Management and the Wealth of Nations
by Nick Bloom and John Van Reenen

Lecture 1: Productivity and Measuring Management

Yrjo Jahnsson Foundation, May 27th 2015
Long debate over the importance of management in explaining variation in firm (& country) performance

“It is on account of the wide range [of ability] among the employers of labor that we have the phenomenon in every community and in every trade some employers realizing no profits at all, while others are making fair profits; others, again, large profits; others, still, colossal profits.”

Francis Walker (Quarterly Journal of Economics, ‘87)
Long debate over the importance of management in explaining variation in firm (& country) performance

wide range [of ability] among the employers of labor that we have the phenomenon in every trade some employers realizing no profits at all, while others are making fair large profits; others, still, colossal profits.

Francis Walker (Quarterly Journal of Economics, 1887)
But there is still a wide debate – many people claim management is just “hot air”

“No potential driving factor of productivity has seen a higher ratio of speculation to empirical study”

- Chad Syversson (2011, Journal of Economic Literature)
OVERVIEW OF ARGUMENT

• Large cross country differences in productivity (TFP) accounts for much of “wealth of nations”

• Some core practices of management can be measured & are causally linked with productivity

• Management matters in explaining TFP gap with US across countries (~30% on average)

• Systematic causes of management differences include competition, human capital, governance & regulation

• Some contingency in management; but less than in other organizational practices we measure e.g. decentralization
STRUCTURE OF LECTURES

Weds 11:15-12:45  Productivity & measuring management, JVR
Weds 3:15-4:45    Drivers of management practices, NB

Thurs 11:15-12:45 Impact of management on performance, NB
Thurs  3:15-4:45  Organizational structure, JVR
Summary of Lecture 1

Cross country Differences in Productivity

Cross firm Differences in Productivity

Measuring Management

Describing Management
LARGE PRODUCTIVITY DIFFERENCES BETWEEN COUNTRIES

Source: Jones and Romer (2010). US=1
Can we account for cross country differences in labor productivity (GDP per worker) with factor inputs?

If so, wealth of nations about accumulation (e.g. of tangible capital)

\[ \ln \left( \frac{GDP}{L} \right)_k = \ln A_k + \alpha \ln \left( \frac{K}{L} \right)_k \]

"success ratio" = \[ \frac{\alpha \text{ var}(\ln \left( \frac{K}{L} \right)_k)}{\text{var}(\ln \left( \frac{GDP}{L} \right)_k)} \]
DIFFERENT INPUTS CANNOT ACCOUNT FOR MAJORITY OF PRODUCTIVITY DISPERSION

<table>
<thead>
<tr>
<th>Input</th>
<th>Author</th>
<th>Success ratio</th>
</tr>
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<tbody>
<tr>
<td>Reproducible Capital</td>
<td>King &amp; Levine (1994)</td>
<td>0.20</td>
</tr>
<tr>
<td>Schooling Capital</td>
<td>Hall &amp; Jones (1999)</td>
<td>+0.13</td>
</tr>
<tr>
<td>Health Capital</td>
<td>Weil (2007)</td>
<td>+0.04</td>
</tr>
<tr>
<td>Test score Correction</td>
<td>Hanushek &amp; Woessmann (2008)</td>
<td>+0.07</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>0.44</strong></td>
</tr>
</tbody>
</table>

% unexplained

56%

Source: Caselli (2015), using Penn World Table 6.3
Summary of Lecture 1

Cross country Differences in Productivity

Cross firm Differences in Productivity

Measuring Management

Describing Management
Measuring productivity (within an industry)

Labor Productivity, value added LP, of firm $i$ at time $t$:

$$\ln(\text{LP}_{it}) = \ln(\text{VA}_{it}) - \ln(L_{it})$$

“Three factor” TFP:

$$\ln(\text{TFP}_{it}) = \ln Y_{it} - \text{SHARE}_l \ast \ln L_{it} - \text{SHARE}_k \ast \ln K_{it} - \text{SHARE}_m \ast \ln M_{it}$$

**Note:** $Y$ = Output, VA=Value added, $L$=labor, $K$=Capital, $M$=Materials; Factor weights measured as shares (usually industry cost shares) or estimated from production functions
Basic facts of firm heterogeneity

- Typical gap between 10\textsuperscript{th} and 90\textsuperscript{th} percentiles within same US four digit industry (Syverson, 2004)
  - Output per worker 4:1 ratio
  - Total factor productivity 2:1 ratio

- These ratios are larger in other countries (Bartelsman, Haltiwanger & Scarpetta, 2013; COMPNET, 2015)

- Productivity spreads are persistent:
  - Transition matrix of TFP over a 5 year period (Bailey et al, 1993): 2/3 of plants in top TFP quintile were also there 5 years later
Big TFP dispersion across firms: for example, US ready mix concrete plants:
Big TFP dispersion across firms: for example, US ready mix concrete plants:

TFP Spread in hospitals (case-mix adjusted survival rates From AMI) and concrete plants

Source: Chandra, Finkelstein, Sacarny & Syverson (2013)
What could cause this heterogeneity?

• One possibility is pure measurement error, but:
  – Productivity is strongly linked with exit and LR growth
• Deeper problem that conventional “TFPR” mixes up “TFPQ” with firm-specific prices (Klette & Griliches, 1996)
  – When looking at industries where we measure plant output & input prices (e.g. boxes, bread, block ice, carbon black etc.) still see this spread (Foster, Haltiwanger & Syverson, 2008 AER)
But does this matter for macro outcomes?

Define a simple industry productivity index: \( P_t \)

\[
 P_t = \sum s_{it} \omega_{it}
\]

Where:

\( \omega_{it} \) is the productivity of establishment \( i \) in period \( t \) (e.g. \( \ln(\text{TFP}) \))

\( s_{it} \) is the share of establishment \( i \) in the industry in period \( t \) (e.g. the share of establishment output in industry output)
Industry productivity can increase through two channels

- **Within Firms (Traditional view)**
  - The same firms become more productive (e.g. new technology spreads quickly to all firms, like Internet)

- **Between Firms (“Schumpeterian” view)**
  - Low TFP firms exit and resources are reallocated to high TFP firms
    - High TFP firms expand (e.g. more jobs) & low TFP firms shrink (e.g. less jobs)
    - Exit/entry
These two effects are well known to cricket fans

**Within** batsman (each batsman improves)

**Between** batsman (more time for your best batsman)
Decomposing productivity (1)

Productivity growth for a balanced panel of establishments can be broken down into three terms:

\[
P_t - P_{t-1} = \sum s_{i,t} \omega_{i,t} - \sum s_{i,t-1} \omega_{i,t-1}
\]

\[
= \sum s_{i,t-1}(\omega_{i,t} - \omega_{i,t-1}) \text{ Within term}
\]

\[
+ \sum (s_{i,t} - s_{i,t-1}) \omega_{i,t-1} \text{ Between term}
\]

\[
+ \sum (s_{i,t} - s_{i,t-1})(\omega_{i,t} - \omega_{i,t-1}) \text{ Cross term}
\]

Within term is included in representative agent models, while the reallocation terms would not be
Decomposing productivity (2)

Allowing for entry and exit requires two more terms:

\[ P_t - P_{t-1} = \sum s_{i,t} \omega_{i,t} - \sum s_{i,t-1} \omega_{i,t-1} \]

\[ = \sum s_{i,t-1} (\omega_{i,t} - \omega_{i,t-1}) \quad \text{Within term} \]

\[ + \sum (s_{i,t} - s_{i,t-1}) \omega_{i,t-1} \quad \text{Between term} \]

\[ + \sum (s_{i,t} - s_{i,t-1})(\omega_{i,t} - \omega_{i,t-1}) \quad \text{Cross term} \]

\[ + \sum s_{i,t}^{\text{Entry}} (\omega_{i,t}^{\text{Entry}} - \omega_{i,t}^{\text{Average}}) \quad \text{Entry term} \]

\[ + \sum s_{i,t}^{\text{Exit}} (\omega_{i,t}^{\text{Exit}} - \omega_{i,t}^{\text{Average}}) \quad \text{Exit term} \]

Bailey, Hulten and Campbell (1992) decomposition
Many alternatives: e.g. Melitz & Polanec (2013)
Total reallocation (between, entry and exit) accounts for about \( \frac{1}{2} \) of manufacturing TFP growth.
BUT WHAT EXPLAINS FIRM TFP HETEROGENEITY

• Is it all “hard technology”?  
  – R&D, patents, diffusion (e.g. Information & Communication Technology, Internet, Cloud, robots, etc.)

• Unlikely to be the whole story  
  – Big residual remains after all control for technologies  
  – Impact of technologies depends on firm management & organization (Bresnahan, Brynjolfsson & Hitt, 2002; Bloom, Sadun & Van Reenen, 2012, AER)

• What role for Management Practices?
Summary of Lecture 1

Cross country Differences in Productivity

Cross firm Differences in Productivity

Measuring Management

Describing Management

Medium sized manufacturing firms (50-5,000 workers, median ≈ 250)

Now extended to Hospitals, Retail and Schools
Management survey methodology – 3 key steps

1) Scoring management practices
   • Scorecard for 18 monitoring, target and incentives practices in ≈45 minute phone interview of manufacturing plant managers

2) Getting firms to participate in the interview
   • Introduced as “Lean-manufacturing” interview, no financials
   • Endorsement: HM Treasury, Banque de France, RBI, PBC etc.

3) Obtaining unbiased comparable responses, “Double-blind”
   • Interviewers do not know the company’s performance
   • Managers are not informed (in advance) they are scored
Some typical endorsement letters

MINISTERSTWO SKARBU PAŃSTWA

Wrocław, dnia 17 maja 2006

Sekretarz Stanu
Paweł Szczechoszko

Prof. Nick Bloom
Director of the Productivity
And Innovation Program
Centre for Economic Performance
London School of Economics

LC 1, 17.05.2006

Dear Nick Bloom,

I would like to confirm our enthusiastic support for the joint project between academics at London School of Economics, Stanford University, Harvard Business School, Cambridge University and Oxford University.

This study, aimed at understanding management practices across a range of organizations in African countries and at comparing these practices to practices in North American, European, Asian and Latin American countries, provides a valuable and timely contribution to sectoral competitiveness and overall regional development.

We will follow your results with great interest.

Sincerely,

[Signature]

Professor Nicholas Bloom
Department of Economics
Stanford University

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BANQUE DE FRANCE

LE SOUS-GOUVERNEUR

Paris, le 8 Février 2006

Monsieur le Professeur,

Je vous remercie de m'avoir tenu informé de votre projet de recherche sur les pratiques managériales des entreprises en France, en Allemagne, au Royaume-Uni et aux États-Unis.

Décrit scientifiquement ces pratiques et évaluer leur impact sur la productivité est d'un intérêt manifeste pour les entreprises et pour les politiques publiques qui visent à les soutenir en France et en Europe.

Convaincu de la grande portée de ces travaux, je tiens donc à vous assurer de mon total soutien dans la conduite de votre enquête auprès des entreprises françaises.

[Signature]

[Name]

[Title]
Basic survey methodology – 3 key steps

1) Developing management questions
   • Scorecard for 18 monitoring, target and incentives practices in ≈45 minute phone interview of manufacturing plant managers

2) Getting firms to participate in the interview
   • Introduced as “Lean-manufacturing” interview, no financials
   • Endorsement: Bundesbank, Banque de France, RBI, PBC etc.

3) Obtaining unbiased comparable responses, “Double-blind”
   • Interviewers do not know the company’s performance
   • Managers are not informed (in advance) they are scored
| Score | (1): Measures tracked do not indicate directly if overall business objectives are being met. Certain processes aren’t tracked at all | (3): Most key performance indicators are tracked formally. Tracking is overseen by senior management | (5): Performance is continuously tracked and communicated, both formally and informally, to all staff using a range of visual management tools |

Example monitoring question, scored based on a number of questions starting with “*How is performance tracked?”*
Examples of performance metrics – Car Plant
Examples of a performance metrics – Hospital
Example of *no* performance metrics: Textile Plant
Example incentives question, scored based on questions starting with “How does the promotion system work?”

| Score | *(1) People are promoted primarily upon the basis of tenure, irrespective of performance (ability & effort)* | *(3) People are promoted primarily upon the basis of performance* | *(5) We actively identify, develop and promote our top performers* |
Examples of performance reviews – Retail Bank

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<tr>
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### Total Segmentos

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### Captações - Captação Líquida

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### Depósito à Vista / Float

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### Empréstimos - Incr. Saldo Médio

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<th>META</th>
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### MANUFACTURING INTERVIEW GUIDE

<table>
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<tr>
<th>Score 1</th>
<th>Score 3</th>
<th>Score 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Introduction of lean (modern) manufacturing techniques</strong></td>
<td>Other than JIT delivery from suppliers few modern manufacturing techniques have been introduced, (or have been introduced in an ad-hoc manner)</td>
<td>Some aspects of modern (lean) manufacturing techniques have been introduced, through informal isolated change programmes</td>
</tr>
<tr>
<td><strong>2 Rationale for lean (modern) manufacturing techniques</strong></td>
<td>Modern (lean) manufacturing techniques were introduced because others were using them.</td>
<td>Modern (lean) manufacturing techniques were introduced to reduce costs</td>
</tr>
<tr>
<td><strong>3 Process documentation</strong></td>
<td>No, process improvements are made when problems occur.</td>
<td>Improvements are made in 1 week workshops involving all staff, to improve performance in their area of the plant</td>
</tr>
<tr>
<td><strong>4 Performance tracking</strong></td>
<td>Measures tracked do not indicate directly if overall business objectives are being met. Tracking is an ad-hoc process (certain processes aren’t tracked at all)</td>
<td>Most key performance indicators are tracked formally. Tracking is overseen by senior management.</td>
</tr>
<tr>
<td><strong>5 Performance review</strong></td>
<td>Performance is reviewed infrequently or in an un-meaningful way e.g. only success or failure is noted.</td>
<td>Performance is reviewed periodically with both successes and failures identified. Results are communicated to senior management. No clear follow-up plan is adopted.</td>
</tr>
<tr>
<td><strong>6 Performance dialogue</strong></td>
<td>The right data or information for a constructive discussion is often not present or conversations overly focus on data that is not meaningful. Clear agenda is not known and purpose is not stated explicitly</td>
<td>Review conversations are held with the appropriate data and information present. Objectives of meetings are clear to all participating and a clear agenda is present. Conversations do not, as a matter of course, drive to the root causes of the problems.</td>
</tr>
<tr>
<td><strong>7 Consequence management</strong></td>
<td>Failure to achieve agreed objectives does not carry any consequences</td>
<td>Failure to achieve agreed results is tolerated for a period before action is taken.</td>
</tr>
<tr>
<td><strong>8 Type of targets</strong></td>
<td>Goals are exclusively financial or operational</td>
<td>Goals include non-financial targets, which form part of the performance appraisal of top management only (they are not reinforced throughout the rest of organisation)</td>
</tr>
<tr>
<td>Question</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>----------</td>
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<td></td>
</tr>
<tr>
<td>9</td>
<td>Interconnection of goals</td>
<td>Goals are based purely on accounting figures (with no clear connection to shareholder value)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corporate goals are based on shareholder value but are not clearly cascaded down to individuals</td>
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<tr>
<td></td>
<td></td>
<td>Corporate goals focus on shareholder value. They increase in specificity as they cascade through business units ultimately defining individual performance expectations.</td>
</tr>
<tr>
<td>10</td>
<td>Time horizon</td>
<td>Top management's main focus is on short term targets</td>
</tr>
<tr>
<td></td>
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<td>There are short and long term goals for all levels of the organisation. As they are set independently, they are not necessarily linked to each other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long term goals are translated into specific short term targets so that short term targets become a “staircase” to reach long term goals</td>
</tr>
<tr>
<td>11</td>
<td>Goals are stretching</td>
<td>Goals are either too easy or impossible to achieve; managers low-ball estimates to ensure easy goals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In most areas, top management pushes for aggressive goals based on solid economic rationale. There are a few &quot;sacred cows&quot; that are not held to the same rigorous standard</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Goals are genuinely demanding for all divisions. They are grounded in solid, solid economic rationale</td>
</tr>
<tr>
<td>12</td>
<td>Clarity of goals and measurement</td>
<td>Performance measures are complex and not clearly understood. Individual performance is made public</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance measures are well defined and communicated; performance is public in all levels but comparisons are discouraged</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance measures are well defined, strongly communicated and reinforced at all reviews; performance and rankings are made public to induce competition</td>
</tr>
<tr>
<td>13</td>
<td>Instilling a talent mindset</td>
<td>Senior management do not communicate that attracting, retaining and developing talent throughout the organisation is a top priority</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior management believe and communicate that having top talent throughout the organisation is a key way to win</td>
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<td>Senior managers are evaluated and held accountable on the strength of the talent pool they actively build</td>
</tr>
<tr>
<td>14</td>
<td>Building a high performance culture</td>
<td>People within our firm are rewarded equally irrespective of performance level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our company has an evaluation system for the awarding of performance related rewards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We strive to outperform the competitors by providing ambitious stretch targets with clear performance related accountability and rewards</td>
</tr>
<tr>
<td>15</td>
<td>Making room for talent</td>
<td>Poor performers are rarely removed from their positions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Suspected poor performers stay in a position for a few years before action is taken</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We move poor performers out of the company or to less critical roles as soon as a weakness is identified</td>
</tr>
<tr>
<td>16</td>
<td>Developing talent</td>
<td>People are promoted primarily upon the basis of tenure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>People are promoted upon the basis of performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We actively identify, develop and promote our top performers</td>
</tr>
<tr>
<td>17</td>
<td>Creating a distinctive employee value proposition</td>
<td>Our competitors offer stronger reasons for talented people to join their companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our value proposition to those joining our company is comparable to those offered by others in the sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We provide a unique value proposition to encourage talented people join our company above our competitors</td>
</tr>
<tr>
<td>18</td>
<td>Retaining talent</td>
<td>We do little to try and keep our top talent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We usually work hard to keep our top talent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We do whatever it takes to retain our talent</td>
</tr>
</tbody>
</table>
Survey video
Internal Validation

We re-interviewed 5% of the sample to have a different interviewer speak to a different management in the same firm. The firm-level correlation of the scores was 0.627.
ADDITIONAL CONTROLS FOR “NOISE”

INTERVIEWEE CONTROLS

• Gender, seniority, tenure in post, tenure in firm, countries worked in, foreign, worked in US, plant location, reliability score

INTERVIEWER CONTROLS

• Set of interviewer dummies, cumulative interviews run, prior firm contacts

TIME CONTROLS

• Day of the week, time of day (interviewer), time of the day (interviewee), duration of interview, days from project start
Management is the average of all 18 questions (set to sd=1). Sales is log(sales) in US$. N=10197
External Validation: TFP & Management correlation

Notes: Management is an average of all 18 questions (set to sd=1). TFP residuals of sales on capital, labor, skills controls plus a full set of SIC-3 industry, country and year dummies controls. N=10900
Summary of Lecture 1

Cross country Differences in Productivity

Cross firm Differences in Productivity

Measuring Management

Describing Management
Wide spread of management in manufacturing

Note: Unweighted average management scores (raw data) with number of observations. All waves pooled (2004-2014)
Average manufacturing management scores across countries are strongly correlated with GDP (& TFP).
Large variation of firm management within countries

Firms with 100 to 5000 employees randomly surveyed from country population. Mar 2014.
Also been looking at other sectors: hospitals

Randomly surveyed population of hospitals in each country that offer acute care (take emergencies), and have an orthopaedics and/or cardiology department. Total of 1687 hospitals.
Again see a very wide spread in hospitals

<table>
<thead>
<tr>
<th>1 US</th>
<th>2 UK</th>
<th>3 Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Graph US" /></td>
<td><img src="image2.png" alt="Graph UK" /></td>
<td><img src="image3.png" alt="Graph Sweden" /></td>
</tr>
<tr>
<td>4 Germany</td>
<td>5 Canada</td>
<td>6 Italy</td>
</tr>
<tr>
<td><img src="image4.png" alt="Graph Germany" /></td>
<td><img src="image5.png" alt="Graph Canada" /></td>
<td><img src="image6.png" alt="Graph Italy" /></td>
</tr>
<tr>
<td>7 France</td>
<td>8 Brazil</td>
<td>9 India</td>
</tr>
<tr>
<td><img src="image7.png" alt="Graph France" /></td>
<td><img src="image8.png" alt="Graph Brazil" /></td>
<td><img src="image9.png" alt="Graph India" /></td>
</tr>
</tbody>
</table>

Source: [www.worldmanagementsurvey.com](http://www.worldmanagementsurvey.com)
Also been looking at other sectors: high-schools

Randomly surveyed population of high schools in each country with 100+ pupils aged 15.
On the subset of identical questions in the US can compare across industries of the same practices.

Source: Bloom, Lemos, Sadun, Scur & Van Reenen (2014)
Most recently building Census Management Data

Telephone surveys (just discussed)
First Census survey run with the US Census

It was delivered to 47,534 manufacturing plants in 2011 (US ASM)

This was quick and easy to fill out - and mandatory - so ~80% of plants responded, covering 5.6m employees
The Management and Organizational Practices survey asks about **performance monitoring e.g.**

In 2005 and 2010, how many key performance indicators were monitored at this establishment?

Examples: Metrics on production, cost, waste, quality, inventory, energy, absenteeism and deliveries on time.

*Check one box for each year*  

<table>
<thead>
<tr>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 key performance indicators</td>
<td>□</td>
</tr>
<tr>
<td>3-9 key performance indicators</td>
<td>□</td>
</tr>
<tr>
<td>10 or more key performance indicators</td>
<td>□</td>
</tr>
<tr>
<td>No key performance indicators (If no key performance indicators in both years, SKIP to 6)</td>
<td>□</td>
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</table>
The Management and Organizational Practices survey asks about incentives e.g.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>1-33%</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>34-66%</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>67-99%</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>100%</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Production targets not met</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
Again find large cross firm spread – also find a lot of *within* firm variation across plants of same firm
Summary of Lecture 1

• Large cross country differences in productivity (TFP) accounts for much of “wealth of nations”

• Management a plausible reason for these differences. We develop methods to quantify management
  – Like TFP, show large differences across firms and countries

• This afternoon Nick will discuss what causes these differences in management practices?

• Tomorrow we will discuss how these management differences explain firm and national performance
Further reading for researchers

THE NEW EMPIRICAL ECONOMICS OF MANAGEMENT

Nicholas Bloom
Renata Lemos
Raffaella Sadun
Daniela Scur
John Van Reenen

Working Paper 20102
http://www.nber.org/papers/w20102

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
May 2014

IT and Management in America

Nicholas Bloom\(^1\), Erik Brynjolfsson\(^2\), Lucia Foster\(^3\), Ron Jarmin\(^4\),
Megha Patnaik\(^5\), Itay Saporta-Eksten\(^6\) and John Van Reenen\(^7\)

February 2014

The Census Bureau recently conducted a survey of management practices in over 100,000 establishments across the US, the first large-scale survey of management in America. Analyzing the survey reveals several striking results. First, more structured management practices are tightly linked with superior performance: establishments adopting more structured practices for performance monitoring, target setting and management control consistently enjoy greater productivity and profitability, higher rates of innovation and faster growth. Second, there is a substantial dispersion of management practices across the industry: we find that 18% of establishments have adopted at least 75% of these more management intensive practices, while 27% of establishments adopted less than 50% of these practices.

Management, Product Quality and Trade: Evidence from China

Nick Bloom, Stanford University and NBER
Kalina Manova, Stanford University and NBER
John Van Reenen, London School of Economics and CEP
Zhihong Yu, Nottingham University
MY FAVOURITE QUOTES:

The traditional British Chat-Up

[Male manager speaking to an Australian female interviewer]

Production Manager: “Your accent is really cute and I love the way you talk. Do you fancy meeting up near the factory?”

Interviewer “Sorry, but I’m washing my hair every night for the next month….”
Production Manager: “Are you a Brahmin?”

Interviewer: “Yes, why do you ask?”

Production Manager: “And are you married?”

Interviewer: “No?”

Production Manager: “Excellent, excellent, my son is looking for a bride and I think you could be perfect. I must contact your parents to discuss this”
The difficulties of defining ownership in Europe

Production Manager: “We’re owned by the Mafia”

Interviewer: “I think that’s the “Other” category…….although I guess I could put you down as an “Italian multinational”? ”

Americans on geography

Interviewer: “How many production sites do you have abroad?
Manager in Indiana, US: “Well…we have one in Texas…”