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ENGAGED LEARNING IN MBA PROGRAMS: HANDS-ON MICROFINANCE

Abstract:

Today's students in business schools are increasingly passionate about using their skills to change the world. This paper provides an opportunity to gain a vision for how professors may "juice" their classes by integrating management theory with real world problems. There are a growing number of colleges that seek practical and meaningful ways to get students involved in community service. Increasingly university students want the praxis of learning, in other words they seek the conceptual plus the practical. Often, these ideas are referred to as service learning or action research. They usually consist of a couple months of activities during the semester as pro bono consultants to local government agencies, nonprofit organizations, and so forth. The essence of this paper is the establishing of a new start-up venture with students that continues with the involvement of other students in the future, well beyond a given semester. The idea was to create an ongoing micro-enterprise program that would generate superb learning for current students, and build further in the future from one class to another.

Keywords:

Teaching, Practice, Microfinance, MBA, Social Entrepreneurship

MicroBusiness Mentors as a Case Study

This paper will describe, analyze, and offer university professors the opportunity to gain a vision for how their courses may integrate management theory with real world problems. At many universities, fostering business start-ups is a growing trend. While most U.S. universities in the United States did not teach entrepreneurship until several decades ago, today hundreds do. Many institutions now have multiple courses, and some go so far as to establish research centers for entrepreneurship, host start-up competitions, and award prize money for student team winners. From a handful in the 1970s today there are over 1,600. *The New York Times* recently called this explosion in curricula and programs devoted to entrepreneurship an “innovation arms race.” (Singer, 2015)

Introduction and Context

The context of this social innovation case occurred at Brigham Young University (BYU), one of the largest private universities in the world. It is owned by the Mormon Church and located in Provo, Utah, a region where Mormon pioneers fled to in the 1850s as they were persecuted and driven from the U.S. itself because of religious beliefs. Those years helped inspire a tough people who learned how to survive, and they created a culture of facing difficulties and hard work, self-reliance, social inventions, and a pioneering spirit. BYU represents that legacy today, and one way it is manifest is in becoming a well-respected academic institution for entrepreneurship. In fact, it ranks No. 2 for undergraduates by *Princeton Review* (2016), and among the top Ten for MBAs in the U.S. So these qualities help explain the rise of MicroBusiness Mentors, the case reported here.

There are also a growing number of colleges that seek practical and meaningful ways to get students involved in community service, having determined that abstract theories are not sufficient for a meaningful college education. New social entrepreneurship programs have fostered innovative associations emphasizing “Business as Unusual,” illustrated by Net Impact (2016), a consortium of MBA schools and students pushing for social impacts in business education. Thus, there is an increasing trend toward creating engaged learning, i.e. action-based knowledge, not just the acquisition of abstract concepts. Often, these methods are referred to as service learning or action research. They usually consist of a couple months of activities during the semester as pro bono consultants to local government agencies, nonprofit organizations, and so forth.

One of the ways I try to deepen student learning and lengthen impacts as a professor is to have worked with them in establishing new start-up ventures that continues with the involvement of other students in the future, well beyond a given semester. I have been doing this as an academic innovation in courses for nearly three decades (Smith and Woodworth, 2012; Woodworth, 2010). One such innovation has been to create an ongoing campus-based microenterprise program that generates superb learning for students, and builds from one class to another through the years.

MicroBusiness Mentors Start-Up

In my graduate level Organizational Behavior course over a decade ago, a group of students sought to use the class as an action learning experience, above and beyond traditional education that consisted of class discussions, quizzes, literature reviews, and so forth. Together we designed a small social experiment to move beyond the campus and address local poverty, especially among Latino immigrants who were growing into a huge new demographic. These new residents had problems securing legal status, haphazard mobility, unemployment, and poverty. This paper will share the methodology we used to design and launch a small, new project that we eventually transitioned into an NGO. We called the organization MicroBusiness Mentors (MBM, 2003). In Spanish it is called *Mentores para la Microempresa*.

This paper will briefly report on both the in-class and beyond the semester processes we went through, from a vague idea, to seeing a social need, to collecting data, and gradually expanding the project as other volunteers were recruited and trained, continuity was maintained from semester to semester, year after year. Now more than ten years later, later, MBM has a firm foundation as an independent, stand alone, registered NGO which provides MBAs, MPAs, and undergraduate students from business and other disciplines opportunities for learning in the field.

An interview students did with a microfinance client we will call “Roberta,” an immigrant from Mexico, captures the essence of why MBM became this kind of a project. For several months, Roberta worked for hours each day trying to sell enough jewelry at local stores in the Utah area to keep her small start-up business afloat. But the stores wouldn’t pay for the jewelry up front, and they took almost all the profits she hoped to earn, leaving her with all the work and little in the way of return.

“They wouldn’t pay me what I deserved,” Roberta said, “and I didn’t know how to make my business work. MicroBusiness Mentors’ classes helped me understand the market for my type of business.” Commenting on her continued success, she said, “I realized that I needed to sell directly to customers so I stopped selling my jewelry in local stores, and I opened a booth at the Farmer’s Market in Provo.... And my business keeps growing.”

Roberta’s husband also compliments her performance: “MicroBusiness Mentors gave my wife a lot more than business skills and a loan,” he said, “It gave her the confidence she needed to be successful.” (MBM Interview, 2007). After attending numerous continuing education classes with her fellow alumni, Roberta presented a revised business plan and received a second loan, in the amount of \$1,000, to finance her growing business. After that, she reported continual success as she applied the business principles she learned in MBM to keep her business growing.

Latino Immigrant Challenges

These efforts began during MBM's start up by creating a social venture business plan based on surveys of the communities and Hispanic subcultures in the local community of Provo, Utah whose needs were not sufficiently being met. The team utilized several studies that had been conducted by various research groups across campus in previous years and discovered that the town's minority population, Hispanics in particular, suffered from extremely high levels of unemployment. Due to perceptions of high risk, many of those minorities, who were entrepreneurial by nature, were unable to acquire loans from banks to start their own businesses. We found that a number of them did not have legal papers to become employed in the formal sector where most businesses hire. Disadvantaged in terms of English language ability and education, many Latinos struggled to feed their families and obtain proper medical assistance. Moreover, a number of such families were forced to move three to four times a year, from one rental unit to another, causing the children to suffer as they were shuffled between schools.

Recent consumer research reports that immigrants and minorities feel "Rejected, Shackled, and Alone," as some data reveal when they cannot access loans or other financial services (Bone and Others, 2014). The ability to choose one's resources in launching a business is seen as part and parcel of the "American Dream." Yet for a growing segment of the U.S. population, such opportunities are becoming more difficult. One result of that is such individuals become less like regular citizens and grow more stressed as securing financing becomes more difficult. The consequence is that there is lower self-esteem, self-efficacy, and a sense of having to "paddle uphill" to establish a small enterprise (Bone, 2014).

To address some of these concerns, a group in my OB course for Masters of Public Administration (MPA, 2003) students decided to take on this issue in Brigham Young University's (BYU) surrounding region. A class student team decided to fulfill the course project assignment by launching a program to generate economic sustainability within the local Hispanic community. The team designed and provided a series of training programs to first assess the need, then recruit clients, and finally, roll out a mentoring program so as to help low-income individuals learn small business skills.

They developed an eight module curriculum based on material from a number of international microlending institutions—Mentors International, Ouelessebougou-Utah Alliance, FINCA International, HELP International, Making Cents training materials, Academy for Creating Enterprise, Accion Contra la Pobreza, and most especially *la Fundación Chasqui*, a six-module training offered to clients in Peru and Bolivia (MFI Links, 2003).

Arrangements were made for all training to be offered in Spanish, thanks in part to BYU's huge number of fluent Spanish speaking students who have served Mormon missions throughout Latin America and Spain, as well as U.S. cities with large portions of Hispanics such as Miami, Los Angeles, Houston, Phoenix, and more. Training

participants were organized into groups that would work together and share business plan ideas, with the primary goal of helping them design new business start-ups locally.

Rolling Out MicroBusiness Mentors

After graduating from the training course, held Friday evenings after a day at work, and thus having a business plan and a peer support group, participants were given access to small loans of \$500. They were also assigned a mentor from the community, an entrepreneur who spoke Spanish, owned a local business, and could offer real-world experience to help with the implementation of a small start-up enterprise.

In the almost 14 years since its founding, MBM has continued to provide small business training and financial services to the low-income Hispanic communities in the surrounding areas. On campus, the organization has operated as a kind of classroom laboratory for many students who chose to become involved in microfinance to not only fulfill course requirements, but to make a meaningful difference in society. For the first several years, classes were conducted on the premises of the university in the Marriott School itself.

Over the past decade, students have continued to design and translate new training materials, provide group support, help raise money, and recruit more clients. Slowly, the effort has grown, and services have been provided to immigrants from Mexico, Argentina, Brazil, Spain, El Salvador, Guatemala, Costa Rica, and some from the southern U.S. who grew up in Hispanic communities. After several years of campus-based aiding individuals, MBM shifted its base away from the university, having been invited to operate under the umbrella of an area Hispanic NGO and the United Way—two non-profit organizations with operations in the area. These organizations were located in the city center, rather than the more exclusive university locations which was forbidding to some immigrants.

It should be mentioned that student university majors expanded over the years, above and beyond the early co-founders of MBM who were MPA, MBA and Organizational Behavior students to those majoring in Applied Economics, Latin American Studies, Education, Anthropology, Social Work, International Relations, Sociology, Entrepreneurship, Governance and Society, Non-Profit Management, Leadership, and so forth.

In addition, our project has expanded to other universities, including professors instructing such courses as Entrepreneurship, OB, Public Administration, to Social Innovation, OD, Microfinance, BOP, Social Entrepreneurship, CSR, and similar courses. Schools that have created their own campus microfinance programs with students include University of North Carolina, Yale, Brown University, and more.

Results

There are two kinds of outcomes from this type of education. One is at a practical result of benefiting Hispanic immigrants and other minorities/immigrants who are able to learn business skills, plan a microenterprise start up, receive a small micro-loan, and implement their projects. Later, they begin to move toward economic self-sufficiency and a better, more stable situation for their families.

This case also illustrates the potential impact of an engaging action learning experience of microfinance education for the university students themselves. Students learn to think beyond themselves and the quest to simply obtain a degree. As a project, MBM generally operates voluntarily by students, outside of class time, with no material (i.e., monetary) or academic (i.e., additional course credit) remuneration. The course serves as an incubator of sorts, a resource, a catalyst, and a place of idea generation, learning, and planning. For students, an important impact is to help them see themselves as change agents. The course provides them with the tools and the opportunity to unleash their potential. It impacts a student's sense of self-worth and capacity to use his/her college education in making the world a better place.

Long term outcomes reported by MBM college participants suggest that this practical, hands-on element of the management course has value beyond a single course in a classroom. For example, it has also helped a number of individuals to obtain great internship and/or better career opportunities after graduating from college. Countless recruiters seeking students for summer positions as accountants or for jobs in finance, organizational behavior, and marketing, have reported that individuals' MBM experience set them apart from other applicants who had only academic backgrounds. For students seeking NGO career positions, MBM volunteers have been selected to work at organizations like Ashoka, Grameen Bank, USAID, and so forth. In still other instances, some students have leveraged their MBM experience in getting accepted to graduate schools for further study. They report that in addition to good grades and GMAT scores, their MBM skills differentiated them from everyone else applying to MBA or MPA programs who also had equally high GPAs and test scores. It was their work as change agents that made them unique and attractive to admission officers. Recently they have been admitted to Harvard Business School, Yale, Stanford, Notre Dame, USC, Thunderbird, the Kennedy School at Harvard, Wharton, Boston University, UCLA, and Oxford, among others.

I believe the relevance of this kind of learning model has much promise as it grows across the university curriculum at many schools. Such teaching and mentoring of students in this approach is becoming a hot commodity as thousands of today's MBAs and undergrads are seeking to change the world, to use their new found expertise with great passion, above and beyond the experience of past generations. Professors willing to spend the time, energy, and creativity can foster meaningful learning experiences with students, going beyond a single semester or a specific group.

The BYU model established on its campus not only inspired students at other school individually. The idea has spread so much that there are now several associations of campus clubs and projects across America that meet together to share experiences and learn of new innovations. One of these is the Campus Microfinance Alliance, while another is Lend for America, a consortium of 23 university student groups that holds an annual conference.

Conclusions

Hopefully, the MBM case raises issues about weaknesses in our economic structure, the exclusion of many from our current system, resulting unemployment, poverty, and social injustice. It suggests one way professors of management and other courses may help call attention to societal inequities and go further by teaching students approaches for alleviating poverty on a small scale even while still college students.

While MBM is still a work in process, it clearly has generated worthy learning experiences, as well as empowering students to accomplish socially relevant impacts with their education. This presentation will give educators at a sense of the issues and complexities of designing and operating a student-based MFI during their studies. As various societies wrestle with challenges of immigration, especially, having business schools and professors consider designing their own programs for hands-on learning that benefit students while “giving back” to local communities, especially for immigrants, would be a great way to improve society.

This is not a rose-colored glasses case, however. Clearly there have been problems. They include issues such as the university’s chief legal department raising concerns about the school’s liability if problems arise; challenges in securing continuous student volunteers to offer some of their valuable college time for training; lack of funding as client numbers grow and request greater loans above \$500 per client; succession planning for student leaders from year to year as they graduate and move on; and more.

However, the evidence herein shows that universities can inspire practical learning experiences that enrich the educational process. MBM’s case suggests that learning can move from the classroom to the real world, in this instance a world of immigrants, poverty, refugees, especially Latinos, and the struggle for people to survive. Students in the trenches develop not only the capacity to learn meaningful concepts as theory, but also as personally engaged scholars making the world a little better.

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