

Entrepreneurial Mindset and Soft Skills Training for Business Growth

IPA Webinar

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Hard and Soft Skills for Entrepreneurs

- **Hard Skills:** set of business and management practices
 - E.g. record-keeping, marketing, budgeting, inventory control, planning....HR, quality control, lean manufacturing, etc.
 - Important for firm productivity and profits, and focus of standard training and consulting
 - Meta-analysis: for small firms, 5% increase in sales, 12% increase in profits
- **Soft Skills:** focus on attitudes, mindset, and aspirations
 - being proactive, looking to not just do same thing over and over again
 - Resilience and learning from mistakes
 - Other changes inspired by psychology

Traditional Business Training

- Aims to teach a set of standard *business practices* which it is thought all firms would benefit from doing
 - Record-keeping and financial management
 - Marketing
 - Human resources
 - Fiscal obligations

E.g. *Business Edge* program, ILO SIYB, etc.

Activité 1 : La boulangerie KODJO – coût unitaire

Voici un résumé des dépenses de la boulangerie Kodjo pendant un mois (il a déjà supprimé les dépenses de la famille)

Matières premières :	
– Farine de blé	70 000 FCFA
– Beurre	5 000 FCFA
Main-d'œuvre	30 000 FCFA
Divers	
– Gaz butane	13 000 FCFA
– <u>Leyure et autres</u>	15 000 FCFA
– Transport	10 000 FCFA
– Réparation et entretien	2 000 FCFA

Au cours du mois, il a produit et vendu 1000 pains de 200 FCFA.

Questions de discussion :

1. Calculez le coût total de production des 1000 pains
2. Calculez le coût unitaire du pain?

Personal initiative training

- Focus on *proactive entrepreneurial mindset*
- Self-starting, future-oriented, overcoming barriers
- Innovation – look for opportunities to do something new/different from competitors
- Financial bootstrapping - don't just rely on banks – think through whole range of ways to meet financial needs

Possible daily routine of the owner of a small grocery store

Time	Business activity
8.00	Open store and put up the usual advertisement outside the store.
- 8.45	Waiting for the first customer to come.
9.00	Phone call from supplier: he is not able to deliver fresh fruits today. This happens already the third time within the last two weeks. Hope it will get better soon.
9.30	Serving the customers. Some leave the store without buying anything because they were only looking for fresh fruits. Sending these customers to competitor next street.
11.00	Not many customers today, thus calling some friends by phone to use the time for chatting
13.00	Cleaning the outside-advertisement and the display.
14.30	Serving customers.
20.00	Closing the store.
- 20.20	Counting sales and calculating the turnover for today – not a good day...

Campos et al. (2017) experiment in Togo

- Sample of 1500 applicants to Government project financed by the World Bank, baseline December 2013-January 2014
- Firms in Lomé , Togo – had to be informal, in business for 12 months or more, less than 50 employees.
- Median firm has 2 employees, mean has 3.
- Broad mix of industries: 27% manufacturing, 48% commerce, 25% services
- Mean of US\$200/month in profits, median \$84.
- Average age 41, 9 years schooling
- 53% female

Randomized into three groups

500 entrepreneurs

500 entrepreneurs

500 entrepreneurs

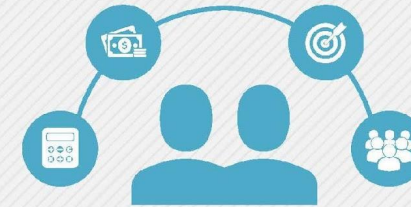


Personal Initiative Training Group

- 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

Randomized to Two Different Training Programs

- **Business Edge**

- 3 half days a week for 4 weeks = 36 hours classroom
- one three hour visit in-person per month for next 4 months
- Cost per person invited: \$718
- Offered for \$10
- Take up 84%
- Attendance of 10-12 sessions: 71%

- **Personal Initiative**

- 3 half days a week for 4 weeks = 36 hours classroom
- one three hour visit in-person per month for next 4 months
- Cost per person invited: \$756
- Offered for \$10
- Take up 84%
- Attendance of 10-12 sessions: 73%

What did we find? Four rounds of follow-up surveys Sept 2014-Sept 2016 measure impacts up to 2.5 years post-training

PERSONAL INITIATIVE TRAINING increased firm profits by



TRADITIONAL BUSINESS TRAINING increased firm profits by

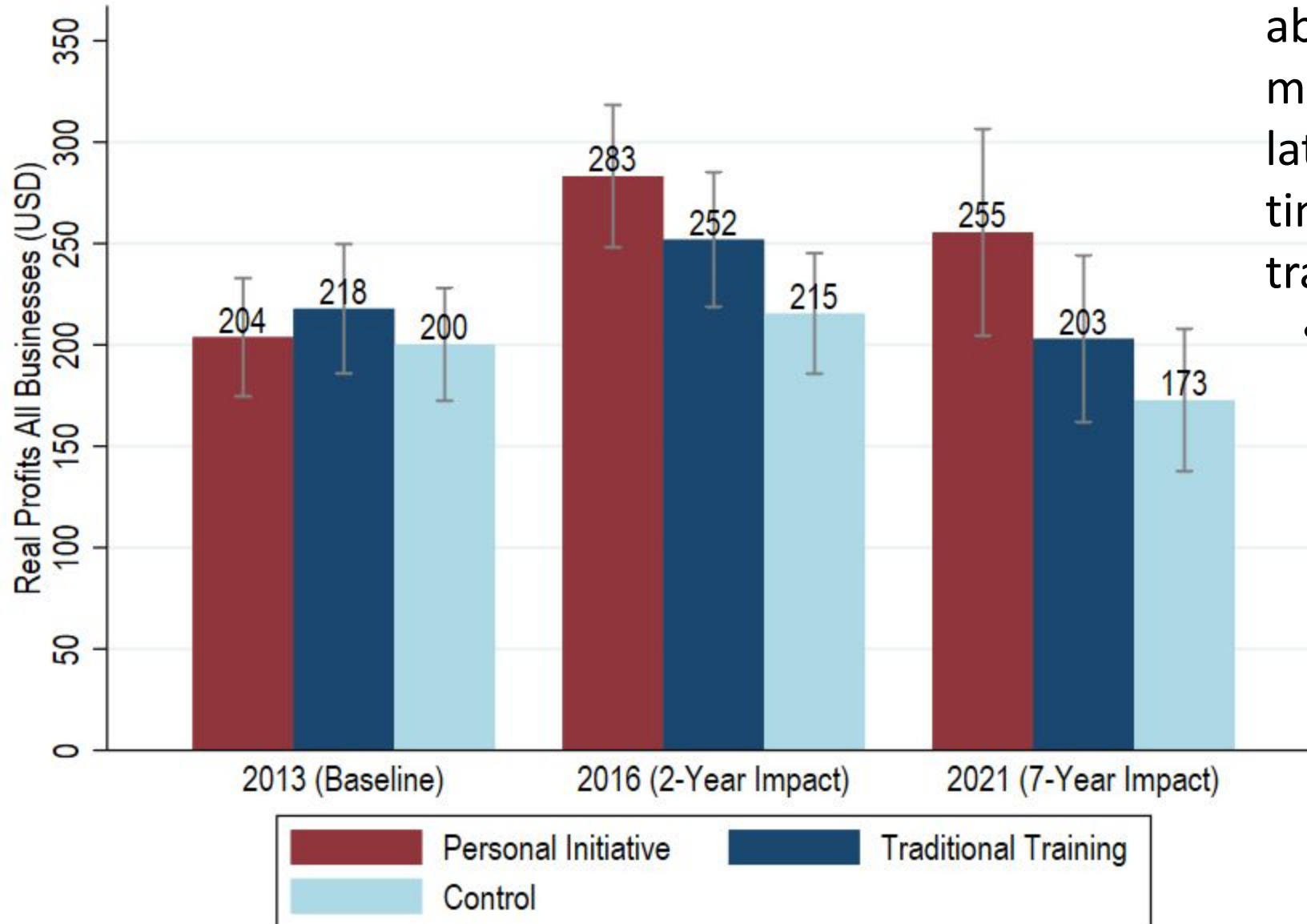


*This increase is not statistically significant.



PERSONAL INITIATIVE TRAINING pays for itself within 1 year

Long-term impacts on business profits

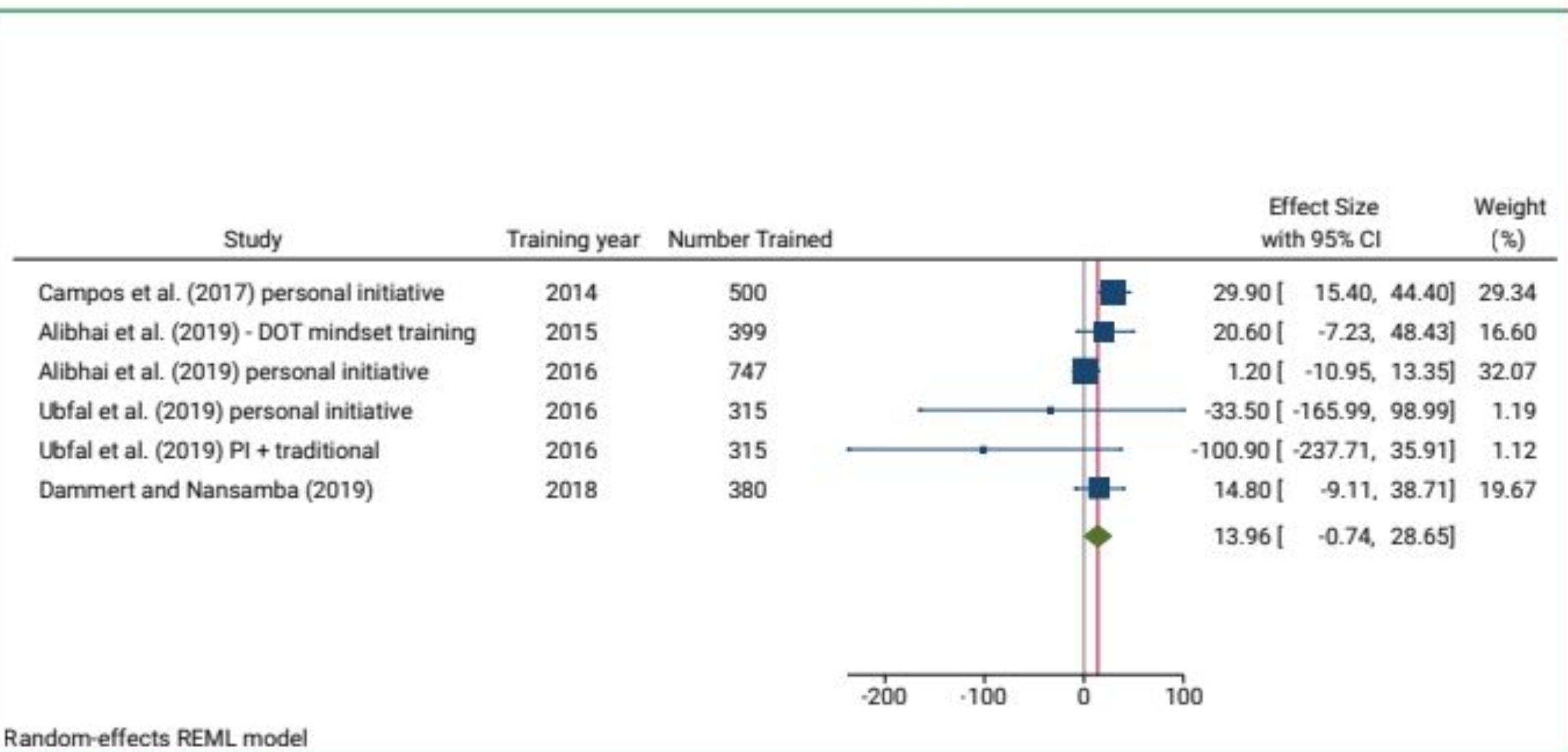


- Firms assigned to PI training are earning about \$100 a month more over 7 years later, about three times the effect of traditional training.
 - Recall cost of training was \$750.

Other PI studies a bit more mixed

- [Glaub et al. \(2014\)](#) early pilot in Uganda, large increase in sales on small sample
- [Alibhai et al. \(2019\)](#) in Ethiopia and [Ubfal et al. \(2022\)](#) in Jamaica – neither found significant impacts, although noisy – suggestions that quality of trainers may be issue
- Other work not yet in public domain:
 - Mix of PI and hard skills in Mexico – early evidence showed some positive impacts
 - Positive early evidence from work with farmers in Mozambique
 - Ecuador – large scale online training to high school students – increase PI, but no increase in entrepreneurship

Estimates of the impact of psychological training on firm profits



Other approaches for existing businesses

- *Interpersonal skills and how you interact with other businesses and customers*
 - *With customers* – [Dammert and Nansamba](#) (2023) in Liberia – focus on effective communications, customer care, building customer trust, empathy, problem solving, conflict resolution
 - *With other firms* - [Dimitriadis and Koning](#) (2022) in Togo – communication training on how to interact better with peers
- *Seeing the future/imagery*: [Delfino et al.](#) in Colombia
- *Growth mindset* – [Morris et al. \(2023\)](#) in Tanzania

“ You all have the potential to do great things, but potential and belief in yourself is not enough. You must have a *growth mindset*. In other words, you must be willing to embrace your failures as a way to learn and improve your business. As we shared with you today, new research is showing how all people can grow and learn new things if they continue to work hard and try new things. Just like your brain becomes stronger by working on challenging problems, you can improve your business skills and overcome the challenges you face in running a business by accepting those challenges as learning opportunities.

”

Soft skills training for youth/starting a business

- [Chioda et al. \(2023\)](#) – SEED program (3 week mini-MBA) for youth in Uganda
 - Mix of hard (accounting, marketing, finance) and soft skills (negotiation, grit, perseverance) – two groups 75/25 and 25/75% mixes
 - 3.5 year results find youth in mid-20s
 - More likely to be working (3 p.p.), to run own businesses (6 p.p.), and earn higher profits and incomes and income (21-30% higher)
 - Can't reject equal impacts for those who got more of hard skills compared to those who got more of soft skills

Soft skills training for youth/starting a business

- STEP Program (Student Training for Entrepreneurial Promotion) – Frese et al. work
 - Again mix of hard skills (action knowledge – rules of thumb for major content areas of entrepreneurship such as marketing, financial management, accounting, business planning, legal)
 - And soft skills – leadership, planning, creativity, opportunity identification, networking, dealing with customers, PI
- Challenges with youth
 - often many continue to study, time frame to look at impacts may need to be quite long – but often youth businesses fail at high rates
 - Targeting – if many are going to end up not running businesses, should skills taught be ones applicable also in workplace (e.g. planning, communication, negotiation), or more entrepreneurship focused?

Scaling up questions and issues

- Curricula:
 - Whole mix of different soft skills and psychological concepts, often interrelated, but unclear which skills most important for which groups – apart from heuristics – e.g. we teach MBA students negotiations and leadership skills, but not self-efficacy and being proactive
 - Soft skills only, or mix of hard and soft? Or does doing a little of everything dilute from focus on core psychological concepts
 - Importance of an active project, immediately putting into action – but then targeting only to those who can?
- Maintaining quality:
 - What makes for a good trainer?
 - How plug and play can the curricula become? E.g. off-the-shelf for a MFI to pick up and use with clients?

Scaling up questions and issues

- Cost-effective scale-up
 - How can this get delivered to 10,000+ people and maintain quality without being really expensive?
 - Role of online training?
 - Can we get people to pay for this training if it has such high returns?
- Targeting:
 - What size firm is too big for this training, or type of entrepreneur who is already proactive enough?
 - Are different soft skills needed for owner of 25 person firm versus sole entrepreneur?