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Thesis Advisor: Professor Kjetil Bjorvatn

Psychological effects of business trainings in Tanzania

by Agnieszka Anna Łyniewska and Olga Selezneva

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Abstract

This master thesis, as a part of a project on business trainings in Tanzania, investigates the effects of these trainings on change in mindset and soft skills of microentrepreneurs in Dar es Salaam. It focuses on following dimensions: Creativity, Individualism, Locus of Control, Need for Achievement, Dispositional Optimism and Trust/Relationship. The significant differences are found on the number of dimensions. Entrepreneurs who took part in the training have more internal locus of control, are more creative and have greater need for achievement. There are also significant differences in some psychological variables between genders. All dimensions except for individualism show predicted direction of relation between groups with and without training.

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Introduction

Why do some countries excel in the field of economic growth and development, while other regions continue to suffer from extreme poverty? What are the causes of the persistent discrepancies in the level of wealth among populations? How can poverty be reduced?

Economic growth is clearly one answer to the last question. The main recognized sources of economic growth are accumulation of human capital, physical capital and technological change (Besley and Burgess, 2003). They can benefit the poor both directly and indirectly. But how can economic growth be promoted? Economic theory and empirical work point to the importance of human capital.

Human capital including education, health and aspects of “social capital” (defined as norms and networks that facilitate collective action) very often helps explaining the differences between the countries that are able to enter on to the path of sustainable growth and the ones that are failing to do so (Barro and Lee, 2000). Economists have long stressed the importance of human capital to the process of growth (Krueger, 1968; Easterlin, 1981). Ignoring human capital would lead to incorrect conclusions: Kendrick (1976) estimates that over half of the total US capital stock in 1969 was human capital. Other authors have provided evidence of the importance of human capital for growth in income. Azariadis and Drazen (1990) found that no country was able to grow quickly during the postwar period without a highly literate labor force.

Literacy and other indicators of education remain low across much of the developing world (Besley and Burgess, 2003). The acquisition of human capital by the poor results in their earning higher wages. The best estimates for developing countries, from micro-econometric studies (that take issues of endogeneity and measurement error seriously) find that each additional year of schooling is associated with a 6-10 percent increase in earnings (Duflo, 2001). This evidence appears robust across both methods and locations; in fact, the magnitude of the result for developing countries is in line with results for developed countries (Krueger and Lindhal, 2001). This suggests that investment in education can be used to attack poverty both by encouraging economic growth and as a method of redistribution to the poor.

In this paper the effects of a particular type of education is being measured, namely business training for small-scale entrepreneurs. The promotion of entrepreneurship in a country is connected with job creation, and a bottom-up approach to development which can be crucial when the state is weak. (Kantor, 2000). According to the Copenhagen Declaration and Programme of Action (United Nations, 1995):

“In many developing countries, informal sector activities are often the leading source of employment opportunities for people with limited access to formal sector wage employment, in particular for women. The removal of obstacles to the operation of such enterprises and the provision of support for their creation and expansion must be accompanied by ... the progressive improvement of overall working conditions, together with the strengthening of efforts to make some enterprises part of the formal sector...”

In many countries, entrepreneurship is seen as the answer to economic recession and rising unemployment rates as well as recipe for economic prosperity (Colette et al., 2003). There is, therefore, the obvious need to increase the supply of entrepreneurial talent to create and grow new businesses that will generate employment and create wealth for the local economy. Developing entrepreneurship education and training initiatives is one way of helping achieving this goal.

Business training is thought to have two types of effect – they are designed to teach entrepreneurs hard skills such as finance, marketing and customer care and on the other hand they are likely to change the mindset of participants and develop their soft abilities such as creativity. There is substantial evidence in the literature that training interventions aimed at mindset and psychological change can increase entrepreneurial potential. McClelland and Winter (1969) point out that training courses designed to develop achievement motivation have improved small businesses performance significantly.

The aim of this paper is to contribute in the area of impact of education and development of human capital on the economic growth in poor regions. This master thesis is part of a bigger project conducted in Tanzania, and addresses the question: Can entrepreneurial mindset be changed through training? In particular, we focus on dimensions such as creativity, individualism, locus of control of reinforcement, need for achievement, dispositional optimism and level of trust.

The paper has been given the following structure. First, the brief socio-economical background and entrepreneurship development of Tanzania will be presented. Then the details of the project in which the authors are participating will be given and the idea behind the underlying investigation will be explained. Afterwards the relation of entrepreneurship to economic growth as well as the factors influencing entrepreneurial behavior will be introduced. The investigation itself together with results and discussion will follow. The thesis will be concluded with a summary of findings.

1. Theoretical and empirical context of investigation

1.1. Motivation for research on entrepreneurship in developing countries context

The process of entrepreneurship has been recognized for a long time now as a major factor in economic growth and in the creation of wealth of nations. Entrepreneurship is a practice of starting new organizations, particularly new businesses in response to identified opportunities (Acs and Audretsch, 2003). Even if it has been rather neglected by mainstream economists throughout the centuries and there is less research covering this topic in comparison to other factors influencing economic growth¹, it has recently started to attract much more attention.

One reason for the shortage of research on entrepreneurship is the lack of a precise definition covering all the aspects of this concept. For the operational purposes of this paper, after Wennekers, and Thurik (1999), the following definition of entrepreneurship can be proposed:

Entrepreneurship is the manifested ability and willingness of individuals to:

-perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product market combinations) and to

-introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions.

Essentially, entrepreneurship is a behavioral characteristic of people. It has two sides: on the one hand, entrepreneurial behavior requires entrepreneurial skills and qualities, and on the other, it also implies implementation and commercialization of the entrepreneurial ideas.

Entrepreneurship occurs at significantly higher rates than at any time in the last 100 years – measured as a number of organizations per capita (Gartner and Shane, 1995). Recent survey evidence suggests that entrepreneurship is a meaningful lifestyle and career identity for

¹ Among others capital and natural resources endowment are the factors influencing economic growth which have received much wider coverage in the literature.

many, with 4% of all adults, 1 in 25, trying to start a new firm at any given time (Reynolds and White, 1997).

Before showing the links between entrepreneurship and economic growth it is worth to explain the concept of economic growth first and stress the importance of research on it.

Economic growth in the form we observe it today is a relatively new phenomenon. Basically until the end of 19th century it was noted just in the fractions of percents (Maddison, 1991). Throughout the centuries all the major civilizations have kept approximately the same standard of life, since every time the growth of national product was accompanied by the growth in the population size. The real “explosion” of growth took place only in 20th century, more accurately in its second half (Landes, 1998). Today there are huge differences in the standard of living among the countries. The richest ones are approximately 30 times as wealthy as the poorest ones (Summers and Heston, 1991).

Positive or negative, faster or slower economic growth of certain countries has become the differentiating factor in their wealth level. Therefore this process is attracting a lot of attention not only among the economists, but also policy makers and other practitioners.

Growth in Gross Domestic Product per capita is the most widely used measure of economic development. At the same time it should be mentioned that during the 20th century the wider concept of economic development was formulated as many researchers and practitioners were looking for the possibility to express the improvement in the quality of life going beyond simple economic measures and including a range of social indicators (Soubbotina, 2004). Therefore it embraces dimensions such as literacy rates, life expectancy and poverty rates. Moreover, GDP, despite its many advantages, is not accounting for the important aspects such as leisure time, environmental quality, freedom or social justice.

Early discussions of economic development in the postwar period attributed considerable importance to the problem of entrepreneurship in the underdeveloped countries (Leff, 1979). Entrepreneurship was clearly essential if the investment, innovation, and structural changes required for economic development were to be achieved. However, both on the supply (number of entrepreneurs) and on the demand sides (conditions leading to creation of entrepreneurs), entrepreneurship seemed to constitute a serious problem for

underdeveloped countries. Due to the various deficiencies in the functioning of the markets of both products and labor, the requirement of entrepreneurship per unit of incremental output would appear to be higher in underdeveloped than in more developed economies (ibidem). To achieve success as an entrepreneur in economically underdeveloped region, one has to put much more effort into establishing his business and normally has less resources available.

At the same time research on the socio-cultural conditions associated with the emergence of entrepreneurship suggested pessimism concerning the prospects for less developed countries generating sufficient entrepreneurship to achieve high rates of economic development. Moreover, entrepreneurs do not necessarily have to engage themselves in the innovative activity as Hobsbawm (1969) points out: "It is often assumed that an economy of private enterprise has an automatic bias towards innovation, but it this is not so. It has a bias only towards profits." While the total supply of entrepreneurs varies among societies, the productive contribution of the society's entrepreneurial activities varies much more, because of their allocation among productive activities such as innovation and largely unproductive activities such as rent seeking or organized crime (Baumol, 1990). Such allocation is heavily influenced by the relative payoffs society offers to such activities. This implies that imperfect policy and institutions, which are normally more common for developing countries, can imply lower benefits from entrepreneurship for economic growth.

Traditionally, the financial factor has been recognized as a major constraint for the development of entrepreneurial activity in the poor countries. Small and micro enterprises, which are the most usual scale of businesses in developing countries, are facing the business environment with not enough regulation in property rights and an inadequate access to the financial resources (Fjeldstad et al., 2006). Therefore, microfinance is viewed as one of the ways to deal with these problems.

Microcredit is a supply of small loans to poor and very poor people giving them a chance of self-employment that generates income for themselves, their families and employees. Microfinance, on the other hand, is a supply of a range credit and a range of additional financial services, technical assistance, informal training or other services. However, these

terms are interchangeable. Therefore, in this Master's thesis microcredit, microfinance and small loans will be used interchangeably with respect to microfinance services.

The idea of microfinance is that poor people who get loans will invest them into small enterprises, paying back the loans out of profits, and the enterprise will grow, providing higher income to the owner, his/her family and the employees and lifting all these people out of poverty (Mpesha, 2004). Thus, microfinance is an instrument to deal with poverty. Typically, a microcredit recipient is involved in such businesses as restaurant, hairdresser's saloon, small kiosk, or handicraft.

Bliss (2005) summarized the characteristics of microfinance, stating that microcredit includes the following features:

- Small size loans
- Short repayment periods
- Flexibility and simplicity of understanding regulations and loans
- Clients are small entrepreneurs and low income households
- These loans are primarily used to develop enterprises, but can also help to secure provision of social services such as health and education

Microcredit institutions are the ones who lend money to the micro entrepreneurs. Other lending institutions are not willing to provide credits to such people because they normally fail to meet the requirements of the traditional banks. According to the World Bank report (2006b) only 2.5 percent of the potential micro entrepreneurs have access to other financial services than money lenders.

The important feature of the microfinance development is that borrowers can form joint liability groups that normally work as a substitution of tangible collateral. Normally the average loans provided by microfinance institutions are quite small, with the average of the first loan of US\$50-100. These kind of lending programs are considered to be flexible with a short loan terms of 2-6 months. Moreover, interest rates in microfinance borrowing are much higher than the ones of most traditional banks. Finally, the borrowers have to pay back the loan frequently in order to ensure close monitoring. However, the drop-out rate of micro

entrepreneurs has been quite high in the recent years. For example, in one of the MFI s in Tanzania the cumulative dropout rate is around 50 percent (Hulme, 1999).

The new wave of research recognized the fact that the financial constraint is not necessarily the one and only reason for the poor performance of entrepreneurs in poor countries (Karlan and Valdivia, 2006). Moreover, despite the undisputable advantages of microfinance, the clients of such institutions normally continue to run their business on a very small scale and rarely advance into the formal sector of economy (Olomi, 2007). One of the reasons can be deficits in the skills needed to success and expand business activity (Karlan and Valdivia, 2006). Business training responds to this demand. Adding training to finance can potentially increase the returns to microfinance, and thereby generate more economic growth in the local community.

1.2. The project

The current Master's thesis is a part of a broader research project conducted in Tanzania. The project is focused on providing business training to microfinance entrepreneurs in Tanzania and evaluating an overall effect on the economy. To be precise, the main goal of the project is to investigate whether business training positively contributes to the improved performance of the microfinance clients both in short and long run. It is crucial to understand whether the possible positive outcome of the training is due to the gained entrepreneurial skills (business knowledge, customer care, accounting, etc.) or the influence of the course on the entrepreneurial mindset (self-confidence, competitiveness, creativity, etc.). The project involves the design and implementation of a business training program, offered to a random selection of the microfinance clients.

The selected location of the project is the biggest city in Tanzania – Dar es Salaam. Tanzania was selected because of a number of reasons. Norway a long history of considerable commitment as a donor of foreign aid to Africa in general and Tanzania in particular. Moreover, the research group from Norway has good connections with institutions and researchers in Tanzania. Finally, PRIDE Tanzania, the main microfinance institution in the country, agreed to cooperate and provide the necessary support.

The microfinance system in Africa is less developed than in Asia and Latin America. There is also not much research on microfinance in Africa. The ambition of the project is to cover the gap in the academic research on the topic on microfinance in Africa and Tanzania. The main contribution of the project will be getting country specific results of microfinance system in order to understand the impact of financial and human capital on development in Africa context. Moreover, “the present project, by analyzing the potential importance of synergies between business training and financial services, can be an important input to the current process of increased support of microfinance projects”.

In the project two different groups were selected: treatment and control groups, with and without business training respectively. The training was offered to a randomized selection of clients in order to neutralize the selection problem.

The project started in 2008 with the baseline survey. The first training program lasted from August 2008 until December 2008 (four months). The Follow up survey will take place in summer 2009 with the further evaluation of the results. Thereafter will be a second Training program in 2010 with the Follow up survey in the same year. In 2011 the final evaluation will be done. The timing of the project is presented in Figure 1:

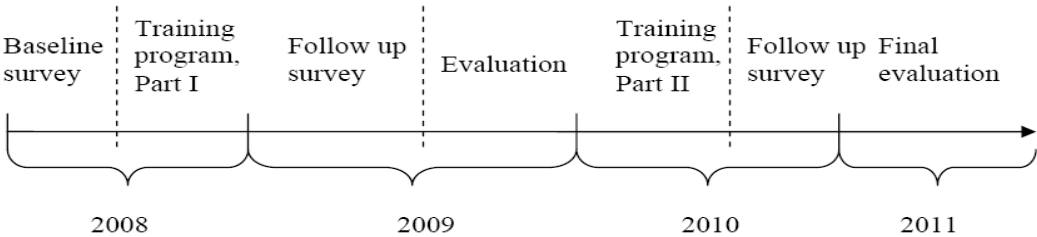


Figure 1. Timing of the project

The Business training sessions had a following schedule: one training session every week for 45 minutes with twenty sessions in total. This training was offered for free, with the final diploma to the participants who attended most of the lectures. The focus group was the microfinance entrepreneurs who are clients of the same microfinance organization – PRIDE. The program of business training included sessions on entrepreneurship and entrepreneurial character, long-term outlook and planning, understanding the environment and the market,

marketing tools and customer care, managing workers and entrepreneurs themselves, calculating costs and prices, profits and loss, cash management and financing their business. Therefore, the training included both business and entrepreneurial personality related issues.

The results of the project should also help to understand whether the business training in Africa or other developing countries should be provided by teachers with formal competence on business and economics or by the ones with informal competences but significant practical experience. Moreover, after this project it can become more clear whether business training has any influence on the lower drop-out rates or does it affect the investment projects (for example, size of new businesses or sector where the activity is started).

As the integral part of the project, the current paper focuses on the short-term effect of the business training on the mindset of entrepreneurs who went through the training sessions.

1.3. Country Background: Tanzania

Before introducing relevant entrepreneurship theory, it is worth looking closer at the specific conditions of the country where the project is taking place. Therefore the background information about Tanzania such as main characteristics of the population, level of the economic development and intensity of entrepreneurship activities will be given.

1.3.1. Location and main characteristics of the population

Tanzania is a country located in the central East Africa and has a population of 40.4 million (World Bank, 2008). It is one of the countries with the most rapid population growth and urbanizing process in Africa. In 2002 annual total and urban population growth rate was 2.9 and 4.5 percent respectively (Mfaume and Leonard, 2004). The implications of such a rapid growth are significant for the future development of the country. For instance, young people will shortly constitute almost two thirds of the urban population of Tanzania. In addition, the entry into the labor market is expected to more than double causing problems to the unemployment issue in the country (ibidem).

The capital of the country is Dodoma, however Dar es Salaam is the biggest city and considered to be the centre of economic and business activities of Tanzania. Two official languages are Swahili (de facto) and English (used in higher courts and higher education).

According to the World Bank report (2009), Tanzania is one of the poorest countries in the world with an estimated per capita income of US\$340 in 2006. In the recent years inequality continues to rise, and slightly more than one third of the population is still living below the absolute poverty line, earning less than US\$1 per day (OECD, 2008).

The indicators regarding social aspects of life in the country are not outstanding either. Life expectancy was 52.5 years in 2007 and the infant mortality was 92.8 per 1000 infants born in 2006 (World Bank, 2006; OECD, 2008). Statistics of year 2002 shows that in average there are 5.5 children per woman in Tanzania's families (World Bank, 2002).

The majority of the population, 68 percent, is still living in the rural areas where about 70 percent of Tanzania's national output is produced (Ellis and Freeman, 2004; Mpesha, 2004). Nonetheless the rural sector still to a large extent remains underdeveloped with about 90 percent of the country's poor life living there (Mpesha, 2004).

Tanzania is one of the Sub-Saharan Africa countries that have shown significant and rapid economic growth with an average of 6 percent per year since 2000. It was a significant growth not only compared to Tanzania's previous growth performance but also to the international growth rates. This growth increased across all the sectors of the economy, with industry growing by 8.7 percent, services by 5.9 percent, and agriculture by 4.8 percent during the same period (World Bank, 2008).

Statistics of 2000-2005 shows that all the sectors of the economy contributed to the growth of the economy. This contribution depends both on the growth rate of the sector and its share in the economy. According to the data, out of the 6 percent of the average annual growth, contribution of the agricultural, services and industry sectors were 2.3, 2.1 and 1.6 percentage points respectively (World Bank, 2008).

The agricultural sector in Tanzania has historically dominated the economy of the country. Despite of the growth in output shares of industry and services relative to the agriculture,

the latter one remains “a crucial source of income, employment and food security, especially for the rural population” (OECD, 2008). Moreover, since the majority of the population is still living in the rural area, development of this sector is a key element of the national strategy of increasing output and employment and fighting against poverty (Mpesha, 2004).

The main challenge for the country is to sustain this impressive growth performance and ensure it is shared more broadly in order to increase economic opportunities throughout Tanzania. In order to reach this goal, the government introduced a National Strategy for Growth and Reduction of Poverty (so called MKUKUTA) for the period 2005-2010 (World Bank, 2008). According to MKUKUTA, 6-8 percent annual economic growth should be achieved in order to reduce the poverty in the country. The main goal of the program is to achieve three main objectives: “growth and reduction of income poverty, quality of life and social well being, and governance and accountability” (World Bank, 2009).

1.3.2. Reforms during the post-independency period

In 1961 Tanzania got independence from the United Kingdom. In the beginning of post-independency period Tanzania was a strongly socialist oriented country, with the aim of becoming an egalitarian society (OECD, 2008). In the beginning of 60-s Tanzania had a period of Open Society with a multiparty and free civil association system. However, a Central Planning system implemented at that moment had a significant influence on the political system as well. Banking system was under the state control, the government was the one to decide which economic sector will be provided with the loan. At that moment all the enterprises were state-owned, and capitalism was considered as imperialism. Consequently all the free-market policies which could have fostered the development of the country were forbidden. Policies and actions undertaken by the government of Tanzania at that moment prevented the development of entrepreneurship and there was no legal system to support it.

Due to predomination of the socialist policies introduced in the post-independency period, economic performance of Tanzania was below the country’s potential. Economic reforms introduced in Tanzania during this period were not sustained in the middle of 1980-s, and

even though in the late 1980-s there was a short period of economic growth, the beginning of 1990-s was characterized by the poor economic performance and instability.

In the middle of 1990-s a comprehensive program of reforms has been introduced. This program included improvements in different areas of life, such as trade, tax system, public services, financial system, health, education and so on. These reforms led to an acceleration of the country's economic activity and quality of life improvement. During the last decade inflation reduced from 27 percent in 1995 to 6 percent in 2006. The exchange rate became more stable, that has also positively influenced the agricultural trade (World Bank, 2008).

The reform of the financial system was one of the goals in achieving economic stability and fostering entrepreneurship activities in the country. The implementation of the reform process in this sector started in 1991, and included the liberalization of the interest rates, elimination of administrative credit allocation, strengthening Bank of Tanzania's role in regulating and supervising financial institutions, restructuring state-owned financial institutions, and allowing entry of private banks into the market (World Bank, 2003). However, the access both of rural and urban population to the financial services was still limited and that remained one of the obstacles of starting-up an enterprise or increasing its size.

The reforms in the financial sector resulted in the increased efficiency and competition which created better overall conditions for entrepreneurship development. However, this situation did not necessarily apply to the poorest. The gap in the supply of financial services to the lower income segment became even wider than before. Therefore, the access to the microfinance services that influence directly entrepreneurship activities was not that well distributed within the country (World Bank, 2008). In order to deal with this gap the Government was prompted to start the process for mainstreaming microfinance services by development of a new financial system comprised of different institutions with diverse financial products and services.

As a result of the financial system reform, in 2003 there were 20 licensed banks and 11 non-bank financial institutions in Tanzania. Most of the financial sector and bank branches were concentrated in Dar es Salaam, and only few of them had a countrywide network of

microfinance services provision. Only three commercial banks provided microfinance services in Tanzania in 2003. The limited-license regional and rural banks are the only banks with head offices located outside Dar es Salaam, but none of these have branch offices and thus have limited outreach to microfinance clients (World Bank, 2003).

In 2001 a National Microfinance Policy (NMP) was approved (World Bank, 2003). Its idea was to establish a framework of the best microfinance practices, so that the existing and new established Microfinance institutions (MFIs) operated under reasonably similar conditions regarding quality and accessibility of the services (Rubambey, 2005). In Tanzania the microfinance sector is highly segmented (Rubambey, 2005). Microfinance services are provided not only by regulated institutions such as banks, but also other non-regulated financial institutions, such as non-governmental organizations (NGO), Savings and Credit Cooperative Societies (SOCCOs) etc. (Rubambey, 2005). Some of the MFIs in Tanzania are: Akiba, BRAC Tanzania, FauluTanzania, FINCA Tanzania, PRIDE Tanzania, SEDA, SELFINA. (Africa Microfinance Analysis and Benchmarking Report, 2008). In the recent years it became crucial to make all the best microfinance practices principles observable by others, since all the MFIs are operating in the same market. Otherwise the competition in microfinance sector can result in risky and unfair practices and cases.

PRIDE Tanzania, incorporated in 1993, is one of the NGOs that provides microfinance services in Tanzania. It helps economically active individuals of Tanzania that own and run business worth less than US\$700.

It is estimated that all the MFIs in Tanzania put together serve a combined client population of around 400,000 small and micro enterprises, which is just 5 percent of the total estimated demand of microfinance services. NGOs account for the estimated population of 220,000 clients, while commercial banks serve around 50,000. PRIDE Tanzania being the largest single player accounts for about 29% of the market share in this category or 16% of the existing total market share (Pride Tanzania). In the period 1996-2000 more than 5000 people in Tanzania took part in the microfinance lending, borrowing around US\$100 each (Mpesha, 2004). The majority of the microfinance clients are women-entrepreneurs. For instance, in 1995 76 percent of the borrowers of the micro credits in Tanzania were women (Adams et al., 2000).

Besides the financial sector reformation, significant attention has been put at the education that became the centre of the MKUKUTA's program. The aim was to achieve equal accessibility of primary and secondary education for both girls and boys, increase literacy among women and men, and ensure the quality of the education. In the period 1962-1980s, the government of Tanzania introduced a Universal Primary Education program which allowed to increase the enrollment rate in primary education and literacy rates. In 1996 the Technical Education and Training Policy were introduced, followed by the Higher education Training Policy in 1998 (OECD, 2008). These policies had a positive influence on the human capital, however, not at a sufficient pace. Implementation of the policies led to the increase in the enrolment rate in higher education: from 30000 students in 2002-2003 to 68000 in 2008 (ibidem). The proportion of women enrolled at different levels of the education system is constantly increasing. However, despite all the reforms in the education sector there is still a shortage of well-educated and skilled labor.

While major improvements have been made in the primary education system, there is still a long way to go to meet all the targets (World Bank, 2008). The increase in school enrollment in the recent years can be viewed as a potential way of future economic development of Tanzania (ibidem). Even though net primary school enrolment increased from 57 percent in 2000 to 95 percent in 2005 (World Bank, 2009), primary school completion rate in 2006 was only 74.3 percent (UNESCO). And about 30.6 percent of the country's population remains illiterate despite of some progress in the education system (OECD, 2008).

According to the World Bank survey in 2004, primary education graduates in Tanzania earned in average 75 percent more than those without any schooling, whereas secondary education graduates earned 163 percent more (Wedgwood, 2007). Moreover, a correlation between education and business activities was found. O'Riordan (1997) proved that entrepreneurs who have post-primary education tend to establish more profitable businesses.

The implementation of the reforms, especially the sector-specific ones, and improvements in the overall business environment in Tanzania affected foreign direct investment (FDI) and aid inflows. Since 1995 FDI increased significantly and comprised around 5 percent of the GDP in 1999 reaching the level of US\$542 million. The main sectors that attracted FDI were

mining, manufacturing, trade and tourism, which together got about 75 percent of the whole foreign investments in the country during 1999-2001. However, by the year 2005 the inflow of FDI declined reaching just 2.5 percent of GDP (US\$375 million). Nonetheless, the level of FDI in Tanzania during the last years is still relatively high, especially in comparison to other African countries (World Bank, 2008).

1.3.3. Entrepreneurship development of Tanzania

In Tanzania, Dar es Salaam in particular, the question of entrepreneurship and small business were evident even during colonial period (Mfaume and Leonard, 2004). Business environment in Africa is changing significantly mainly due to the liberalization policies and exposure of free international flows of capital, services and commodities. These changes led to the opening a new world of business opportunities in Tanzania (Kristiansen, 2002).

At the end of the 20th century there was a process of privatization of the state companies, reduction of expenditures programs have been introduced in the government sector, and a high percentage of people employed in the formal sector have been fired. In the beginning of the 21st century the economic growth of the country was restored, while social inequalities remained or even grew. The number of small-scale businesses increased, and the majority of the population was self-employed (Kristiansen, 2002). Therefore, the sector of small (10-49 employees) and medium sized (50-249 employees) enterprises is one of the leading employers of the population with employment of around 3-4 million people that is 20-30 percent of the total labor force in Tanzania (Nationmaster; Massawe, 2000). It is considered that this segment is the one to have the highest potential to contribute to the employment and income increase in Tanzania. Besides that, small and medium sized enterprises are the ones to foster wealth creation. For instance, the contribution of this sector to the national income is estimated to be between 35 and 40 percent of GDP (Finseth, 1998). This sector is not only the one that gives employment, but it is also the supplier of most goods/services at the affordable prices to the local population.

The phenomenon of the Tanzanian economy is that it is presented by a relatively small “large firm segment” and a significant “small firm segment”. Large firms in Tanzania are

normally the subsidiaries or franchisees of the multinational corporations and just a few are former state-owned enterprises. The segment of small business consists of lots of very small enterprises with different degree of formalization, relying on local inputs and markets. The number of medium sized segment is insignificant. Very few micro firms show a desire to grow in size increasing the gap between small and large size enterprises. Tanzanian entrepreneurs tend to have up to 10 different micro enterprises (0-9 employees) rather than increasing the size of one of them (Olomi, 2001). Especially it is true for the female entrepreneurs. One of the reasons behind this reluctance to grow can be explained by motives behind investing into the business activities – that is simply a matter of economic necessity for the majority of Tanzanian entrepreneurs. Underdeveloped entrepreneurship culture can be viewed as another reason. For instance, Olomi (2001) has noted that the majority of the Tanzanian entrepreneurs do not show any interest and desire to develop long-term commitment to their business activities and dedicate themselves to the entrepreneurship activities. That is why growth-seeking behavior can rarely be observed in Tanzania. Olomi (2001) also stated that only after stabilizing their private life and businesses, some Tanzanian entrepreneurs develop commitment to the entrepreneurship career and even consider taking a formal business education.

The interesting fact about entrepreneurs was noted by Toroka and Wenga (1997) that shows the paradox of the existing situation in Tanzania:

“... many believe that they are in the MSE sector by failure, if not of their own, then that of the state, or worse that of fate. Few attach value to what they are doing. If asked for their preferences, a majority would rather be employed in some formal establishment.”

This statement proves that there are different reasons behind dedicating themselves to the entrepreneurship activities and choosing a particular segment. It is not enough attention to entrepreneurship as a career path, probably still influenced by the socialist policies of the 1960-1970.

The type of business carried by an entrepreneur is typically “gendered” in Tanzania: women are overrepresented in some segments and underrepresented in the others. For instance, women are more involved in the activities that are closely correspond to their traditional

roles, such as food processing, clothing, trading etc. - the ones that also give smaller profit in comparison to men's activities. Most of the enterprises, especially the ones with women-entrepreneurs involvement, tend to be informal, micro, depend on local market and normally home-based.

Despite of the fact that the business environment is providing entrepreneurs with more opportunities, there are still a lot of business constraints that formal enterprises face. They include government regulations, such as tax rate, licensing, macroeconomic stability, corruption, access to finance etc. (World Bank, 2006). The number of steps entrepreneurs have to go through to launch an enterprise is 12, that takes about 29 days (Doing Business, 2009). Moreover, according to Doing Business 2009 ranking Tanzania was ranked number 109 and 84 respectively (out of 181 economies) in terms of starting business and getting credit.

It is important to understand that the level of education is correlated with the employment and the entrepreneurship activities in the country. From the period 1995-1996 to 2007-2008 budget allocation to the education has increased from 2.1 to 5.7 percent of the GDP respectively (OECD, 2008). It is crucial to improve entrepreneurship skills development through increasing and strengthening relationship between colleges and employers in different sectors in order to provide some practical training, and of course, through additional funding. In 2007 the National Employment Creation Program was approved; it focuses on making available the projects that help to build entrepreneurship capacity through the long learning (ibidem).

Entrepreneurship in Tanzania is growing rapidly as the country experiences transition from an agriculture- to more modern economy. The number of opportunities to start a business has increased both for men and women. There are also many opportunities for the foreign investors in the country and, unlike other countries in the region, the government of Tanzania primarily focused of industrial development of the country instead of tourism. In order to reach this goal, Tanzania is seeking foreign investors and NGOs that could assist in developing the local workforce, and fostering entrepreneurial activities. The need to encourage entrepreneurship in order to make people self-sufficient and independent from the foreign aid for survival has been recognized. There is an emphasis on improvement of

the personnel skills, abilities and knowledge rather than equipment and facilities. Therefore, studying entrepreneurship in Tanzania and influence of the business training on its development is very important.

1.4. Entrepreneurship theory

1.4.1. Definition of entrepreneurship and its linkage to economic growth

Not all economists grant the entrepreneur a central role in explaining economic growth. The theoretical review indicates that neo-classical theory explained economic growth by accumulation of production factors and by exogenous technological change. Later on the technological progress started to be included in the model, yet still mainstream economics did not show any substantial interest in the ultimate causes underlying long-term factor accumulation and technological development, such as human factor and entrepreneurial activity (Wennekers and Thurik, 1999).

However, some researchers include entrepreneur as one of the main characters in their studies (Karlsson et al., 2004). This tradition has undoubtedly started with work of Schumpeter (1934). As one of the few economists of his time, he broke up with the rules of static analysis (concentrated on the steady state in the economy) and became pioneer of the modern analysis of growth and development. He focused on the technological breakthroughs and the role of entrepreneur defined as a person bringing innovations into the economic activity. In his way of thinking the entrepreneur is the bearer of mechanism for change and economic development. With regard to the type of innovation, Schumpeter (1934) names five different manifestations of entrepreneurship: new good, new method of production, new market, new source of supply of intermediate goods, and a new organization. Through the process of creative destruction the entrepreneur is changing the character of existing economic activity and therefore advancing it.

Entrepreneurship is “at the heart of national advantage” to quote Michael Porter (1990, p.125). To explore the role of entrepreneurship in fostering economic growth of certain countries and regions, it is worth looking at specific mechanisms by which entrepreneurial behavior can contribute to the wealth creation.

Carree and Thurik (2003) focus on three entrepreneurial roles. The first one is that of innovator. Schumpeter was the economist who most prominently drew attention to the “innovating entrepreneur”. He or she carries out “new combinations we call enterprise; the individuals whose function is to carry them out we call entrepreneurs” (Schumpeter, 1934, p. 74). Innovation can be variable according to the context. In micro entrepreneurial setting in Tanzania, where this study is based, innovation need not necessarily be a result of sophisticated scientific or managerial research. It can be as well a simple introduction of a distinctively new business concept different from the ones already applied in the same environment. The second role is perceiving profit opportunities. In that sense entrepreneurs are the first ones to explore newly established sectors of the economy. The third is that of assuming the risk associated with uncertainty. In order to achieve success of the new idea, business cannot be done in totally safe environment. When an individual introduces a new product or starts a new firm, this can be interpreted as an entrepreneurial act in terms of each of the three types of entrepreneurship. The entrepreneur is an innovator, has perceived so far unnoticed profit opportunity and takes the risk that the product or venture may turn out to be a failure.

Lack of entrepreneurial activity or alertness is therefore directly connected to low rates of innovation, to unused profit opportunities and to risk-averse attitudes. These are important barriers for a healthy economic development.

Audretsch and Thurik (2004) distinguish three ways in which entrepreneurial capital affects growth. The first major role is to positively contribute to economic growth by creating knowledge spillovers. Already Romer (1986) and Lucas (1988) established that knowledge spillovers are an important mechanism driving growth. This relation has an important implication for public policy – due to the increasing role of knowledge and the resulting increasing returns, knowledge factors, such as R&D, should be publicly supported. Entrepreneurship is an important area where some of the transmission mechanisms have been identified (Carree and Thurik, 2006). The second way in which entrepreneurship generates economic growth is through augmenting the number of enterprises and increasing competition. A third way in which entrepreneurial capital generates economic output is by providing diversity among firms. Not only does entrepreneurship capital generate a greater

number of enterprises, it also increases the variety of enterprises in certain location. There has been a number of theoretical arguments suggesting that the degree of diversity, as opposed to homogeneity, will influence the growth potential of a location (ibidem).

On the base of above presented relations, it can be stated, that the key contribution of entrepreneurship to economic growth might be singled out as being 'newness'. This includes the start-up of new firms, but also the transformation of "inventions and ideas into economically viable entities, whether or not, in the course of doing so they create or operate a firm" (Baumol, 1998).

In this context it is important to stress the role of entrepreneurship for developing countries. Entrepreneurship clearly refers to the capacity for innovation, investments and activist expansion in new markets, products and techniques. As such entrepreneurship may reflect superior information and, perhaps more importantly, imagination, which subjectively reduces the risks and uncertainties of new opportunities, which are rejected or ignored by other investors (Schumpeter, 1934). Alternatively, the entrepreneur has special aptitudes for bearing risk and uncertainty, which permit him to act as a promoter and catalytic agent who seizes new investment and production opportunities (Leff, 1979). These traits, in effect, shift the opportunity set and increase the probability that the new project will be implemented. Viewed in this terms, entrepreneurship is so important for economic development that it has sometimes been conceptualized as a "fourth factor of production" (ibidem).

In an underdeveloped country, entrepreneurship may take on dimensions that are absent or less important in more-developed economies. There it involves the creation of channels for input supply and/or for sale of outputs, in conditions where existing market mechanisms such as in the developed economies are unavailable. Consequently, without entrepreneurship, some input or output quantities, qualities, and costs would be so overwhelmed by risk and uncertainty that the investment would not take place. In that sense entrepreneurship has an important role in overcoming factor- and product-market failures. A key function of entrepreneurship in developing economies is to mobilize factors such as capital and specialized labor which, being imperfectly marketed, might otherwise be not be supplied or allocated to the activities where their productivity is greatest. Another major difference lies in the importance of risk and uncertainty bearing. Not only are the markets for bearing risk

and uncertainty less complete in underdeveloped countries, but the absolute amount of risk can be greater because of poorer information and rapid structural change. These considerations suggest that entrepreneurship in the less developed regions is likely to involve more than the psychological capacity for perceiving new economic opportunities and entering them with an aggressive investment policy. The special conditions affecting risk and uncertainty, and the need to open new channels for factor mobilization and product supply are likely to impose additional requirements.

The process of entrepreneurship, recognized as a major factor in economic development and in growth of nations, is generating a large part of microenterprises. Given this important recognition, one of the major challenges faced by all countries, both in the North (typically associated with the developed countries) and the South (countries of the significantly lower levels of development sharing characteristic of colonial heritage), is how to develop entrepreneurs and entrepreneurship on the individual level. With regard to the poor countries, a special challenge is to ensure sustained entrepreneurship development among micro entrepreneurs and especially women to enable them to advance their business. The important role of women in the micro and small enterprise sector should be recognized. As normally they constitute the majority of micro enterprises sector in developing countries (Kantor, 2000) and despite their subordinate position in society, their potential contribution to the development of respective countries cannot be neglected.

Focusing on and supporting microenterprises can be justified because they have the potential to generate output, employment and income as well as being central to innovation (Kantor, 2000). More specifically, micro and small enterprises have vital development functions in the countries of the South. The role of entrepreneurship in the developing economies, which are just beginning to form the market economy, is particularly important. In these settings, it is the sector of micro and small businesses, in contrast to the public sector and foreign companies, which are other major sectors of employment in such countries, that bear most entrepreneurial characteristic.

Micro and small enterprises are critical for supporting livelihoods as well as overall prosperity and progress. They create employment at relatively low levels of investment per job (generate jobs by using more labor in relation to capital invested). Moreover they utilize

and add value to local resources as well as foster more even income distribution. Due to the underdeveloped small market structure, they are better positioned to meet local needs, especially when they operate in less populated rural areas with poor infrastructure. The technologies used by them are easier to acquire, transfer and adopt, even for people with little education and training. They have the potential to complement large enterprises through partnerships and subcontracting relationships. Micro and small enterprises also serve as a training ground for entrepreneurship and managerial development (Olomi, 2007).

They also help the respective countries to weather recession, material shortage and market changes because of their flexibility. The option of starting a micro business is often the only feasible one for people with very limited resources (Kantor, 2000).

When translated into reality, it is found that the economic functions of micro and small enterprises support an increasingly large proportion of the population in many countries of the South. For example, at the beginning of the 1990s, over 50 percent of the population in Bolivia, Colombia, Ecuador and Peru depend on the activity of micro and small enterprises (Kantor, 2000).

It should be considered however, that contrary to the western-based assumptions that an entrepreneurial career is chosen, in Africa most entrepreneurs are forced into it by the urgent need to earn a living (Olomi and Rutashobya, 1999). Even under these circumstances (lack of positive motivation to become entrepreneur), the expansion of entrepreneurship in Africa is limited by legal, administrative, socio-economic and political factors rather than the characteristics of the entrepreneurs themselves. Given that, coordinated entrepreneurship development is an imperative in order to cultivate entrepreneurial talents.

1.4.2. Factors determining entrepreneurial behavior

Entrepreneurial potential of a certain country is one of the key elements affecting its economic growth and development. Since this concept plays such an important role in advancement of nations, it is worth looking at how entrepreneurs are created. The knowledge base of entrepreneurship research has been generated by three founding

disciplines: psychology (McClelland, 1961), economics (Schumpeter, 1934) and sociology (Weber, 1956). Each of these disciplines asks different questions, employs different theories, and focuses on different level of analysis. Consequently, three major perspectives have been adopted from Djankov et al. (2005).

The first one is the institutional view advocated by economists and some political scientists. This perspective focuses on the role of economic, political, and legal institutions in fostering or restricting entrepreneurship. Authors such as North (1998) focused his attention on factors such as incentives, regulation of markets and social rigidities. Their analysis stresses the primal role of the economic agents, who link the institutions at the micro level to the economic outcome at the macro level. It remains hidden, how exactly institutions and cultural factors frame the decisions of the millions of entrepreneurs in small firms and of entrepreneurial managers working within large companies. And little is known about how these individuals materialize their decisions into the kind of actions that aggregate into economic growth. Far from denying the vital role of capital formation and technological change for economic growth, for a real understanding of long-term growth it is necessary to explicitly take into account the role of entrepreneurial activity underlying these intermediary processes.

Recent research has primarily emphasized the role of credit and information constraints for the poor and the security of property rights (*ibidem*). This way of explaining origins of entrepreneurship seems to be particularly relevant in poor countries, where people willing to start their own business are faced with underdeveloped regulatory framework and limited access to financial resources. Reliable access to capital is widely reported to be a precondition for small-scale business start-ups in developing economies, while the lack of credit arrangements and constraints of financial systems are regarded as major obstacles to business innovation and success. Credit constraints have been indeed identified as one of the major barrier in entrepreneurship's development in countries of Latin America, Asia and Africa (Paulson and Townsend, 2004). The recognition of this barrier resulted in programs and institutions of microcredit.

When a potential innovator has been granted access to markets, information, capital and services, then political and administrative constraints are likely to hinder the entrepreneur in

displaying his or her creativity in emerging economy. Several studies of entrepreneurship in developing countries place emphasis on bureaucratic barriers to the establishment and growth of small businesses (Kristiansen, 2002). In many countries, business environments have been marked by excessive government control and regulations. Government control can take different forms: licensing, permits for imports and exports, foreign exchange regulations, etc. It takes a great deal of effort and expenditure to move through the government administration, when civil servants, instead of acting as partners in entrepreneurial development, display an attitude of indifference and apathy. Another government obstacle to starting and running a small-scale business is often a lack of coordination among different departments and administrative layers.

The second perspective focuses on the social variables shaping entrepreneurship. Sociologists have long emphasized the role of cultural values and social networks in promoting or discouraging entrepreneurial activities. The idea of cultural aspects that are based on values and influence entrepreneurial behavior goes back to Max Weber (1956). He argued that entrepreneurial activities are influenced by cultural and religious factors – especially relating his concept to the Protestant work ethic.

Several authors have also considered the relationship between the culture and economic growth during the 20th century. Hofstede (1991) points out that a long-term orientation as expressed by thrift, investment and perseverance may be particularly conducive to economic growth. Some support for this hypothesis was found in a sample of 23 countries for the years 1965-1987. Hofstede also regards this long-term orientation as conducive to entrepreneurship. Lynn (1991) has conducted an empirical study linking economic growth to several work attitudes in 41 nations. Lynn reports a significant positive correlation between “competitiveness” in each country (measured as positive attitude towards concept) and the growth performance of these countries over the years 1970 through 1985. Recently, however, Wilderman et al (1998) reported that relationship can also be counterintuitive, where they found a positive relationship between uncertainty avoidance (at the national level) in 23 developed countries and the rate of self-employment in these countries. They explain this result as further proof that dissatisfaction may be a source of entrepreneurship. The value society attaches to entrepreneurship is one of the critical elements in its

development according to research done by Dana (1990). He claims that value society attaches to entrepreneurship development “will reflect the general acceptance of striving for individual progress and prosperity in social environment”.

Searching for socio-cultural factors hindering the entrepreneurial spirit in West Africa Takyi-Asiedu (1993) finds that “A religious commitment to tradition has led to suppression of flexibility and adaptability to change”. He identifies, among others, the following factors as working against an innovative attitude and behavior among Africans: an authoritarian parent-child relationship, suppressing latent creativity among the youth; a hierarchical and authoritarian husband-wife relationship, depriving women of initiative and independence. Yet for an emerging entrepreneur, at least part of the surrounding environment must be supportive of his or her struggling for independence, creativity and profit making. At least some persons or institutions should be motivating the individual’s search for new ideas and higher income. The endorsing milieu may be an ethnic network, relatives and friends, a neighborhood, or an institution, and does not have to be located within the close geographical area of the entrepreneur. The values context is a subjective dimension, consisting of cultural, political and economic factors with impacts on the social status system, incentive structure, and norms for acceptable behavior in a certain milieu.

It is a recognized fact in socioeconomic research that social networks create social capital of importance for business development (Kristiansen, 2004). Various dimensions of social networks can be salient, including family, friends and communities. They represent means for entrepreneurs to reduce risks and transaction costs and improve access to business ideas, knowledge and capital. A social network consists of a series of formal and informal ties between the central actor and other actors in the circle of acquaintances. Social networks are channels through which entrepreneurs get access to necessary resources for business start up, growth and success. Social capital is defined as an attribute created in interaction between people, which increases the strength and value of personal qualities such as intelligence and work experience, and represents a source for collective as well as individual action (ibidem). It is manifested in norms and networks that enable people to act collectively.

An entrepreneur who wants to enter specific industry faces transaction and learning costs depending on technological sophistication and the level of competition in that business line on a given location. Networks are one way in which entrepreneurs reduce transaction costs and risks and improve learning and information-sharing possibilities. In a region where capital markets are underdeveloped and contract law very weak, interpersonal networks are critical to taking risk and moving economic resources. Trust facilitates cooperation between entrepreneurs, which is just as important as competition in achieving efficiency.

The third perspective on origins of entrepreneurship emphasizes the individual characteristics of entrepreneurs. Psychologists have studied traits associated with entrepreneurs – such as personal need for achievement, a belief in the effect of personal effort on outcomes, attitudes towards risk and individual self-confidence. In particular psychological but also economic research has analyzed which personality characteristics are fundamental for entrepreneurial success. The following traits have been defined as useful in explaining the past success and in predicting the future development of a newly founded business: motivational traits, such as ‘need for achievement’, ‘internal locus of control’, and ‘need for autonomy’, cognitive skills such as ‘problem solving orientation’, ‘tolerance of ambiguity’, ‘creativity’ and ‘risk taking propensity’, and social skills, such as ‘interpersonal reactivity’ and ‘assertiveness’.

In the following the five most important variables (of those mentioned above), for which previous research suggested the predictability of entrepreneurial success from a theoretical and empirical point of view², will be presented.

The first variable to be analyzed is ‘need for achievement’. Need for achievement seems to entail expectations of doing something better or faster than anybody else or better than the person’s own earlier accomplishments. It expresses the motivation of business founders to search for new and better solutions than those given in the actual (market) environment, and their ability to realize these solutions through their own performance in the market. If a person is able to achieve such goals, it is said that the achievement motivation of this person

² There has been an extensive research on these variables in psychology. For thorough discussions of the impact of these variables on entrepreneurial success, see, e.g., Rotter, McClelland

corresponds to the prerequisite of becoming a successful entrepreneur. People who have strong needs for achievement display certain characteristics:

1. They set themselves goals which are moderately difficult to attain and pose a certain amount of challenge to their energy and resourcefulness.
2. They are attracted by work situations which allow them to take personal responsibility for goal achievement. They have high confidence in their own abilities to accomplish moderately complex tasks, and feel that their chances of success are greater than most other people's.
3. Concrete feedback on their performance is essential for them and they are also more responsive to it.
4. They are more inquisitive about their environments meaning also that in case of crisis situation they will look for the new ways of life and new activities in order to survive rather than stick to the old ways.
5. They are also more inclined to think spontaneously about how they might achieve desired objective.

Significant differences with respect to this variable were found between successful and unsuccessful entrepreneurs (McClelland, 1987). McClelland and Winter (1969) devised a training program designed to instill the need for achievement. Their findings among Indian entrepreneurs indicated that the effects of motivation training were more noticeable for people in positions of responsibility who had the opportunity to bring about change in their working lives. It was also one of the first variables for which training programs were designed and successfully implemented. It could be learned and may develop according to how individuals existing frame of reference is put against the individual's own desire to achieve. In that way, the achievement motive will be a process of planning and striving for excellence (Hansemark, 2003).

The relationship between need for achievement and economic development has also been studied in Tanzania. Ostheimer (1969) examined the degree to which need for achievement explained the relatively high level of economic development among farmers in the Kilimanjaro region and found significant impact of need for achievement on the increased entrepreneurial activity.

'Locus of control', drawing on concept of Rotter (1966), measures generalized expectations about internal versus external control of reinforcement. It is related to expectation of success or failure in a judgmental task: judgments following earlier behavior. The theory states that human behavior is not only a function of reinforcement, but also depends on people's conception of Locus of Control of Reinforcement. People will attribute the reason for the occurrence either to themselves or to the external environment. Those with internal locus of control believe that they will determine their future development through their own actions. Persons with an external locus of control believe that their future outcomes in terms of success and failure are determined randomly or by external environment, but not by their own actions. Accordingly, it is assumed that persons with an internal locus of control will be more successful as entrepreneurs than individuals with an external locus of control, because business owners are required to be self motivated and not wait for others to tell them what they should do.

Both Need for Achievement and Locus of Control are considered to be learned characteristic (McClelland, 1987; Rotter, 1966) and previous research has shown that Achievement Motivation and Locus of Control (Hansemark, 2003) do change over time and can be developed.

An examination of existing entrepreneurial literature over 25 year period indicates that Dispositional Optimism – the global expectation that good things will be plentiful in the future and bad things scarce – is correlated to entrepreneurial success and that Dispositional Optimism is a defining characteristic of entrepreneurs (Crane and Crane, 2007). People engage in goal-directed behavior, but when there are impediments to achieving goals, some people will believe that the goals can be achieved (optimists), whereas the others will not (pessimists). Therefore optimism leads to continuous efforts to attain the goal, whereas pessimism leads to giving up (Scheier and Carver, 1992). However optimism is measured, Peterson (2000) suggested that the research is uniform in showing that optimism is linked to desirable outcomes such as perseverance and achievement.

Another aspect of optimism is the notion of realistic versus unrealistic optimism. Psychologists argue that optimism can have costs if it is too unrealistic. Unrealistic optimism, in the form of wishful thinking, can actually distract people from developing sound plans for

goal achievement. Baron (2000) argued that entrepreneurs tend to be realists and do not engage in unrealistic thinking. They have been also found to be actually moderate risk takers, not big gamblers, who tend to be optimistic yet realistic about the expected performance of their venture (Crane and Crane, 2007). Therefore entrepreneurial optimism can be classified as realistic.

Psychologists assert that it is possible to teach optimism (Peterson, 2000) and to change individual mindset from pessimistic to optimistic. Seligman (1998), a pioneer in optimistic thinking, also believed dispositional optimism can be taught and provided empirical evidence to confirm it. His research with children, using cognitive restructuring methods³, has demonstrated that changing how child thinks will lead to a change in emotions and eventually to a change in behavior. Still, there is little research on entrepreneurs and learned optimism.

Individualism-collectivism is another important construct in entrepreneurial research, particularly in cross-cultural context (Li and Aksoy, 2007). According to Hofstede (1991), individualism pertains to societies in which ties between individuals are loose: Everyone is expected to look after himself or herself and his or her immediate family. Collectivism as opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive groups, which throughout people's lifetime continue to protect them in exchange for understanding loyalty. Although Hofstede's work was concerned primarily with cultural differences, subsequent researchers have become interested in individualism – collectivism at the individual level as well (Triandis and Gelfand, 1998). They argued that the four defining attributes of individualism and collectivism are (a) the definition of the self, which can emphasize personal or collective aspects or can be independent or interdependent; (b) personal goals that can have priority over in-group goals or vice versa; (c) the emphasis on exchange rather than communal relationships or the emphasis on rationality rather than relatedness and (d) the importance of attitudes and norms as determinants of social behavior. In individualistic cultures attitudes are more important than norms. Both constructs are therefore characterized by following components: individualism by self-

³ Cognitive restructuring method is the process of learning to discredit cognitive distortions – or fundamental “destructive thinking” by gaining awareness of them, challenging and substituting them with life-enhancing thoughts and beliefs.

reliance, competition, emotional distance from in-groups and hedonism whereas collectivism by interdependence, family integrity and sociability. In this way individualism is typically associated with entrepreneurship as a trait predicting competitive and independent, self-reliant behavior. Triandis and Gelfand (1998) made a further distinction between individualism and collectivism, arguing that both constructs may be either horizontal (H) – that is emphasizing equality – or it may be vertical (V) – that is emphasizing hierarchy. A brief description of the four patterns at the individual level is as follows:

1. Horizontal individualist (HI) people want to be unique and self-reliant, but they are not especially interested in becoming distinguished or having high status.
2. Vertical individualist (VI) people try to compete with others for distinction and status.
3. Horizontal collectivist (HC) people perceive themselves as an aspect of in-group and emphasize common goals with others, and
4. Vertical collectivist (VC) people sacrifice their personal goals for the sake of in-group goals, but the members of the in-group are different from each other, some having more status than others.

One of the skills which has been recognized as constituting heart of entrepreneurship is creativity. Creativity is the process of generating qualitatively new ideas – in this context economic – and convincing others of their relative value. Creativity can be defined as the ability to develop ideas through one of the three processes: creation (developing something new), synthesis (combining or synthesizing concepts), or modification (changing or improving things). An entrepreneur is a creative thinker, modifying or rejecting previously accepted ideas to build innovations from practically anything. Individualism is a necessary prerequisite of creativity but given alone is not sufficient to cause creative actions. Empirical research has indicated higher level of creativity in entrepreneurs than in other occupational groups (Engle et al, 1997).

Given the numerous personality variables that might influence the entrepreneurial success, it can be expected that each single variable will only be a weak predictor of entrepreneurial success.

2. Methodology

2.1. Topicality and the aims of the own research – justification of the area of study

The focus of this paper is the psychological and the mindset change effect of the business training which can be seen as complementary or even most crucial transformation of the people who have taken part in the training. The shift in attitude and way of thinking can be more fundamental than improvement in business planning and accounting, and gained familiarity with marketing tools and customer care.

Many researchers have recognized this aspects as very important for determining entrepreneurial potential (UDEEC, 2002; Karlan and Valdivia, 2006). It can be particularly significant in African context, where a large majority of small business owners start business activity as a result of economic necessity and therefore not necessarily possess attitude and motivation to grow (Olomi, 2007). However, there is almost no existing research, which is known to authors, that has been dealing with the impact of training programs on the psychological determinants of entrepreneurial behavior. The following thesis has been written to address this demand.

The idea behind this work is to assess the impact of the business training on key psychological characteristics of small-scale entrepreneurs in a developing country. The business training program has been developed by members of the University of Dar es Salaam Entrepreneurship Centre (UDEEC). All the participants of the training are the clients of the microfinance institution PRIDE in Dar es Salaam. To assess the impact of the training intervention, we have developed a questionnaire measuring the level of particular psychological variables and attitudes. The aim has been to compare the results obtained from the microfinance clients who have received and who have not received the training. The following research questions have been formulated:

1. Does the training intervention have impact on the selected psychological determinants of entrepreneurship?
2. Which dimensions are most influenced by the training?
3. Is this impact moderated by other variables such as gender of participants?

The above presented questions have served as a basis for formulation of hypotheses, which have been verified in the investigation. After the review of relevant literature the following dimensions have been identified: creativity, individualism/collectivism, locus of control of reinforcement, achievement motivation, dispositional optimism and attitude towards trust and relationship. These concepts are most likely to determine entrepreneurial behavior and on the other hand it has been empirically proven that they can be learned and developed. The following hypotheses have been stated:

Hypothesis 1:

People who underwent the training intervention will have higher levels of creativity understood as the ability to come up with distinctively new ideas, preference for own initiative and experimenting in comparison to people without training.

Hypothesis 2:

People who underwent the training intervention will have more individualistic attitude reflected in greater willingness to make independent decisions and to take responsibility for them, greater importance of one's own interest over the interest of a group one belongs to in comparison to people without training.

Hypothesis 3:

People who underwent the training intervention will have more internal locus of control of reinforcement characterized as belief that internal factors such as one's motivation and skills rather than external forces or luck determine their actions in comparison to people without training.

Hypothesis 4:

People who underwent the training intervention will have higher need/motivation for achievement understood as readiness to work hard to achieve one's goals, ambition and persistence in reaching one's goals in comparison to people without training.

Hypothesis 5:

People who underwent the training intervention will have higher level of dispositional optimism understood as general belief that more good things than bad will happen to them in the future in comparison to people without training.

Hypothesis 6:

People who underwent the training intervention will recognize trust and relationships as more important for their business activity and will be characterized by higher level of trust and greater willingness to establish sound relationships in comparison to people without training.

The investigation has been conducted on the sample including males and females therefore the following exploratory question has been stated:

Exploratory question 1:

Will gender dimension affect the differences between the groups of people with and without training in the level of above mentioned variables? Will gender dimension be a moderator of impact of business training on the above mentioned variables?

2.2. Operational variables and research design

The investigation has been conducted in one-factor schema. The independent variable is the participation in the training intervention. The dependent variables, levels of which have been measured during the investigation are: creativity, individualism/collectivism, internal/external locus of control of reinforcement, need/motivation for achievement, dispositional optimism and level of trust. Gender of the participants is a control variable.

The dependent variables have been operationalized by constructing an appropriate questionnaire measuring the level of all the variables. The section about research methods contains more detailed description of the questionnaire.

2.3. Research sample

84 people took part in the study and filled in the questionnaire. To meet randomization requirement both groups of people: those who had gone through the training and those who had not, were chosen blindly from two branches of PRIDE microfinance clients. Therefore it is also to be assumed that all the people taking part in described here study are microentrepreneurs and that they have already undertaken some kind of entrepreneurial activity. The aim was to obtain two groups of similar number of people.

	People with training	People without training	Together
Women	20	31	51
Men	16	17	33
Together	36	48	84

Table 1. Number of people who took part in the investigation

The people have been recruited during their weekly meeting at the PRIDE institution.

2.4. Research method

In the investigation a questionnaire constructed by the authors of the study has been used. The tool has been created on the basis of relevant theory and empirical results as well as authors' own ideas. The questionnaire was developed in English, and subsequently translated into Swahili. It contained three parts, according to content and type of task required from participants.

The first part of the questionnaire comprised six series of questions (36 questions in total) grouped under headings indicating certain psychological variables, in the following order: creativity, individualism, locus of control, need for achievement, dispositional optimism and trust/relationships. Under each heading a short description of the dimension has been given.

It served as an explanation of an abstract construct. All the questions in this part have been introduced as attitude statement introducing commonly held opinion. People completing the survey were asked to identify to which extent they agree/disagree with each statement using a 5-grade scale (completely disagree, rather disagree, somewhat disagree/agree, rather agree, completely agree). Each dimension has been scored by adding points from relevant questions (the ones that belonged to particular dimension). The more points a person scored on certain dimension the higher level of this psychological trait she had.

All the questions in this part of the survey have been taken from or developed on the basis of well-established psychometric tools with documented reliability⁴. First of the dimension – creativity, due to the complexity of the concept and some difficulties in exactly defining it, has been measured in two parts of the questionnaire. The questions included in its first part have been mainly developed on the basis of the Cree Questionnaire (Thurstone and Mellinger, 1995) which is a test designed to assess individuals' creative-innovative potential. In addition to the score for overall creative potential, the Cree Questionnaire provides scores for different dimensions of the creative personality. For the purpose of the study, the dimension of work orientation distinguishing between preference for working in an autonomous vs structured environment has been exploited in particular. To check whether training intervention had significant impact on the creativity of clients, work-related situations have been examined. In that sense preference for non-routine and unstructured work situations, providing scope for autonomous action and independent, nonconforming behavior would be leading to greater creativity.

The items on individualism scale have been mostly adopted from individualism-collectivism scale developed by Triandis and Gelfand (1998). This tool has a high, empirically proven reliability, also across cultures (ibidem). The majority of the questions are measuring horizontal individualism understood as willingness to be independent and self-reliant in one's own actions. Statement 7 (the idea of disappointing my family makes me feel worse than disappointing myself) checks for vertical collectivism – if a person is willing to sacrifice their own goals for the sake of in-group goals. Some of the items had to be modified to

⁴ Test reliability refers to the degree to which a test is consistent and stable in measuring what it is intended to measure. A test is reliable if it is consistent within itself and across time.

reflect the situations which are close to the experience of microfinance clients. Therefore expressions such as 'borrowing group' were included in the statements.

The questions measuring locus of control of reinforcement have been adopted from the inventory developed by Rotter (1966). This 29-item forced-choice scale provides a single measure of beliefs concerning individuals' general expectancy regarding their ability to control life's event. The scale has been extensively used in a wide variety of settings including beliefs about health and cross-cultural psychology. It is one of the most thoroughly psychometrized scales in psychology (Furnham, 1986). In addition a number of ideas from economic locus of control scale (ibidem) has been used. They allowed to introduce situations concerning one's individual success and problem of motivating workers into the created questionnaire.

Achievement motivation section was inspired by Hermans' scale (1970) that has been already used in African setting. The questions included in the survey used in Tanzania focused around aspiration level, persistence and achievement behavior.

Dispositional optimism questions have been adopted from the Life Orientation Test (LOT) by Scheier and Carver (1992). This is the only known to the authors measure of the concept dispositional optimism and it has been already used in empirical research of entrepreneurial behavior (Peterson, 2000).

Questions concerning importance of trust and relationship while conducting own business have been mostly developed by the authors of the study themselves. They have been based on the general understanding of microentrepreneurial setting in Tanzania. The importance of trust and relationships and its relevance in Tanzania have been previously identified by many researchers (Kristiansen, 2004).

In order to obtain a better measure of creativity of people taking part in the study additional measure of this variable has been introduced in the second part of the questionnaire. It was Test of Circles adopted from Torrance Test of Creative Thinking (1974). As this is a projective tool, the following scoring criteria, according to which both authors of study have independently assessed test results, have been established (see Appendix 2):

- Count of number of relevant ideas: 1 point has been granted if all the squares have been used/included in the drawing(s), 0 points if not all the squares have been used
- The stimulus must be used: 1 point was granted if the majority of the circles (not less than 10) have been an integral part of the drawing(s), 0 points if less than 10 circles have been a part of the drawing
- Elaboration of ideas included in the pictures: 2 points were granted for very detailed illustrations, 1 point was granted for moderately detailed pictures, 0 points for very simple, difficult to recognize objects.
- Number of different categories of objects in the pictures: 2 points were granted for many and distinctively categories of the created pictures, 1 point was granted if there were some different categories of the pictures, 0 if the pictures were very similar or all included in the same category.

The third part of the test consisted of three questions focused on the current state of the business activity of the interviewed person, her satisfaction from her business and ideas for its improvement and barriers to do so. This part has been included in the designed questionnaire as an additional option to spot differences between groups with and without training on the dimensions of creativity and possibly related measures. Our prediction is that people with training can be more creative in providing methods for improvement of their current business activity and also can be more precise in identifying possible barriers in expanding their business.

2.5. Investigation procedure

The developed questionnaire has been completed by the microentrepreneurs after their weekly meeting of their microfinance branch. They have been asked to fill it in immediately after the meeting in the building of their PRIDE local branch. There have been four different sessions (two sessions per week during two consecutive weeks) during which different group of clients have been asked to complete the questionnaire. The potential spill-over effects between different groups of clients are eliminated by the fact that members of different microcredit branches have practically no contact.

During each session participants of the study gathered in one room where the questionnaires in Swahili were distributed to them and the instructions for the test were read aloud by the session facilitator.

3. Presentation of the results

The results of the research have been analyzed according to two dimensions: overall treatment effect of the business training program and the influence of the gender differences. In order to summarize the results of the survey, SPSS Statistics has been used.

The results are presented according to six categories elaborated by the authors, namely, Creativity, Individualism, Locus of control, Need for Achievement, Dispositional Optimism and Trust/relationship. Moreover the results on the creativity dimension are divided into three parts: sum of independent questions on creativity, circle test and overall creativity evaluation (putting together the first and the second parts).

3.1. Overall results (Training/without training)

To test the hypotheses stated in the methodology part and check potential effect of business training on the psychological variables, Student's t-test for independent samples was used. Student's t-test has been chosen for this research, because of the assumption of normally distributed population and relatively small sample sizes.

For the results to be statistically significant p value should be less than 0.05 ($p \leq 0.05$). However, since undertaken study was a pilot survey and the samples were small, therefore, the authors are not that strict with the results and a p value lower than 0.1 is still considered to show some difference between the groups.

The following overall results according to different dimensions were achieved:

Dependent variable	Without training		With training		t (value of t-student test)	p (significance of the test)
	M (mean)	s (standard deviation)	M (mean)	s (standard deviation)		
Creativity(sum of questions)	17.5682	3.59197	18.7778	3.27860	-1.558	0.123
Creativity (circle test)	2.2083	0.96664	2.9167	1.13074	-3.09	0.003
Creativity (together)	19.9091	3.85685	21.6944	3.8009	-2.073	0.041
Individualism	18.5217	2.41052	18.1944	2.40023	0.611	0.543
Locus of control	31.5111	3.76963	33.8286	3.40834	-2.843	0.006
Need for achievement	13.4681	2.40336	14.3611	2.23163	-1.73	0.087
Dispositional optimism	13.1702	2.35279	13.8286	2.68422	-1.18	0.242
Trust/relationships	20.8889	2.88588	22.0571	3.14309	-1.727	0.88

Table 2. Overall effect of the business training on the psychological variables

The results demonstrate that three dimensions show significant difference between the groups with and without training, namely, creativity (the circle test and the overall creativity, $p=0.003$, $p=0.041$ respectively), locus of control ($p=0.006$) and need for achievement (significant at 10 percent level, with $p=0.087$).

Besides evaluating the overall effect of the training on the psychological variables, the authors tried to investigate whether the number of hours of training had an impact. According to the data from the training course, people were divided into two categories: with training less than ten hours and ten or more hours. The border line ten hours was chosen also because this was a criteria of getting the diploma for the training course. Student's test was used and the following results were achieved:

Dependent variable	With less than 10 hours of training		With 10 or more hours of training		t (value of t-student test)	p (significance of the test)
	M (mean)	s (standard deviation)	M (mean)	s (standard deviation)		
Creativity(sum of questions)	17.8163	3.62671	18.5806	3.25345	0.955	0.343
Creativity (circle test)	2.3396	1.01798	2.8065	1.16674	1.921	0.058
Creativity (together)	20.2857	3.98434	21.3871	3.75657	1.231	0.222
Individualism	18.5098	2.43617	18.1613	2.35367	-0.636	0.526
Locus of control	31.36	3.6352	34.4667	3.20273	3.865	0.000
Need for achievement	13.5192	2.33045	14.4194	2.33487	1.701	0.093
Dispositional optimism	13.2308	2.406	13.8333	2.66631	1.05	0.297
Trust/relationships	20.88	2.84741	22.2667	3.1941	2.014	0.047

Table 3. Effect of the business training on the psychological variables depending on the number of training hours

From Table 3 it can be concluded that four dimensions show the significance even though at different level of significance. Locus of control ($p=0.000$) and trust/relationship ($p=0.047$) need for achievement are significant at 5 percent level, whereas the circle test on the creativity ($p=0.058$), and need for achievement dimension ($p=0.093$) showed significance at 10 percent level. The results of Student's t-test indicate that locus of control, partly creativity, need for achievement and trust/relationship are the only dimensions that seem to be influenced by the number of training hours.

3.2. Results according to six dimensions

By analyzing the data received from the questionnaires the authors tested the six hypotheses stated in the methodology part according to each of the psychological dimension. Moreover, the authors investigated which question within each category showed the greatest difference, even if the results did not show statistical significance of the category itself (no effect of the business training was proved).

The authors assumed that each psychological variable will have a higher value for the group which went through the training intervention. However, the results show that only three dimensions out of six had an effect of the training, which are creativity, locus of control and need for achievement. Therefore, only Hypotheses 1, 3 and 4 were confirmed.

Testing the hypotheses of the research by the elaborated dimensions, the following results were achieved:

3.2.1. Creativity

Hypothesis 1: confirmed

People who underwent the training intervention have a higher level of creativity according to the circle test. The overall creativity dimension also seems to be influenced by the business training. The circle test on creativity shows that there is also a correlation between the number of training hours and creativity (creativity increases with attendance at business training course).

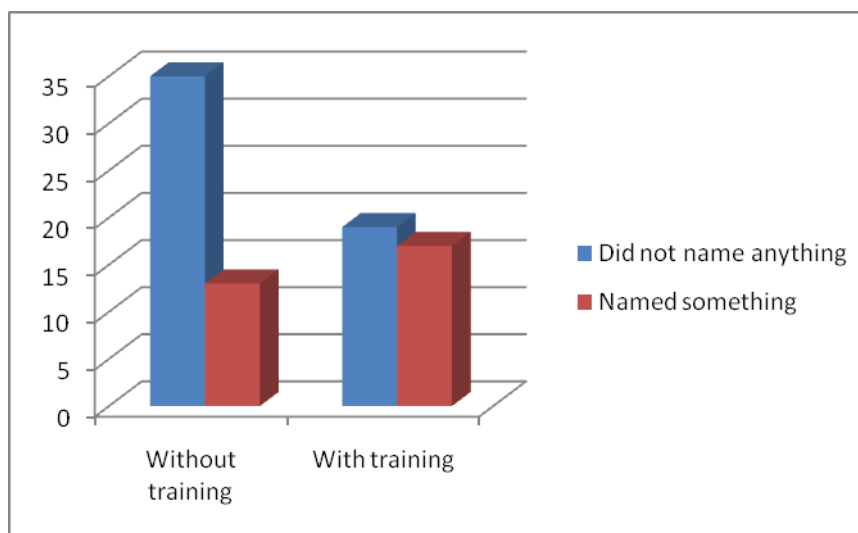
Four out of six questions on the creativity gave expected sign of coefficient, and two – unexpected. Therefore, the results on four questions confirmed that people who attended the business course showed a higher level of creativity. The question that gave the greatest difference within the creativity dimension is Question 6: I like to experiment with various ways of doing things. This question's results suggest that people who have done the business training were more creative than the ones without it.

Regarding the creativity dimension, the authors also analyzed whether people who took/did not take the training differed significantly in specifying what they could do to increase the profitability of their business. We viewed this as one of the ways to evaluate their creativity level and ability to come up with new ideas. The hypothesis was that people who went through the course would be more precise and open in providing the list of ideas of what could be improved. For that purpose Cross Tabulation was used as a simple way to interpret the data. The results are presented in the contingency table:

		Having done training or not		
		Without business training	With business training	Total
Did they mentioned what they can do	No	35 (73%)	19 (53%)	54
	Yes	13 (27%)	17 (47%)	30
	Total	48 (100%)	36 (100%)	84

Table 4. Effect of the business training on the ability to name the possible improvements to the business

The table above illustrates that people without training were more reluctant to mentioning possible improvements to their businesses. The majority of people (35 out of 48, or 73 percent) who did not attend the course did not provide a list of ideas. The results for the treated group are different: slightly more than half of the people from the group with training (19 out of 36, or 53 percent) could not come up with the ideas how they could increase profitability. The following results can be also illustrated by the graph:



Graph 1. Effect of the business training on the ability to name possible improvements to the business

3.2.2. Individualism

Hypothesis 2: not confirmed

It is not proved that people who underwent the training showed more individualistic attitude being willing to make independent decisions. The results do not show that they become more or less individualistic after the training.

Four out of six questions on this dimension showed unexpected sign of coefficient – people without any business training had higher results on the individualism. Question 11: I welcome suggestions and criticism considering my work – showed the highest difference within the category and in the predicted direction (people after the training showed more individualistic behavior).

3.2.3. Locus of control

Hypothesis 3: confirmed

The investigation showed that people that underwent the training differs from the ones who did not in terms of having more internal locus of control rather than external. After the training, people believe more in themselves and their ability to influence the situation and take control over it.

There were ten questions in locus of control category; results on six of them proved the expected direction of the answers – people after the training scored more. In the locus of control category Question 14: You can satisfy customers by giving them what they want when they want it, and Question 20: A skillful manager can motivate almost any worker to put forth more effort – seemed to be the most promising ones. For both questions the results are in the expected direction – people with the training scored higher.

Locus of control dimension showed the largest overall treatment effect: it is higher for the people receiving business training and increases with the increase of the hours of business training.

3.2.4. Need for achievement

Hypothesis 4: confirmed

There is a proof that people who underwent the training intervention have greater need/motivation for achievement resulting in working hard to achieve the goal. Moreover, there is an evidence of the training hours and need for achievement correlation.

In the elaborated questionnaire there were four questions dedicated to this dimension, and only one of them gave the results that were in contrary with the expected direction. For the need for achievement dimension Question 25: I would like a life in which I would not have to work at all – was the one to make the difference within the category and proved the predicted outcome. It shows that people who underwent the training intervention are more likely to need stimulating activity.

3.2.5. Dispositional optimist

Hypothesis 5: not confirmed

There is also no evidence that the level of dispositional optimism is higher for people with training. Business training does not influence significantly enough the belief that more good things than bad will happen to a person in the future. Neither the number of hours of business training affects the dispositional optimist dimension.

In the dispositional optimism dimension there were four questions, and three of them proved that people with the training believe that more good things than bad will happen to them. However, the results were not statistically significant. In the dispositional optimism dimension the question that showed the most significant difference was Question 29: I hardly ever expect things to go my way. It indicates that people with the training are more optimistic about their future and the outcomes of their actions/decisions.

3.2.6. Trust/Relationship

Hypothesis 6: not confirmed

The research does not show whether business training increased the level of trust and willingness to establish sound business relationship for the people who attended the course in comparison to the ones who did not. However, the increase of the training hours shows statistical significance on this dimension. Moreover, there are some gender differences after the training that will be discussed in the next subsection.

For this category six questions were elaborated by the authors. Results on four of the questions gave expected sign of coefficient, on one the results were the same for both groups, and only on one of the questions within this category provided with unexpected results. Question 35: I am afraid that my employee or business partner (supplier or another person I am doing business with) can cheat on me – made the difference in the trust/relationship dimension. The results on this question showed that people with business training become more self-reliable and assume that business partners do not have an intention to spoil relationship and cheat on them.

3.3. Gender

Analyzing separately the effect of training in the groups split by gender criteria using Student's t-test showed that creativity (circle test in particular), locus of control and trust/relationship dimensions presented significant difference for women with and without training. However, locus of control dimension was significant at 10 percent level ($p=0.06$).

Dependent variable	Without training		With training		t (value of t-student test)	p (significance of the test)
	M (mean)	s (standard deviation)	M (mean)	s (standard deviation)		
Creativity(sum of questions)	17.6552	3.47723	18.25	3.55224	-0.583	0.562
Creativity (circle test)	2.2581	1.03175	3.15	0.98809	-3.064	0.004
Creativity (together)	20	3.81725	21.4	3.97889	-1.240	0.221
Individualism	18.9333	2.43443	18.05	2.39462	1.265	0.212

Locus of control	32	4	34.2632	3.07033	-2.102	0.041
Need for achievement	13.5333	2.55604	14.55	2.08945	-1.478	0.146
Dispositional optimism	13.5	2.28654	14.2105	2.82014	-0.968	0.338
Trust/relationships	20.8667	3.17026	22.6842	3.28384	-1.929	0.06

Table 5. The effect of the business training on female

We can state that the business training had an effect on the creativity, locus of control and trust/relationship dimensions for the female part of the participants. For the male sample the results were different, and only one dimension, which is locus of control, gave the predicted results and was significant at 5 percent level with $p=0.036$.

Dependent variable	Without training		With training		t (value of t-student test)	p (significance of the test)
	M (mean)	s (standard deviation)	M (mean)	s (standard deviation)		
Creativity(sum of questions)	17.4	3.92428	19.4375	2.87446	-1.657	0.108
Creativity (circle test)	2.1176	0.85749	2.625	1.25831	-1.361	0.183
Creativity (together)	19.7333	4.06143	22.0625	3.66003	-1.679	0.104
Individualism	17.75	2.23607	18.375	2.47319	-0.75	0.459
Locus of control	30.5333	3.15926	33.3125	3.80734	-2.203	0.036
Need for achievement	13.3529	2.17776	14.125	2.44609	-0.959	0.345
Dispositional optimism	12.5882	2.42536	13.375	2.52653	-0.913	0.368
Trust/relationships	20.9333	2.31352	21.3125	2.8918	-0.401	0.691

Table 6. The effect of the business training on male

Therefore, according to the results, business training had an influence more on the female sample regarding the creativity dimension and the circle test in particular. Analysis of the male group showed that locus of control was one of the psychological variables that were influenced by the business training. There is also a difference for the female group ($p=0.041$) but not as significant as for the male one ($p=0.036$).

Moreover, there was a difference in the effect of the training on the trust and relationship dimension between female and male groups: $p=0.06$ and $p=0.691$ respectively. Therefore, business training seems to increase trust and strengthen the relationship dimension for women, and has no statistically significant results of the male sample.

4. Discussion

Evaluating the overall effect of the business training using SPSS Statistics the authors came to the conclusion that the business training did not influence and change all the psychological variables (creativity, individualism, locus of control, need for achievement, dispositional optimism and trust/relationship). The sample of the survey was very small, that most probably influenced the outcome of the survey. Nonetheless, we can state that on almost all dimension except Individualism the results gave a sign in the right direction: people with the training scored higher. On individualism the results were opposite to the expected ones.

Only three hypotheses were confirmed, namely 1st, 3rd and 4th. However, for some of the dimensions the number of training hours made the significant difference, and also some important gender discrepancies were found.

4.1. Creativity

Hypothesis 1 was confirmed even though the results for the independent questions on creativity did not show statistical significance. We can conclude that business training had an influence on developing creativity of the entrepreneurs who took the course. The results for this dimension show that after the training entrepreneurs started seeing new ways of doing things, and thinking outside of the box. The results demonstrate that creativity can be trained and it increases with the increase of the training hours. Therefore, we assume that if the training was longer or even with more focus on creativity development, then probably this dimension would be changed to a greater extent.

In addition, the results regarding the attendance at the business training course and its influence on the creativity show that the group without any training experienced difficulties with mentioning the possible improvements of their businesses. This could be due to the fact that they are satisfied with the way their businesses are running, or that they do not have any ideas of how it can be improved. The reaction of the treated group, on the other

hand, was different. This result can be explained by the influence of the business training and its influence on the ability to see new opportunities.

Therefore, the creativity development issues can be incorporated into the business training course and should have an effect on the entrepreneurs undertaking this course.

Analyzing the results question by question, we came to the conclusion that even after the business training it is still hard for the entrepreneurs to come up with completely different and new ideas. However, the course had an influence on seeing different ways of doing the same thing rather than creating something completely new. Question 6 (“I like to experiment with various ways of doing things”) showed the greatest difference between two groups and could work as a confirmation. The circle test in a way correlates with Question 6, and also proves that people after the training are able to be more creative in doing the same thing but differently (the circle test is about doing the same thing but in a different way). Therefore, entrepreneurs with the training are more willing to experiment with various ways of doing the same things. In the future it could have an impact on coming up with new ideas and not copying the neighbors.

The business training influenced women to a greater extent regarding the creativity dimension. The assumption is that probably before the training women did not think of being pioneers in some areas and introducing completely new things or new ways of doing business, perhaps because women are still deprived of initiative and independence in Tanzania.

4.2. Individualism

According to Hypothesis 2 it was expected that people with the training will show more individualistic approach afterwards, however, it was not confirmed by the survey. The results do not prove that entrepreneurs become more or less individualistic after the training. This could have a double meaning and be explained by the fact that entrepreneurs attended the course became more cooperative, eager to accept and listen to the ideas of others, look for the additional sources of information and expert opinion before making a decision.

Taking into account that question that showed the greatest difference within the category was Question 11 (“I welcome suggestions and criticism considering my work”), the assumption about increased cooperative feeling might be confirmed. Entrepreneurs after the training became more open to listen and analyze the criticism; in a way they search for it to come up with better ideas/decisions. It shows that people with the training learn to accept criticism and turn it into the unique experience, and also evaluate the opinion of other people.

However, the results of the survey do not show whether the entrepreneurs after the training have a more independent decision-making approach and are willing to take responsibility for these decisions.

4.3. Locus of control

Hypothesis 3 was confirmed proving that after the training people suppose that their abilities and motivation determine the results of their actions, and believe more in themselves and their ability to influence the situation and take control over it. Therefore, the authors can conclude that business training had a positive and expected influence on this dimension, and locus of control can be changed from the external to the internal one via business training.

Question 14 (“You can satisfy customers by giving them what they want when they want it”) and Question 20 (“A skillful manager can motivate almost any worker to put forth more effort – seemed to be the most promising ones”) seemed to be the most promising ones. The results for these questions and for the whole dimension show that people after the training became more internally oriented and believe that things can be under their control. Question 14 and 20 are closely related to business activities, therefore, we assume that business knowledge helped to increase their self-confidence and at the same time the belief that they can influence the situation.

This dimension is the one with the largest treatment effect. It shows that people with business training are more self-motivated, and they are the ones to influence the outcomes of the actions taken. Therefore, it was proved that locus of control is a learnt characteristic

and can be developed and changed over time. In addition, the longer the business course will be, the greater the effect on this dimension will be achieved.

4.4. Need for achievement

Previous studies (McClelland, 1987; Rotter, 1966) show that need for achievement can be learned. The current survey proved this fact and Hypothesis 4 was confirmed by the results. The majority of entrepreneurs in Tanzania are still not willing to dedicate themselves to the entrepreneurship career and develop entrepreneurship skills. Tanzanian entrepreneurs in most cases are running businesses to get basic financing of their lives. Therefore, they are not motivated enough to increase the size of the businesses and invest time and efforts in improving business activities/quality of the product or service they provide. Nonetheless, business training had an influence on this dimension and proved that after the training Tanzanian entrepreneurs perceive their business as a real entrepreneurial career. Therefore, this survey confirms previous studies regarding the possibility to learn need for achievement.

Question 25 (“I would like a life in which I would not have to work at all”) was the one to make the difference within the category. It shows that the entrepreneurs that took the course are not willing to waste their lives doing nothing. The trained microentrepreneurs’ are rather more motivated to invest in their entrepreneurship career and growth of their businesses.

4.5. Dispositional optimism

Hypothesis 5 regarding the effect of the business training on the dispositional optimism was not confirmed by the results of the survey. Business training does not influence significantly enough the belief that more good things rather than bad will happen to a person in the future. The reason behind that can be that people with this business training become more rational in evaluating the situation and able to see even more threats and obstacles that they can face taking a decision/making an action.

In the dispositional optimist dimension the question that showed the most significant difference was Question 29 (“I hardly ever expect things to go my way”). It shows that people with the training believe that in most cases they are the ones to influence the outcome of the action/decision. However, even though the results for this question showed the greatest difference, it was not statistically significant.

This survey did not provided strong support for the idea of Peterson (2000) that it is possible to teach optimism, and change the mindset of entrepreneurs from pessimistic to optimistic neither for male nor for female. The authors assume that if the training course was much longer (more than 20 hours) and the attendance rates were higher, then this could influence the results and support Hypothesis 5.

4.6. Trust/Relationship

Hypothesis 6 regarding trust and relationship was not confirmed. This can be explained by the fact that the Tanzanian society is characterized by the overall problem of trust. Trust facilitates cooperation between people. For instance, the results for the individualism dimension demonstrate that cooperative attitude among entrepreneurs who attended the course probably increased, but not significantly.

However, there are some differences in the result for the people with more hours of training and for different genders. Women became more relationship-oriented after the training. This can be due to received business knowledge and understanding that business partner are also interested in keeping good relationship and developing strong networks. The understanding of the relationship development importance is crucial in a country with very weak contract law, such as Tanzania.

Question 35 (“I am afraid that my employee or business partner (supplier or another person I am doing business with) can cheat on me “) made the different within this dimension. It shows that entrepreneurs after the training become more self-reliable. The authors assume that it will take time to develop trust in the Tanzanian society and focus on building strong business networks.

Conclusion

Both theory and empirical work indicate that human capital is an important source of economic growth. In the current master thesis we have investigated the effect of human capital formation at the micro level. Within the context of a research project among small-scale entrepreneurs in Tanzania, we ask whether business training, besides developing hard skills (business knowledge), can also have an impact on soft skills of entrepreneurs (creativity, individualism, locus of control, need for achievement, dispositional optimism and trust/relationship). Our research has revealed some promising results and indicated that entrepreneurial mindset can indeed be changed through business training.

In particular, we have demonstrated that psychological variables such as creativity, locus of control and need for achievement can be changed through the training intervention. On other dimensions, namely dispositional optimism, and trust, the impact of training appears to be weaker (and statistically insignificant), although the direction of change is as expected from theory and similar empirical work.

Only on individualism dimension did we get surprising results: people without any training were more individualistic than those with training. However, this can be explained by the increased cooperative feeling of the entrepreneurs who have been exposed to business training.

Another important result is that business training has had a stronger impact on the mind-set of the female group. For instance, trust/relationship and creativity dimensions (creativity test in particular) were the ones that were influenced more for the female sample and demonstrated statistical significance. This finding, we believe, shows the importance of focusing on the role of entrepreneurial activity and business training as a source of female empowerment.

The results of this survey show that business training can have a positive influence on the development of human capital, and more specifically “soft skills”, in developing countries such as Tanzania. Such interventions could lead to increased entrepreneurial activity in the

country that will contribute to economic growth in the local community, and potentially for the country as a whole.

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Appendix 1. Questionnaire/Survey

Questionnaire/Survey

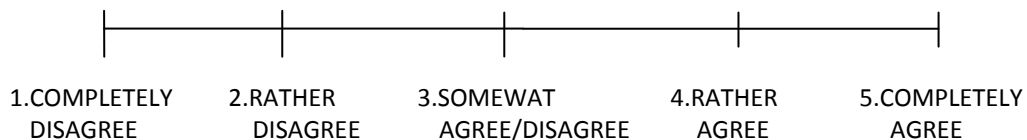
You will be asked to fill out a set of tasks and questions grouped in three parts. Please read the instruction prior to start with each part. The survey is completely anonymous. All your personal data and answers will be subject to strict confidentiality and will be used only for the scientific purposes. Please answer all parts of the survey.

PART I

Instructions:

You will read a series of attitude statements. Each represents a commonly held opinion. You will probably agree with some statements and disagree with others. We are interested in a degree to which you agree or disagree with each of them.

Read each statement carefully. Indicate the extent to which you agree or disagree using the following scale of responses:

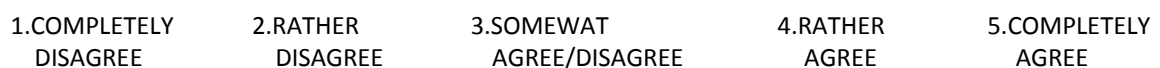


There are no right or wrong answers. You don't have to spend a lot of time thinking your responses over, because first impressions are usually best. Read each statement, decide if you agree or disagree and then respond accordingly. Every time try to state your preference and not to choose the undecided option.

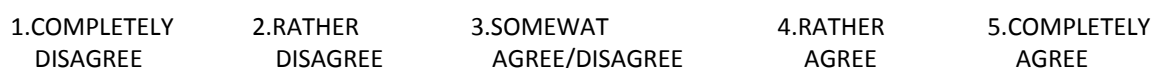
GIVE YOUR OPINION ON EVERY STATEMENT

If you find that the answers do not adequately reflect your own opinion, use the one that is closest to the way you feel. Thank you.

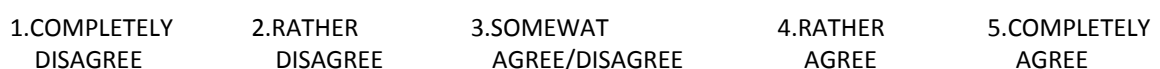
1. I prefer to have a job with detailed instruction to follow.



2. I prefer to have the details of the task left to my decision.



3. I obtain more satisfaction from mastering a skill than coming up with a new idea.



4. I usually continue doing a new job in exact way it was taught to me.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

5. I prefer a job which demands skill and practice rather than creativity.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

6. I like to experiment with various ways of doing things.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

7. The idea of disappointing my family makes me feel worse than disappointing myself.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

8. I want to introduce my own idea (new product) to my business, but other members of my borrowing group consider it to be inappropriate. I will listen to others.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

9. While I am running business I rely on myself most of the time; I rarely ask others for help.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

10. Before making business decisions I ask other people if I am doing the right thing.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

11. I welcome suggestions and criticism considering my work.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

12. My friends are successful people.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

13. Some customers will never be satisfied no matter what you do.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

14. You can satisfy customers by giving them what they want when they want it.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

15. Anyone can get good grades in school of he or she works hard enough.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

16. Some people are never going to excel in school no matter how hard they try.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

17. When it comes to business most people succeed because they are in the right place at the right time.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

18. Success at work is mostly dependent on one's hard work and ability.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

19. It is important to employ the right people, because some workers are just lazy and can't be motivated to work hard no matter what.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

20. A skillful manager can motivate almost any worker to put forth more effort.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

21. When I make plans, I am almost certain that I can make them work.

1.COMPLETLY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETLY AGREE
-------------------------	----------------------	-----------------------------	-------------------	----------------------

22. It is not always wise to plan too far ahead, because many things turn out to be a matter of good or bad fortune.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

23. During the day I usually do more things than I planned to do.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

24. I enjoy work which requires great responsibility.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

25. I would like a life in which I wouldn't have to work at all.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

26. When I am doing something difficult I usually give it up quickly.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

27. In uncertain times, I usually expect the best.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

28. Overall, I expect more good things to happen to me than bad.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

29. I hardly ever expect things to go my way.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

30. I rarely count on good things happening to me.

1.COMPLETELY DISAGREE	2.RATHER DISAGREE	3.SOMEWAT AGREE/DISAGREE	4.RATHER AGREE	5.COMPLETELY AGREE
--------------------------	----------------------	-----------------------------	-------------------	-----------------------

31. In my business usually it is more important to praise the product to the customers to get it sold rather than tell them the whole truth about it.

- | | | | | |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|
| 1.COMPLETELY
DISAGREE | 2.RATHER
DISAGREE | 3.SOMEWAT
AGREE/DISAGREE | 4.RATHER
AGREE | 5.COMPLETELY
AGREE |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|

32. Paying my works well is a good idea to make them work hard.

- | | | | | |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|
| 1.COMPLETELY
DISAGREE | 2.RATHER
DISAGREE | 3.SOMEWAT
AGREE/DISAGREE | 4.RATHER
AGREE | 5.COMPLETELY
AGREE |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|

33. While I am doing business I am surrounded by people whom I can trust.

- | | | | | |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|
| 1.COMPLETELY
DISAGREE | 2.RATHER
DISAGREE | 3.SOMEWAT
AGREE/DISAGREE | 4.RATHER
AGREE | 5.COMPLETELY
AGREE |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|

34. I can identify people I can trust.

- | | | | | |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|
| 1.COMPLETELY
DISAGREE | 2.RATHER
DISAGREE | 3.SOMEWAT
AGREE/DISAGREE | 4.RATHER
AGREE | 5.COMPLETELY
AGREE |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|

35. I am afraid that my employee or business partner (supplier or another person I am doing business with) can cheat on me.

- | | | | | |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|
| 1.COMPLETELY
DISAGREE | 2.RATHER
DISAGREE | 3.SOMEWAT
AGREE/DISAGREE | 4.RATHER
AGREE | 5.COMPLETELY
AGREE |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|

36. If my employee asks me to leave his working place earlier in order to attend an educational course I would let him go.

- | | | | | |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|
| 1.COMPLETELY
DISAGREE | 2.RATHER
DISAGREE | 3.SOMEWAT
AGREE/DISAGREE | 4.RATHER
AGREE | 5.COMPLETELY
AGREE |
|--------------------------|----------------------|-----------------------------|-------------------|-----------------------|

PART II

In this part of the survey you have a page with 20 squares containing identical circles. Your task is to sketch objects or pictures in the squares. Make each circle which is already on the paper a part of your drawing. Make as many different pictures as you can. Remember this is not a drawing competition and not your drawing talent, but abilities to come up with many different and unusual ideas, will be assessed.

(The assistant of the experiment has to provide additional explanation if necessary.)

You have 5/10 minutes to complete this task.

PART III

This is the last part of the survey. Here you will be asked to answer a few open questions by writing down your own ideas or by choosing the option from the list. Please read the questions carefully and answer all of them.

1. Name changes and innovations you made to your business over the prior 6 months. Try to think about all the new ideas you have introduced to your business and list them below.

2. Are you satisfied with your profits and with the way your business is doing now?

1.VERY UNSATISFIED	2.RATHER UNSATISFIED	3.SOMEWAT SATISFIED/UNSATISFIED	4.RATHER SATISFIED	5.COMPLETLY SATISFIED
-----------------------	-------------------------	------------------------------------	-----------------------	--------------------------

3. Do you think that you can do something to increase profitability of your business and improve your market position? What is it?

4. (If answered yes to question 4) Why are you not undertaking this profitable opportunity? You can choose reasons from the list below or write your own ones. You can choose more than one reason:

Lack of funds

Lack of skills

Lack of knowledge

Lack of time

Fear of failure

Fear of taking risk

Other

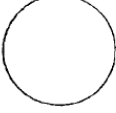
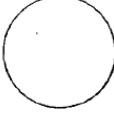
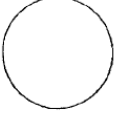
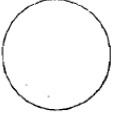
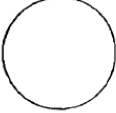
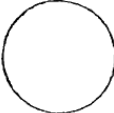
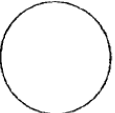
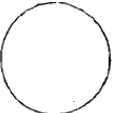
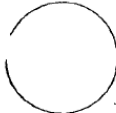
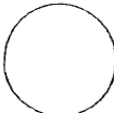
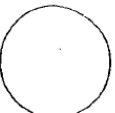
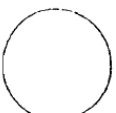
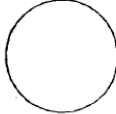
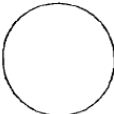
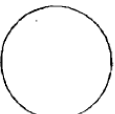
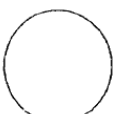
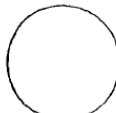
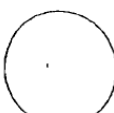
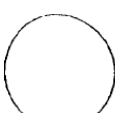

Thank you in taking your time to fill out the survey!

Test Szkieł nr 2

Data badania

Nazwisko i imię

Wiek Szkoła, klasa

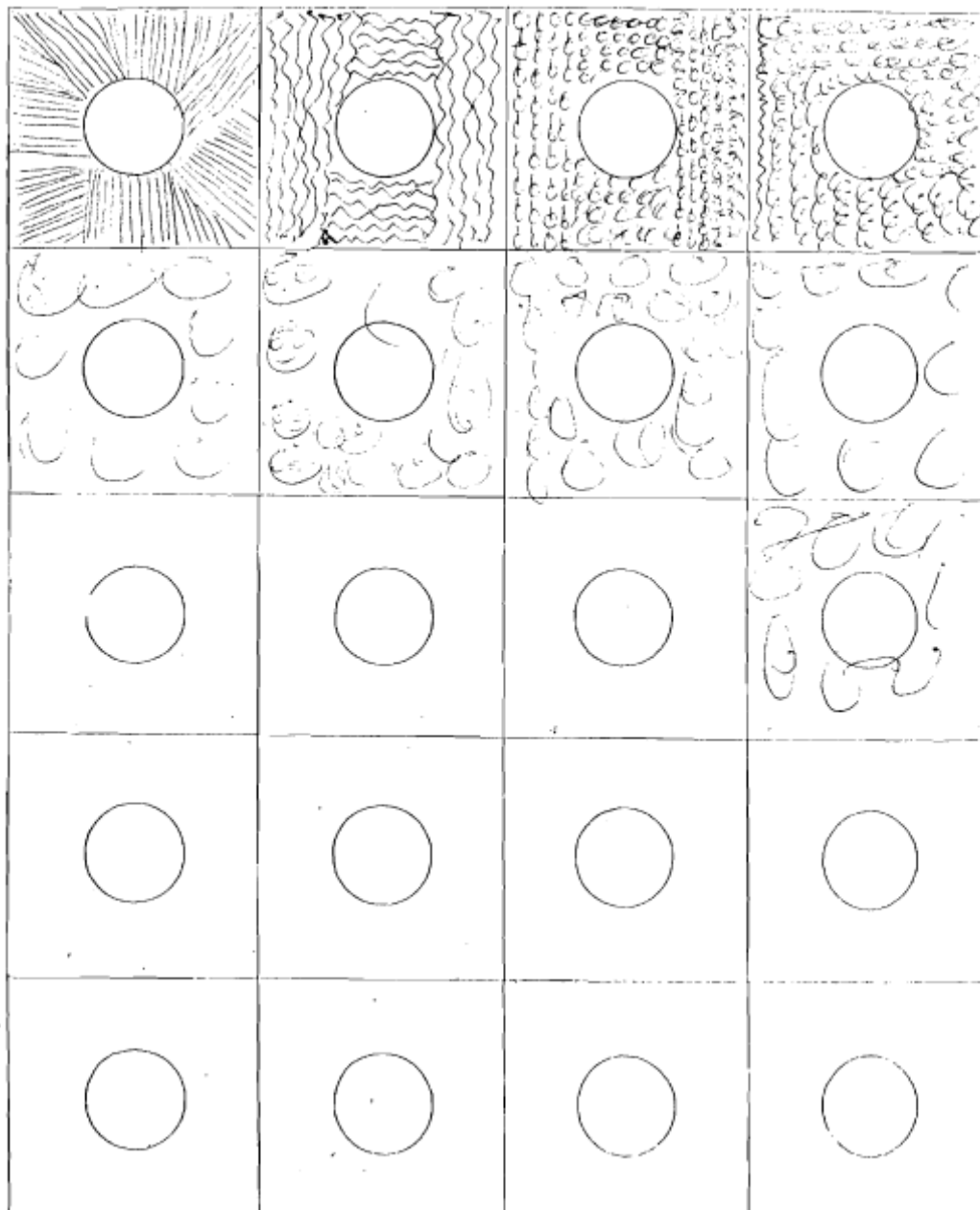
			
			
			
			
			

Appendix 2. The circle test examples

1. A person who did not attend the course (male)

Evaluation:

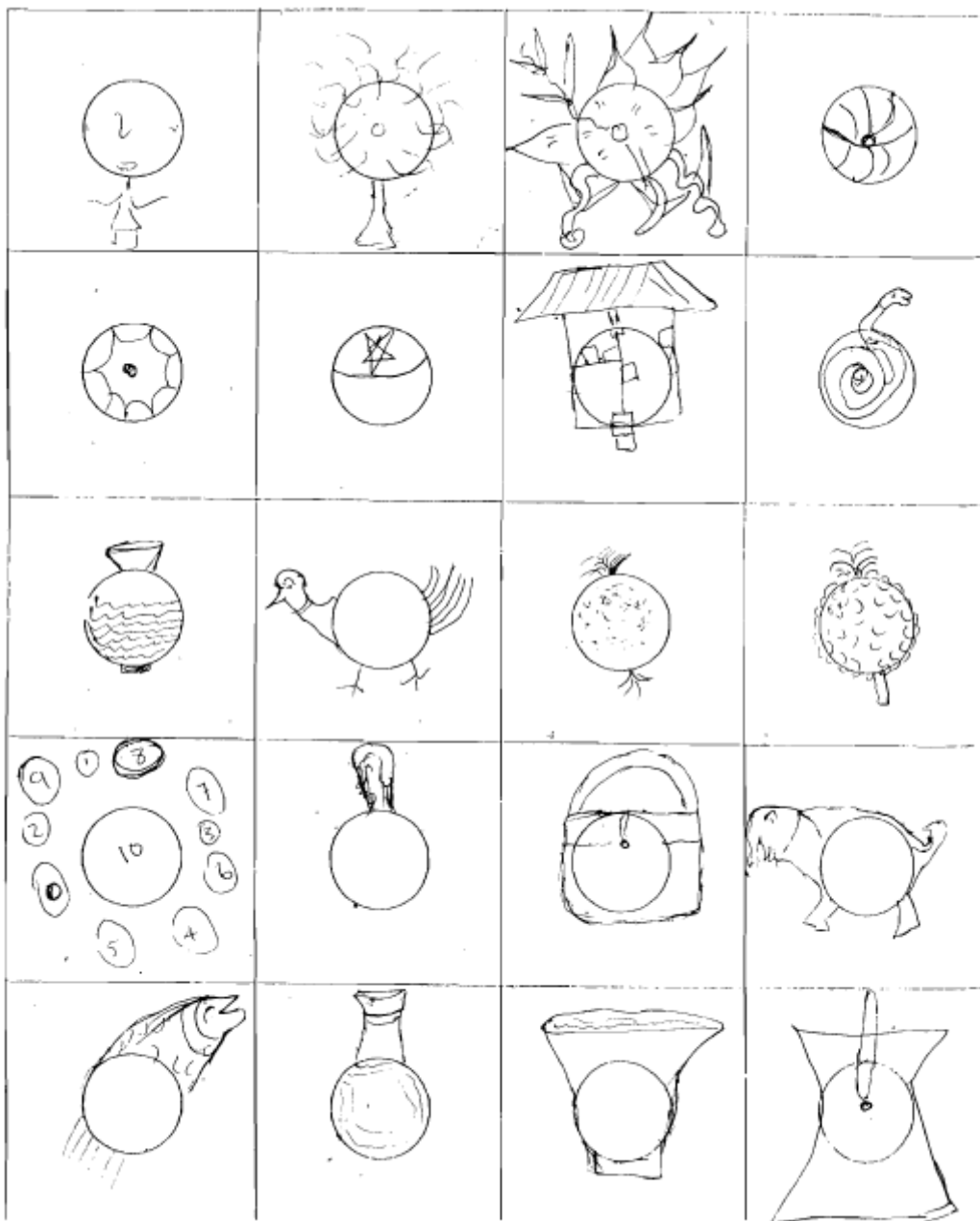
Number of relevant ideas	Circles are the integral part of the drawing	Level picture detalization	Number of different categories of objects in the pictures
0	0	0	0



2. A person who attended the course (female)

Evaluation:

Number of relevant ideas	Circles are the integral part of the drawing	Level picture detalization	Number of different categories of objects in the pictures
1	1	1	2



3. A person who attended the course (male)

Evaluation:

Number of relevant ideas	Circles are the integral part of the drawing	Level picture detalization	Number of different categories of objects in the pictures
1	1	0	0

