

PERSONAL INITIATIVE TRAINING LEADS TO REMARKABLE GROWTH OF WOMEN-OWNED SMALL BUSINESSES IN TOGO

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KEY MESSAGES

- **Standard business training programs aim to boost the incomes of the millions of self-employed business owners in developing countries, by teaching accounting, marketing and other basic business skills.** However, research shows limited impacts of this traditional business training approach.
- **Through an experiment in Togo, we introduced the personal initiative training program, a new and effective psychology-based entrepreneurship training that outperforms traditional business training.** The personal initiative training increased firm profits in Togo by 30% relative to a control group, compared to no significant impacts from a traditional business training.
- **Personal initiative training led to more than just a boost in profits for microentrepreneurs.** After the training business owners were more innovative, introduced new products, borrowed more and made larger investments.
- **The personal initiative training was particularly effective for female entrepreneurs, for whom traditional training has often been ineffective.** Women who received personal initiative training saw their profits increase by 40%, compared to 5% for traditional business training.

GENDER INNOVATION LAB

The Gender Innovation Lab (GIL) conducts impact evaluations of development interventions in Sub-Saharan Africa, seeking to generate evidence on how to close the gender gap in earnings, productivity, assets and agency. The GIL team is currently working on over 50 impact evaluations in 21 countries with the aim of building an evidence base with lessons for the region.

The impact objective of GIL is increasing take-up of effective policies by governments, development organizations and the private sector in order to address the underlying causes of gender inequality in Africa, particularly in terms of women's economic and social empowerment. The lab aims to do this by producing and delivering a new body of evidence and developing a compelling narrative, geared towards policymakers, on what works and what does not work in promoting gender equality.

There has been a long-running debate about whether successful entrepreneurs are “born or made”. The billions of dollars spent by governments, microfinance organizations and non-governmental organizations indicate a strong belief that entrepreneurship can be taught. However, few evaluations of traditional business training programs offered to existing firms have found sustained impacts on business profits, particularly for women.

SO WHAT TO DO ABOUT IT?

In 2012, a research team from the World Bank set out to evaluate a business training program to be offered in Togo as part of a government-led project financed by the World Bank. The team proposed to test the International Finance Corporation’s (IFC) Business Edge program against an alternative training.

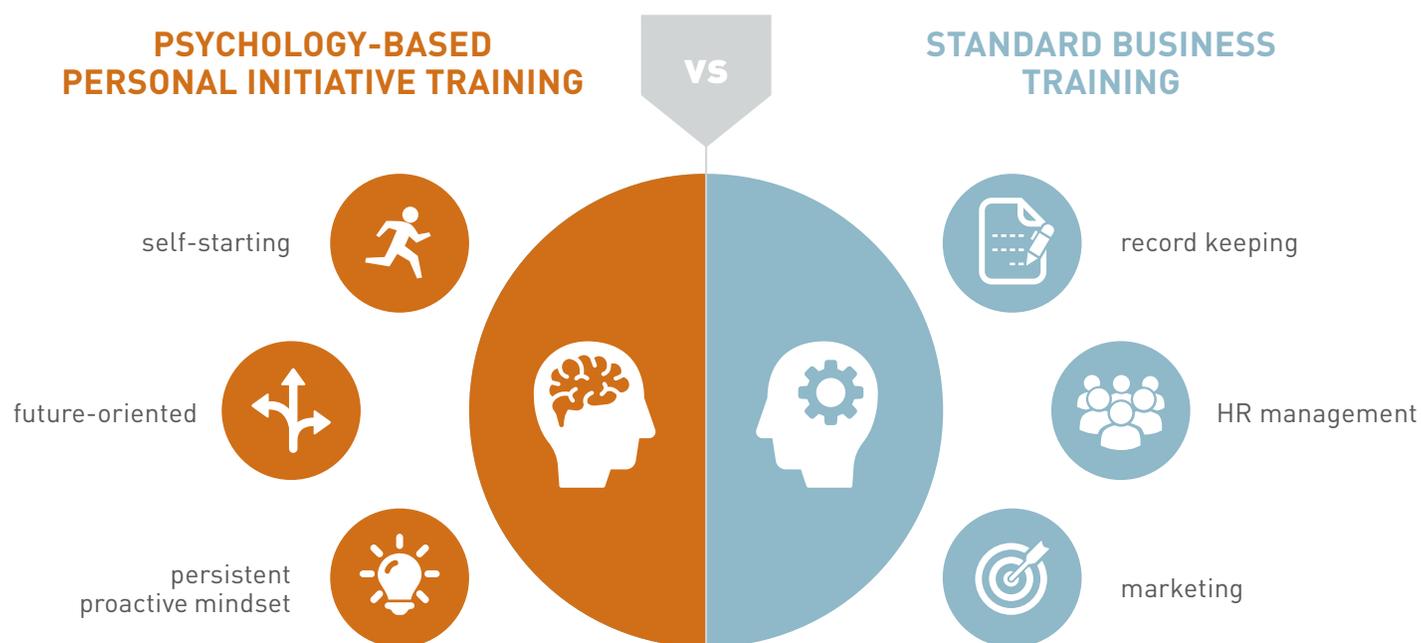
The alternative training approach, personal initiative training, was designed by psychologist Dr. Michael Frese to develop behavior associated with a proactive, entrepreneurial mindset, rather than teaching basic business skills. Personal initiative training strives to coach small business owners how to be self-starting, future-oriented and persistent.

It also teaches participants how to anticipate problems, look for new opportunities, and plan ways to overcome obstacles.

HERE’S WHAT WE DID

We conducted a randomized controlled trial (RCT) with 1,500 microenterprises in Lome, Togo, 53% of them female entrepreneurs, to compare the impacts of standard business training to personal initiative training. The microenterprises came from a variety of industries (27% manufacturing, 48% commerce, 25% services).

The 1,500 microentrepreneurs were randomly assigned into three groups, each of 500 firms: a control group, a traditional business training treatment group and a personal initiative training treatment group. The traditional business training focused on four core topics: accounting and financial management, marketing, human resource management and formalization. The personal initiative training focused on teaching self-starting behavior, innovation, identifying and exploiting new opportunities, goal-setting, planning and feedback cycles.





Personal Initiative Training Group

- self-starting behavior
- innovation
- identifying and exploring new opportunities
- goal-setting
- planning and feedback cycles
- overcoming obstacles



Control Group no training



Business Training Program Group

- accounting
- financial management
- marketing
- human resource management
- formalization

Both training courses were held for a total of 36 hours in three, half-day sessions per week in April 2014, followed by a trainer visiting the businesses individually once a month over the following 4 months to reinforce the concepts. Four rounds of follow-up surveys were collected between September 2014 and September 2016, enabling the research team to track business outcomes for more than 2 years after the training.

HERE'S WHAT WE FOUND

Togolese entrepreneurs who went through personal initiative training earned higher profits than those in the traditional business training or the control group. The personal initiative, psychology-based training, resulted in increased firm profits of 30% compared to the control group, and a statistically insignificant increase for the traditional business training. The traditional business training led microentrepreneurs to increase their use of standard business practices, such as accounting, marketing, and stock control. However, even without explicitly teaching these practices, microentrepreneurs who received personal initiative training adopted almost as many of these practices as those in the traditional business training program.

In addition to higher profits and increased use of standard business practices, business owners who received personal initiative training were more innovative, introduced more new products to their businesses, and were more likely to diversify into a new product line, than those in traditional training. After personal initiative training, business owners borrowed more and made larger investments.

Personal initiative training was particularly effective for female-owned businesses, for whom traditional training has often been ineffective. Women who received personal initiative training saw their profits increase by 40%, compared to the control group and a 5% impact for traditional business training. Personal initiative training increased error competence (ability to recover from errors) and entrepreneurial passion, which led to strengthened business success of female entrepreneurs.

While both the traditional business training and the personal initiative training cost around \$750 per participant (a cost subsidized by the study), the personal initiative approach paid for itself within one year given the increase in participants' monthly profits following the training.



Women who received
PERSONAL INITIATIVE TRAINING
saw their profits increase by

Women who received
TRADITIONAL INITIATIVE TRAINING
saw their profits increase by only



CONCLUSION

This study's findings make a strong case for the role of psychology in better influencing how small business training programs are taught in West Africa and beyond. It shows the importance of developing an entrepreneurial mindset in addition to learning the business practices of successful entrepreneurs. Based on these promising results, the personal initiative training is being implemented in programs in Mozambique, Mauritania, Ethiopia, Jamaica, and Mexico. Research underway in these contexts will reveal whether this training can develop more successful entrepreneurs in other settings as well, and will inform if other target groups such as rural communities can benefit from this training.

For more information on this study, see the
Policy Research Working Paper:

<https://openknowledge.worldbank.org/handle/10986/28386>

FOR MORE INFORMATION,
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