



Improving entrepreneurs' interpersonal skills to increase SME revenues in Liberia

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Key messages

- Investment in business management and interpersonal skills training to encourage a customer-driven approach can increase revenues for Micro, Small and Medium Enterprises (MSMEs), a driver for business and economic growth in Liberia.
- Policymakers should include provisions for soft skills training during the formulation and reformulation of the SME policy.

Liberian entrepreneurs need a boost following the Ebola crisis

The Liberian Small and Medium Enterprises (SME) sector—representing about 96% of the country's business entities—declined significantly during the Ebola outbreak. Many businesses closed or downsized in this period. Additionally, the number of missed repayments by small enterprise microfinance borrowers increased among BRAC Liberia Microfinance customers.

"Inadequate business skills and knowledge" is one of four critical challenges to the SME sector that the Government of Liberia has identified. In an effort to enhance the sector's performance, the government provided some training in customer service, business planning, and access to finance, procurement, marketing, and accounting services. However, training to improve interpersonal relations and integrity with customers is limited despite evidence that good customer relations are linked to customer contentment.

A team of local PEP researchers, therefore, sought to investigate the potential benefits of SMEs taking a customer-oriented approach (relative to other managerial skills).



The experiment

The PEP research team designed a randomized control experiment to assess the effect of business management and interpersonal relations training on SME business performance and customer loyalty and satisfaction. A random stratified sample was taken of 577 SME owners who are microfinance borrowers under BRAC's Small Enterprise Program (SEP).

The sample members were randomly assigned to three groups:

Group 1: Firm owners were given business management skills training at a one-day workshop.

Group 2: Firm owners attended a one-day workshop for interpersonal skills training as well as business management skills training.

Group 3 (control group): Firm owners did not receive training.

The team conducted a baseline survey with the firm owners from all three groups. Then the Business Start-up Centre, a local entrepreneurship support organization, provided the training to Groups 1 and 2. The team conducted a follow-up survey and in-depth (qualitative) interviews six months after the training sessions to find out their effect. The team also conducted cross-sectional customer satisfaction surveys.

Key findings

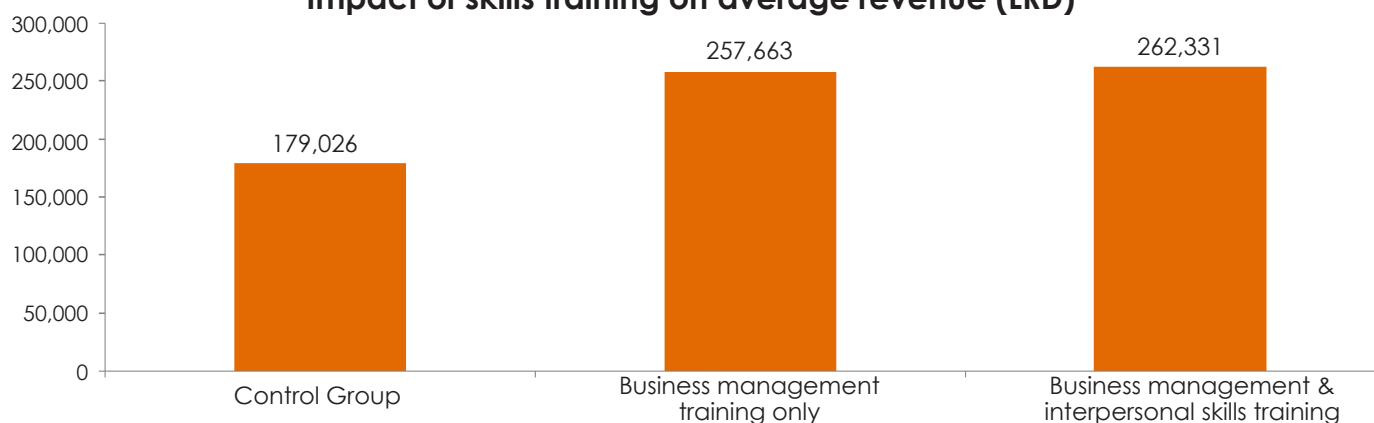
The results of the team's experiment indicate that **business management and interpersonal skills training for entrepreneurs has positive effects on business performance:**

- **Average revenue significantly increased for those who received training**
 - 45% average increase across Groups 1 and 2, compared to the control group
- **Revenue increased most for those who received interpersonal skills training as well as business management skills training**
 - By 83,305 LRD/month for firm owners in Group 2 and by 78,637 LRD/month for firm owners in Group 1 (average increases compared to the control group)
- **The average number of customers increased for provisional shops or stores**

Having received training, firm owners are:

- **Less likely to experience customer or business losses**
 - Compared to the control group, firm owners in Groups 1 and 2 were 16% less likely to lose a customer and 10% less likely to experience business losses
 - Groceries and shops, where there is frequent interaction between customers and sellers, benefitted the most in terms of customer retention (relative to other types of SMEs)
- **More likely to own a bank account**
- **More likely to keep business records** (of sales, inventory, and business expenses)
 - 23% increase in the practice of record keeping, compared to the control group

Impact of skills training on average revenue (LRD)



Conclusions and policy messages

That revenues increased more for firm owners who received additional training on interpersonal relations indicates that **taking a customer-centered approach can be an effective way to improve business performance.**

While the customer-satisfaction survey did not show that customers noticed overall improvements at businesses where the firm owner received training, the higher rates of customer retention, increased customer numbers and increased sales reported by firm owners suggest that the trainings were indeed effective in this aspect.

Increased revenue will also mean increased turnover for small businesses. As SMEs represent the vast majority of Liberia's business entities, increases in their turnover will lead to increased national revenue via taxation.

These findings demonstrate the potential value of training to improve interpersonal relations and customer care. As such, this type of training should be included in entrepreneurial skills programs aiming to enhance the performance of small businesses. In particular, **policymakers should encourage the inclusion of soft skills training in the formulation and reformulation of the SME policy.**