

Personal Initiative Training Leads to Remarkable Growth of Women-Owned Small Businesses in Togo

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Are entrepreneurs born or made? Our new study shows mindsets can be changed to be more entre-preneurial. In Togo, a psychology-based business training led to 40% increase in profits for women entrepreneurs.

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Topic at a Glance

There is increasing evidence in economics that better management and improved business practices matter for productivity in both large and small firms. However, evaluations of traditional business training programs offered to existing small firms have found limited impacts on business profits, particularly for women. A set of issues can play a role: while business training programs change knowledge, they may not lead to a large enough change in business practices to affect outcomes; or perhaps these programs are not teaching the right skills.

One approach to respond to the skills hypothesis has been to incorporate insights from other fields like behavioral economics and psychology. These approaches may replace the need for traditional business training or complement at the margin their effects.

In Togo, we tested the importance of alternative skills by comparing two types of training: traditional managerial training using IFC Business Edge, and a psychology-based personal initiative training program. The personal initiative had very large effects on innovation and capital investment, but also on business practices learnt in traditional programs, including record keeping and HR management. The evaluation showed that entrepreneurs who took the personal initiative training saw their profits rise by an average of 30% relative to the control group (40% for female entrepreneurs), compared with a statistically insignificant 11% effect for traditional training (5% for female entrepreneurs). The training is cost-effective, paying for itself within one year.

New Insights

- 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. 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 to track business out-comes for over 2 years after the training.



- 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.

Policy Recommendations

This study's findings make a strong case for the role of psychology in supporting profit growth for women entrepreneurs by helping them to develop an entrepreneurial mindset. Based on these promising results, the personal initiative training has been implemented in programs in several other countries including Ethiopia and Mexico, where it was combined with a traditional business training, and is being developed in other locations such as Mauritania, Mozambique, and the Democratic Republic of Congo. 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.

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