

Freed enterprise

Psychology beats business training when it comes to entrepreneurship

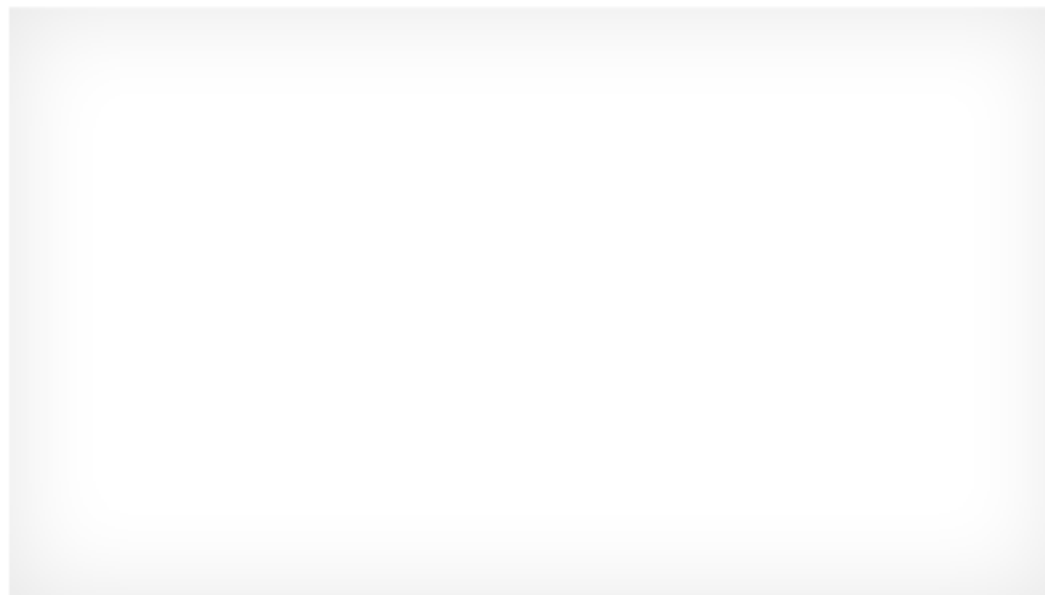
Among small-business owners in Togo, at least



MANAGEMENT gurus have chewed over the topic endlessly: is a flair for entrepreneurship something that you are born with, or something that can be taught? In a break with those gurus' traditions, a group of economists and researchers from the World Bank, the National University of Singapore and Leuphana University in Germany decided that rather than simply cook up a pet theory of their own, they would conduct a controlled experiment.

Moreover, instead of choosing subjects from the boardrooms of powerful corporations or among the latest crop of young entrepreneurs in Silicon Valley, Francisco Campos and his fellow researchers chose to monitor 1,500 people running small businesses in Togo in West Africa. These are not the sorts of business owners who give TED talks or negotiate billion-dollar mergers. The typical firm had three employees and profits of 94,512 CFA francs (\$173) a month. Only about a third kept books, and less than one in 20 had a written budget.

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Studying lots of small businesses instead of a few big ones allowed the academics to conduct a randomised controlled trial. Usually associated with medical research, these are considered one of the most convincing types of evidence. Participants (in this case firms) are assigned, at random, either to receive “treatment” (in this case, two different sorts of training) or to the control arm, which receives nothing.

Recruit enough participants for good and bad luck to even out across the sample, and you can tell, with high confidence, which method—if any—is superior.

As they report in *Science*, the researchers split the businesses into three groups of 500. One group served as the control. Another received a conventional business training in subjects such as accounting and financial management, marketing and human resources. They were also given tips on how to formalise a business. The syllabus came from a course called Business Edge, developed by the International Finance Corporation.

The final group was given a course inspired by psychological research, designed to teach personal initiative—things like setting goals, dealing with feedback and persistence in the face of setbacks, all of which are thought to be useful traits in a business owner. The researchers then followed their subjects’ fortunes for the next two-and-a-half years (the experiment began in 2014).

An earlier, smaller trial in Uganda had suggested that the psychological training was likely to work well. It did: monthly sales rose by 17% compared with the control group, while profits were up by 30%. It also boosted innovation: recipients came up with more new products than the control group. That suggests that entrepreneurship, or at least some mental habits useful for it, can indeed be taught. More surprising was how poorly the conventional training performed: as far as the researchers could tell, it had no effect at all. Budding entrepreneurs might want to avoid the business shelves and make for the psychology section.

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