

Why entrepreneurship education fails in impoverished regions

August 22 2024, by Lele Sang



Credit: Nicole Smith, made with Midjourney

As formal employment opportunities are rare in impoverished regions, entrepreneurship is considered a key alternative to help people in such regions improve their livelihoods. Many development organizations have adopted a market-based approach to alleviating poverty, offering entrepreneurship education and training programs to help microentrepreneurs innovate in their businesses.

However, evidence suggests that these programs often fail to foster lasting change in entrepreneurs' behavior.

Research from the University of Michigan found that the way training programs are framed can play a crucial role in this adoption process. Most programs teach microentrepreneurs to do different things in their businesses by emulating successful entrepreneurs—what the researchers call within-logic contrasting—asking them to build new skills.

The research is [published](#) in the *Journal of Business Venturing*.

It turns out that it is more effective to ask microentrepreneurs to do things they are already good at doing at home like experimenting with recipes or jury-rigging gardening innovations, and just translate those skills into their [business](#), a cross-logic analogizing approach.

Charlene Zietsma, professor of sustainable enterprise at the Ross School of Business and the School for Environment and Sustainability, along with co-authors Angelique Slade Shantz of the University of Alberta, Geoffrey Kistruck of York University and Luciano Barin Cruz of HEC Montreal, conducted a field experiment in rural Sri Lanka involving 683 entrepreneurs.

Participants were randomly assigned to two groups and received training in adopting innovation practices such as developing new products, using varied marketing tactics, or adjusting pricing strategies. Both groups received identical training content but different examples and framing.

The study found that the cross-logic analogizing method, which referred to domestic innovations by people just like the study participants, was more effective at encouraging participants to adopt new business practices than within-logic contrasting, which talked about entrepreneurship innovations by noted Sri Lankan entrepreneurs.

According to the study, an example of within-logic contrasting: "Otara began with factory surplus export clothing. While a typical business person might have stuck with that, missing opportunities to grow the business by diversifying, Otara introduced new products (handbags, jewelry, homeware and LUV SL souvenirs). She also modified products by producing her own branded clothing rather than factory surplus export clothing."

In contrast, cross-logic analogizing allowed participants to relate the new concepts to something they were already familiar with, making it easier to understand and adopt.

Here is an example from the study: "Sri Lanka is facing a dengue epidemic with the monsoons approaching. Nipuni and Kasun are worried about mosquitoes but can't afford commercial repellents, and their son Charith is allergic to coils. They find burning coconut husks ineffective, but a neighbor suggests adding Maduruthala leaves, which works well. This innovative solution shows how modifying existing products can better meet customer needs."

"This approach reduces the fear of trying new things by showing that experimentation is already a regular part of their daily lives," Zietsma said.

The study also revealed that cross-logic analogizing not only enhanced the perceived attractiveness of new business practices making them seem fun, but also showed that within-logic contrasting in fact had a negative effect on perceived attractiveness.

Interviews with participants provided two primary reasons for the outcome. Rather than feeling motivated by the rags to riches success of the role model entrepreneurs, participants felt intimidated by it. Additionally, participants tended to forget that the role models started in

a similar situation to theirs and focused more on the grand outcomes rather than the incremental steps required for success.

These findings are relevant beyond impoverished Sri Lankan micro-entrepreneurs, the researchers say. In North American business schools, business icons like Bill Gates and Jeff Bezos are often used as examples to emulate.

However, such comparisons can be discouraging for aspiring entrepreneurs, who may feel demotivated by the gap between their current state and these success stories, the study's authors say. More relatable examples can provide familiar anchors and encourage incremental successes.

"This is particularly important for under-represented groups, such as women and racial or ethnic minorities, who face additional biases and lack relatable role models," Zietsma said.

The results of this research were put into immediate practice: The NGO partner on the research, Développement International Desjardins, trained more than 7,000 more microentrepreneurs in Sri Lanka using the insights and materials developed for this field experiment, and used these insights to adapt their training programs in other locations around the world.

More information: Angelique Slade Shantz et al, Exploring the relative efficacy of 'within-logic contrasting' and 'cross-logic analogizing' framing tactics for adopting new entrepreneurial practices in contexts of poverty, *Journal of Business Venturing* (2023). [DOI: 10.1016/j.jbusvent.2023.106341](https://doi.org/10.1016/j.jbusvent.2023.106341)

Provided by University of Michigan

Citation: Why entrepreneurship education fails in impoverished regions (2024, August 22)
retrieved 25 August 2024 from <https://phys.org/news/2024-08-entrepreneurship-impoverished-regions.html>

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