

RESEARCH ON ENTREPRENEUR IDENTIFICATION AND DEVELOPMENT
(APRE/SMIE: Project No. 936-5314)

PROJECT ASSISTANCE COMPLETION REPORT

STATUS OF THE PROJECT: All activity under the project has now been completed or terminated. McBer and Co. (McBer) submitted its "Final Report" on "The Identification and Assessment of Competencies and Other Personal Characteristics of Entrepreneurs in Developing Countries" in April 1987 (CDIE/DISC No.: PD-AAV-866, 2 vols). Management Systems International (MSI) submitted, in October 1990, the "Final Report: Entrepreneurship Training and the Strengthening of Entrepreneurial Performance" (CDIE/DISC No. FN-ABG-210).

PLANNED VERSUS ACTUAL INPUTS: Two three year contracts were awarded in September 1983: to McBer (DAN-5314-C-3065-00), for \$565,602, later increased to \$575,582, and then reduced to \$506,434 (7/1/86); and to MSI (DAN-5314-C-3074-00), initially for \$265,920 but later raised to \$441,826. FM/CMNP/CGLC reported that, as of May 1991, payments to MSI totaled \$441,456.20, but that its records for McBer had been sent to the Federal Archives in Suitland, MD. APRE/SMIE has signed vouchers for McBer totaling \$503,740.

PROJECT ACCOMPLISHMENTS: The project had basically two components, reflected in the two contracts. The first was to conduct research on whether entrepreneurial performance could be predicted from measureable personal characteristics. The second was to identify and evaluate entrepreneurial training programs.

The first component was implemented by McBer and Co., of Boston, a company with long experience in entrepreneur definition and development. The second was implemented by Management Systems International (MSI), of Washington, D.C., a well-known and respected contractor for A.I.D. on private sector, management, and training topics.

McBer initially undertook research in three countries to identify through personal interviews the characteristics which differentiate superior from average experienced businesspersons. The research was to be in two phases and was ultimately to involve several hundred businesspersons.

McBer's phase I was completed but encountered problems. Initial findings were not very encouraging. A review of phase I showed the original scope of the project to be too ambitious, given resources available. Enhanced quality in data collection and analysis was also judged essential to yield useful findings from phase II. After the mid-project review, the countries for phase II research were reduced to two and recommendations were made for improved data and analysis.

Following an analysis of McBer's final report by a senior in-house social scientist and a MUCIA DBA candidate (UWisconsin, Madison), McBer's efforts were judged to be less useful than was claimed by the contractor, with no strong statistical patterns appearing in the data. The substance of the findings and lessons learned are discussed below.

The second component, to identify and evaluate entrepreneurial training programs, was carried out by MSI, as stated above. The initial literature survey indicated McClelland's "Achievement Motivation Training" was the prominent approach to entrepreneurial training. That approach already having been extensively evaluated, and the practitioners expressing a strong interest in advancing the state-of-the-art, this component of the project was amended:

- (a) to develop a new behavioral training program based on secondary research, the review of existing programs, as well as McBer's findings;
- (b) to implement the program in a developing country; and
- (c) to evaluate the impact of the training.

The review of the most successful programs suggested entrepreneurial training should contain six basic elements:

1. effective participant selection and orientation;
2. attitude and behavior modification;
3. skill development;
4. linking entrepreneurs with potential markets and sources of capital;
5. appropriate role models; and
6. a follow-up program to retain contact with students after completion of the course.

Given the hypotheses to be tested in the course of this research, only the second component was incorporated into the test program developed. This program was designed based on 15 personal entrepreneurial characteristics, revised, and implemented in Malawi in July and October 1988. The two course offerings involved 45 participants.

Using a randomly assigned control group of 45 that did not participate in the training, data collected prior to training and approximately two years later, and multiple regression analysis, the study findings suggested that performance improvements could be related to having participated in the training program.

Several caveats suggest caution in using the findings:

- further research would be necessary to determine whether such training is any more efficient than other forms of enterprise support;
- the findings are based on a single case study and a small sample;
- the study includes no means of fully compensating for sample attrition; and

- the direct linkage between behavioral training and changes in personal entrepreneurial characteristics remains only tenuously validated, in part due to over-representation of well-educated individuals in the treatment group.

(See also, "Problem Resolution" and "Lessons Learned", below.)

PROBLEM RESOLUTION: With regard to the McBer analyses, the data yielded only a limited ability to predict indicated business performance from a knowledge of the personal characteristics of businesspersons. The initial working assumption, that superior businesspersons would be characterized by higher "achievement motivation" was not demonstrated by a clear and consistent pattern in the data. One pattern that did appear, "rather consistently but not overly strongly," was, "persons who know their business thoroughly and make it a conscious policy to keep that knowledge up-to-date are somewhat more likely to have good business performance."¹ A second possible positive relationship -- not strong, but sufficiently consistent to suggest the utility of further research -- is that "those businesspersons with good management information/monitoring patterns may be expected to be more successful." Other conclusions were as follows:

- it has not been proven that personality traits may be used as criteria in predicting a person's likelihood of success in starting and managing an enterprise (many different types can be successful);
- McBer's study offers no support for the proposition that training people so as to enhance certain personality traits will lead to improvement in their business performance; and
- the study offers little support for concluding that personality variables clearly have no role in determining business success.

With regard to MSI's responsibility for assessing training programs, their analysis provides modest evidence that it is able to affect business performance through entrepreneurial training. There is no evidence in these analyses, however, as to which forms of entrepreneurial training are most cost-effective or that such training is likely to be any more effective than other forms of technical, capital or policy reform assistance to the small enterprise sector.

CONTINUING RESPONSIBILITIES: In the light of budgetary stringencies, the complexity of the required analyses, potential alternative research and technical assistance priorities, and the relatively high cost of such research compared to the probability of clear, unambiguous, and valuable findings, no follow-up activities on the topic of personal characteristics as predictors of entrepreneurial performance are planned.

¹ This quote and much of the commentary here are taken from Frank H. Denton (AID/W), with assistance from Peggy Pertzsch (UWisc, Graduate School of Business), "Research into Entrepreneur Identification and Development -- An In-House Review and Critique of Findings," AID/B&T/RD/EED, March 1988 (PPC/CD1E/DISC No. PN-ABH-66B).

DATA COLLECTION RESULTS AND EVALUATIONS REMAINING: See sections on "Problem Resolution" and "Lessons Learned".

LESSONS LEARNED: The relationships between entrepreneurial psychological characteristics, the socio-economic environment of the potential entrepreneurs' behavior, entrepreneurial and other training programs, and enterprise performance appear so complex as to make research into their precise nature very complex, costly, and unlikely to yield more than modest findings.

The present analysis is not an adequate basis for a decision on whether to support the private sector and small enterprises by mounting a major program of entrepreneurial training in developing countries, as some advocates propose. The costs and ambiguous impacts of such a program need to be weighed against the costs and benefits of other program options, including credit and loan guarantees, technical training, regulatory and policy reform, information dissemination, and other infrastructure.

Difficulties in purging biased interpretations in the evaluation underscored the importance of contracting evaluation to a different party than the implementing agent.

See also, "Problem Resolution," above.