	21.2348
Products per day p99	0.529	538	26.4825
Number of workers	0.155	556	0.9068
Number of unpaid workers	0.005	597	0.2654
Number of paid workers	0.218**	597	0.2692
Firm registry	0.071**	415	0.5509
Access to finance	-0.049	553	0.319
Market reach	0.042	541	1.0783
Sales per day 99p	213.673	472	1,057.37
Sales per week p99	228.89	476	1,143.87
Profits per day p99	82.359	384	358.066
Profits per week p99	271.231*	380	1,499.68
Salaries paid per month p99	759.046	405	860.9406
Inputs expenditure per month p99	-523.234	421	12,598.35

BUSINESS PERFORMANCE

EXPERIMENT 2

	treated	N	control mean
Has closed business	0.015	1530	0.1277
Has opened a new & different business	-0.014	1530	0.0396
Doesn't work	-0.004	1530	0.0715
PI basic index	0.056	1533	1.2025
New products and ideas	0.019	1514	7.0784
Hours worked per week	-0.284	1293	36.6179
Days worked per week	-0.137	1310	4.9985
Clients per day p99	1.470**	1296	12.3585
Products per day p99	1.988*	1288	16.1126
Number of workers	0.034	1414	1.0485
Number of unpaid workers	-0.071*	1525	0.3478
Number of paid workers	0.079	1527	0.4076
Firm registry	0.057**	1011	0.2901
Access to finance	0.028	1308	0.2227
Market reach	0.007	1267	1.3746
Sales per day 99p	-50.435	1217	1,446.29
Sales per week p99	27.505	1231	1,546.08
Profits per day p99	-32.311	1149	636.5827
Profits per week p99	146.895	1110	1,483.00
Salaries paid per month p99	261.138**	1371	864.5805 P
Inputs expenditure per month p99	628.193	1043	6,000.82

PERCEPTION

	Treated	N	control mean
Wishes to grow	0.072	601	0.8084
Max. loan they could get	1339.8	307	17,038.28
Opportunity cost of closing business	125.62	423	8,497.70
Expected salary on the labor market	-601.4	386	7,237.77
Wishes to close business	-0.006	601	0.1571

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PERCEPTION

EXPERIMENT 2

	Treated	N	control mean
Wishes to grow	-0.018	1533	0.8497
Max. loan they could get	17.24	1119	20,344.91
Opportunity cost of closing business	448.663	1126	10,402.40
Expected salary on the labor market	567.468 *	1144	6,119.21
Wishes to close business	-0.011	1533	0.1159

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SUMMARY: PRELIMINARY ANALYSIS

FINDINGS
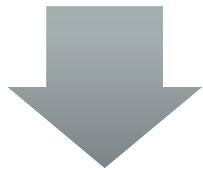
	EXP1	EXP2
Learning		
Business total knowledge	X	x
Business knowledge - costs	X	x
Business knowledge - pricing		x
Business knowledge - legal and fiscal regards	X	x
Business knowledge - organization and production strategies		x
Business knowledge - marketing	X	
Business knowledge - sales strategies	X	x
Business knowledge - business planning	X	
Adoption of practices		
Management index	X	X
Management - marketing index	X	X
Management - stock index	X	X
Management - records index	X	X
Management - finance index	X	X
Composite Business Practice Score	X	X
Composite Business Practice Score Extended	X	X
Pricing index	X	
Accounting index	X	X
Able to do accounting index	X	X
Total index	X	X

SUMMARY: PRELIMINARY ANALYSIS

FINDINGS

Business Performance		
Has closed business	X	
Has opened a new & different business		
Doesn't work		
PI basic index		
New products and ideas		
Hours worked per week		
Days worked per week		
Clients per day p99		X
Products per day p99		X
Number of workers		
Number of unpaid workers		X
Number of paid workers	X	
Firm registry	X	X
Bribes paid per month		
Access to finance		
Market reach		
Sales per day p99		
Sales per week p99		
Profits per day p99		
Profits per week p99	X	
Salaries paid per month p99		X
Inputs expenditure per month p99		

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PERCEPTION		Exp 1	Exp 2
	Wishes to grow or close		
	Maximum loan expected		
	Opportunity cost of closing business		
	Expected salary on the labor market		X

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COMPARING WITH MANAGERIAL SKILLS ONLY TRAINING

Business Literacy and Development: Evidence from a Randomized Controlled Trial in rural Mexico. Calderón et al, 2012.

Effect on:
- Standardized profits
  - Due to less expenses?
- Standardized revenue
- **Clients last day**
- **Products last day**
- **Formalization**

Effect not found on:
- Number of employees
- % correct on business practices exercises
- Use of formal accounting methods.

Outcomes are similar in the short run (1 year after treatment) and medium run (two And a half year after intervention)

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PRELIMINARY CONCLUSIONS

- **Importance of targeting**
  - Less skilled/capable entrepreneurs benefit more…but less willing to participate

- **Importance of soft skills and "personal initiative" training**
  - impact on managerial practices

- **Need to collect more data**
  - We are underpowered – effects are below the MDE

- **Importance of patience to find effects**
  - 6-8 months not enough

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STAY TUNED FOR MORE RESULTS....

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