

# Thinking like an Entrepreneur: Boosting Small Business Growth with Mindset Training in Togo



What makes someone a successful entrepreneur? Is it a matter of teaching the right business skills, or instilling a proactive entrepreneurial mindset? If the latter, can these personal qualities be taught? This research in Togo investigated these questions, and found that a training focused on personal initiative skills, such as self-starting, future-oriented, and persistent behavior, was more successful than a traditional business training at increasing sales and profits.

## Policy Issue

There are competing beliefs on what knowledge and skills could make an entrepreneur succeed. Many programs, for instance, are founded on the belief that business management skills will be conducive to entrepreneurial success. Several evaluations of these trainings, however, have not found sustained impacts or have suffered from methodological challenges.

Some others believe that entrepreneurial success is determined by innate traits such as personal initiative as well as other traits associated with better entrepreneurial performance. However, few programs have attempted to instill these personal attributes in entrepreneurs, let alone compared the impact of such training to traditional business training. This research contributes evidence on whether the personal attributes that are considered to drive success can be taught, and if so, whether teaching these skills improves the business performance of microentrepreneurs.

## Evaluation Context

In Togo, a majority of firms (90 percent) is small and most of the workforce is employed informally. However, unlike many of its low-income peers, Togo's financial sector boasts a relatively high level of development and reach, with only 24 percent of Togolese firms rating access to finance as a major constraint to doing business. Therefore, the development of human capital and skills is a promising approach for raising the productivity of Togo's firms.

## Details of the Intervention

Researchers conducted a randomized evaluation measuring the impact of a psychology-based mindset



### RESEARCHERS

Francisco Campos, Markus Goldstein, Michael Frese, Leonardo Iacovone, Hillary Johnson, David McKenzie, Mona Mensmann

### COUNTRY

Togo

### PARTNER

Ministry of Commerce and Private Sector Development of Togo

### PROGRAM AREA

Small and Medium Enterprises

### TOPICS

Human Capital & Skills, Training & Mentoring, Women & Girls

### TIMELINE

2014-2016

training on business survival, sales, and profits, and evaluated how it compared to a traditional business training.

Researchers randomly assigned 1,500 microentrepreneurs, who had applied to a government project, to one of three groups:

1. **Traditional business training:** This group was offered a program based on the IFC's Business Edge training program, which covers accounting, financial management, marketing, human resource management and formalization.
2. **Personal initiative training:** This group was offered a program focused on teaching a mindset of self-starting behavior, innovation, identifying and exploiting new opportunities, goal setting, planning and feedback cycles.
3. **Comparison group:** No training was offered to this group during the study period.

Both training programs were delivered in three half-day sessions per week, over four weeks, followed by four monthly, three-hour visits by a trainer to each business for three hours to answer follow-up questions and anything related to implementation. Entrepreneurs attending either training paid a program fee of \$10.

Researchers measured impacts up to 2.5 years after the trainings took place, collecting follow-up data four times.

## Results and Policy Lessons

*Business survival:* Neither training showed statistically significant effects on firm survivability compared to the comparison group.

*Sales:* The effects of traditional business training on monthly sales was not statistically significant, while the personal initiative training represented a 17 percent increase (or \$241) relative to the control mean.

*Profits:* The personal initiative training had a positive impact on recipient firms' monthly profits, representing a 30 percent increase (or \$60) relative to the comparison group. The business training did not have a statistically significant effect, on the other hand.

*Mechanisms:* Looking at how the personal initiative training led to improved profitability and sales, researchers concluded that:

- Without focusing on traditional business skills, the personal initiative training increased the business practices index by a comparable amount to the traditional business training. Conversely, the traditional business training was only half as effective in jumpstarting personal initiative practices.
- While both traditional and personal initiative trainings had a significant effect on capital and labor usage, innovation, diversification, and access to finance, the effects were at least twice as large for personal initiative trainees.
- The personal initiative training is extremely cost-effective, paying back the cost within approximately one year. A lower bound on the return on investment is 82 percent,

Taken together, these results suggest certain entrepreneurial attributes can be taught and can make a positive impact on firm performance. More broadly, the results show the promise of psychology to better influence how small business training programs are taught, and the importance of developing an entrepreneurial mindset in addition to simply learning the business practices of successful entrepreneurs.

---

**GLOBAL HEADQUARTERS**

101 Whitney Avenue  
New Haven, CT 06510 USA  
+1 203.772.2216 | [contact@poverty-action.org](mailto:contact@poverty-action.org)

**poverty-action.org**