

# Entrepreneur Training Focused on Mindset Proves More Effective Than Traditional Business Skills in West Africa

2017-09-22 New research results from the Research Center for Entrepreneurship



Prof. Dr. Michael Frese and Dr. Mona Mensmann

New World Bank study, jointly released with the Leuphana University, and National University of Singapore Business School, reveals that psychology-based entrepreneur training programs are outperforming traditional business trainings amongst microentrepreneurs in West Africa, translating into increased firm profits by 30% compared to 11% for traditional business training.

The results, published in the journal *Science*, establish a fresh middle ground in a long-standing debate between whether an entrepreneur is “born or made”, showing that what have been assumed to be innate entrepreneurial attributes can be developed through training focused on developing a proactive mindset.

“Traditional business training focusing on accounting, marketing, and other basic business skills are widely used globally, but have shown limited impacts in a number of studies around the world,” said David McKenzie, Lead Economist in the World Bank’s Development Research Group and a study co-author. “It is important and noteworthy to find an alternative that works better.”

Researchers conducted a randomized controlled trial with a sample of 1,500 microentrepreneurs in Lomé, Togo, to compare the impacts of standard business training to personal initiative.

“This psychology-based training aims at developing key behaviors associated with a proactive entrepreneurial mindset such as self-starting behavior, innovation, identifying and exploiting new opportunities, goal-setting, planning and feedback cycles, and overcoming obstacles,” said Michael Frese, Professor at the National University of Singapore Business School and Leuphana University. Frese developed the alternative approach of personal initiative training and co-authored the study.

The trial, which consisted of the two trainings and four rounds of follow-up surveys, yielded surprising results. Togolese entrepreneurs who went through personal

initiative training earned higher profits than those in the traditional training or control groups at every percentile.

“The 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 5% for traditional business training,” added Markus Goldstein, a co-author of the study and head of the World Bank’s Africa Gender Innovation Lab.

Furthermore, the study was also able to show the more cost-effective nature of personal initiative training. While both the traditional business training and the personal initiative training cost around \$756 per participant (a cost subsidized by the study), the mindset-based approach paid for itself within one year given the increase in participants’ monthly profits following the training.

Going forward, the 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, and the importance of developing an entrepreneurial mindset in addition to learning the business practices of successful entrepreneurs.

The authors of the study also include Mona Mensmann of the University of Leuphana, Francisco Campos, Leonardo Iacovone, and Hillary Johnson of the World Bank.

Further Informationen:

Personal Initiative Training

Co-Author Dr. Mona Mensmann

Co-Author Prof. Dr. Michael Frese

Science (2017) - Teaching personal initiative beats traditional training in boosting small business in West Africa

Science (2017) - Details on methods and results

Press releases:

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The Economist

Wallstreet:online

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Autor: Rebecca Funken

E-Mail: [rebecca.funken@leuphana.de](mailto:rebecca.funken@leuphana.de)