Mentoring Small and Medium Micro-enterprises in Puebla, Mexico

Researchers:

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Sector(s): Finance, Entreprises

Fieldwork: Innovations for Poverty Action (IPA)

Location: Puebla, Mexico

Sample: 450 small and medium sized business owners

Target group: Entrepreneurs Small and medium enterprises

Outcome of interest: Employment Productivity

Intervention type: Business skills training

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Données: dataverse.harvard.edu

Partner organization(s): Institute for the Competitiveness and Productivity of Puebla (IPPC)

Policy issue

Microfinance has provided many businesses with access to investment capital, but few microenterprises make the jump to a small or medium size operation, and begin providing jobs for other laborers. While much of the discussion surrounding access to finance has centered on providing services to microenterprises, SMEs are often seen as the “missing middle” in developing economies. They are likely too large to be interested in typical microfinance loans, but may be too small to access other sources of capital. SMEs also face competition from larger enterprises, and may lack the management capacity to take advantage of market opportunities. Addressing the factors that constrain SME growth could have important effects on long-run economic growth and employment. Many public and private programs already exist with the goal of helping SMEs succeed and become more productive and competitive but little is known about the impact of such mentoring programs on employment generation, firm productivity, and profitability.

Context of the evaluation

This study takes place in the state of Puebla, Mexico, which is made up of urban Puebla City and other semi-urban and semi-rural surrounding areas to the east of Mexico City. While Puebla is home to some larger scale industry, a great majority of the economic entities there can be categorized as small and medium enterprises, engaging in small scale manufacturing or the provision of services.

Small business in Mexico. Photo: Takamex | Shutterstock.com

Details of the intervention

Researchers collaborated with the Institute for the Competitiveness and Productivity of Puebla (IPPC), a state agency that works with small and medium-sized enterprises to provide training and mentoring services, to identify beneficiaries of the program. The study included 450 owners of small and medium-sized businesses in the Puebla area who showed interest in obtaining mentoring services. Of the 450 sample firms, 150 were randomly selected to receive consulting and mentoring services offered through the IPPC, as well as a subsidy intended to support business operations. Mentors worked with the firms, consulting on a variety of topics relevant to business development. Though the interactions between mentors and firms was unscripted and varied based on the needs of individual businesses, mentors provided guidance and support with respect to goal planning, business strategy, human resources solutions, and market analysis, in addition to discussing other strategies for how to increase profitability.

Results and policy lessons

Results forthcoming.

Bruhn, Miriam, Dean Karlan, and Antoinette Schoar. "The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico." World Bank Policy Research Working Paper #6508, Washington, D.C., June 2013.

1. OECD (2013), Mexico: Key Issues and Policies, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/9789264187030-en