

# **Improving Workers' Performance in Small Firms: A Randomized Experiment on Goal Setting in Ghana**

## **Abstract**

This paper offers a novel way to help small firms in developing countries increase output. Most of the literature studying barriers to small firm growth in developing countries focuses on capital, technology, and management constraints. Less attention is given to labor constraints, in particular to behavioral ones like workers' motivation or self-control problems. We design a field experiment to test whether setting daily and non-binding production goals can release such behavioral constraints and improve workers' performance in small, cassava processing firms in Ghana. We first train workers and employers to measure their daily production, and after a month, we randomly assign a sub-sample of them to implement daily production goals for the subsequent month. We find a significant positive effect of goal setting on workers' performance: compared to their counterparts who only measure production, workers who set goals increase daily output by 16%, work around 40 minutes longer per day and are 9% more productive per hour, increasing average product of labor by 14%. These findings provide a proof of concept that goal setting can be an effective and inexpensive practice to improve labor productivity and foster growth of small firms in developing countries.

This paper is joint work with E. Cettolin and K. Cole

**Patricio Dalton**

**Associate Professor of Economics at Tilburg University**