

Management and the Wealth of Nations

Nick Bloom (Stanford)

**based on work with Renata Lemos (World Bank),
Raffaella Sadun (Harvard), Daniela Scur (Oxford)
& John Van Reenen (LSE/MIT)**

Stanford June 2nd 2017



Management research has a bad reputation of being airport books and case studies...

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

- Chad Syversson (2011, Journal of Economic Literature)



Part of a research group looking scientifically at management, and summarize 15+ years research

1) Measuring management

2) Impact of management on performance

- Regression results
- Field experiments

3) Drivers and policy



accenture
McKinsey&Company

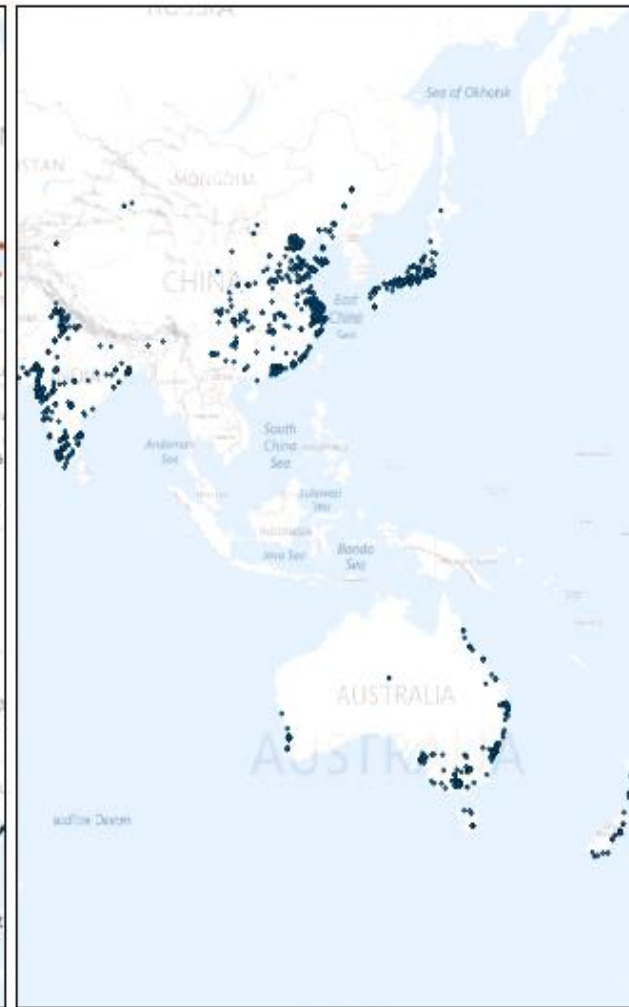
World Management Survey has covered more than 20,000 firms since 2002



Americas



Europe



Asia

Carried out by survey teams of about 30 people about every three years (London 2006)



Survey methodology (Bloom & Van Reenen, 2007, QJE)

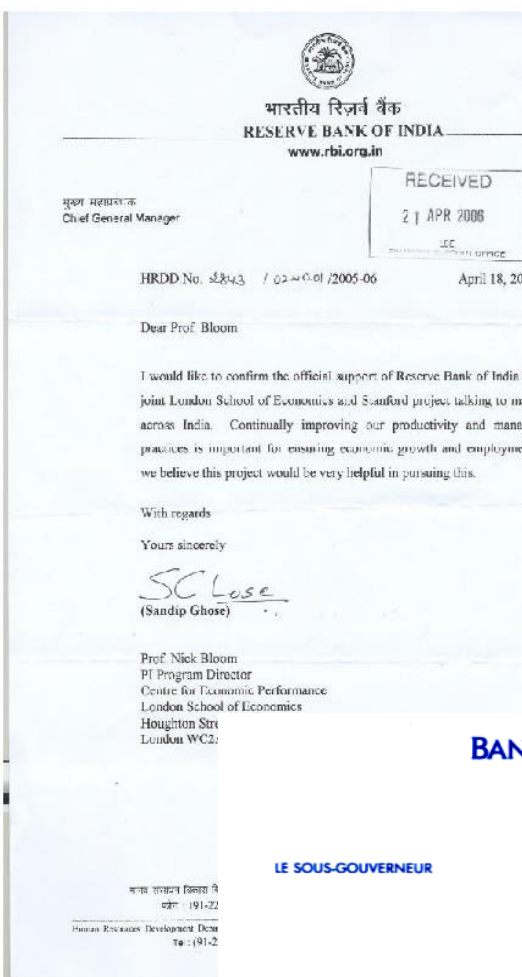
1) Developing management questions

- Scorecard for 18 monitoring, targets & people management practices ≈45 minute phone interview of plant managers

2) Getting firms to participate in the interview

- Introduced as “Lean-manufacturing” interview, no financials
- Official Endorsement: Bundesbank, RBI, World Bank etc.

Some typical endorsement letters

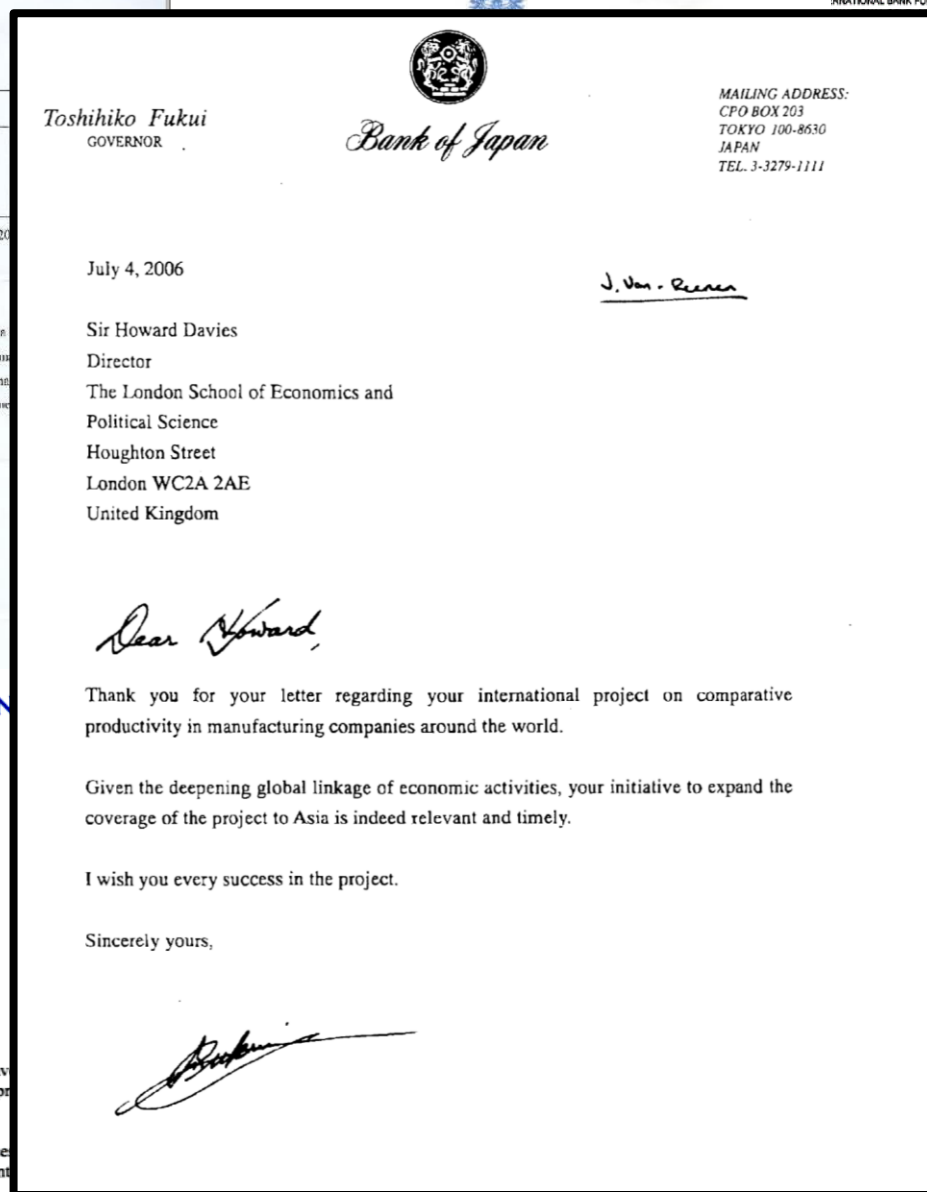


Monsieur le Professeur,

Je vous remercie de m'avoir communiqué vos pratiques managériales des entreprises aux Etats-Unis.

Décrire scientifiquement ces pratiques d'un intérêt manifeste pour les entreprises françaises 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.



World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 473-2111
Cable Address: WBAS
Cable Address: WBAS

May 28, 2013

Nicholas Bloom
Department of Economics
University

Bloom, Renata Lemos and Daniela Scur,

to confirm our enthusiastic support for the joint project between academic institutions, the London School of Economics, Stanford University, Harvard Business School, the University and Oxford University.

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

How your results with great interest.

Sincerely,

[Signature]

2007.09.18 09:08 P1

銀行
BANK OF CHINA
Beijing, China 100800

September 12, 2007

ed to Governor Zhou. On his behalf, I
ment as the first holder of the IG Patel
and the Director of the Asia Research

aim of the joint London School of
by Professor John Van Reenen. He
and management practices is important
and believes that this project would
lengths and weaknesses. Personally he

welcomes this project. He suggests that Professor Van Reenen approach the concerned firms directly. I believe many Chinese firms looking for international acknowledgement would be happy to take part in such a high-level academic survey.

With my best regards,

Survey methodology (Bloom & Van Reenen, 2007, QJE)

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3) Obtaining unbiased comparable responses, “Double-blind”

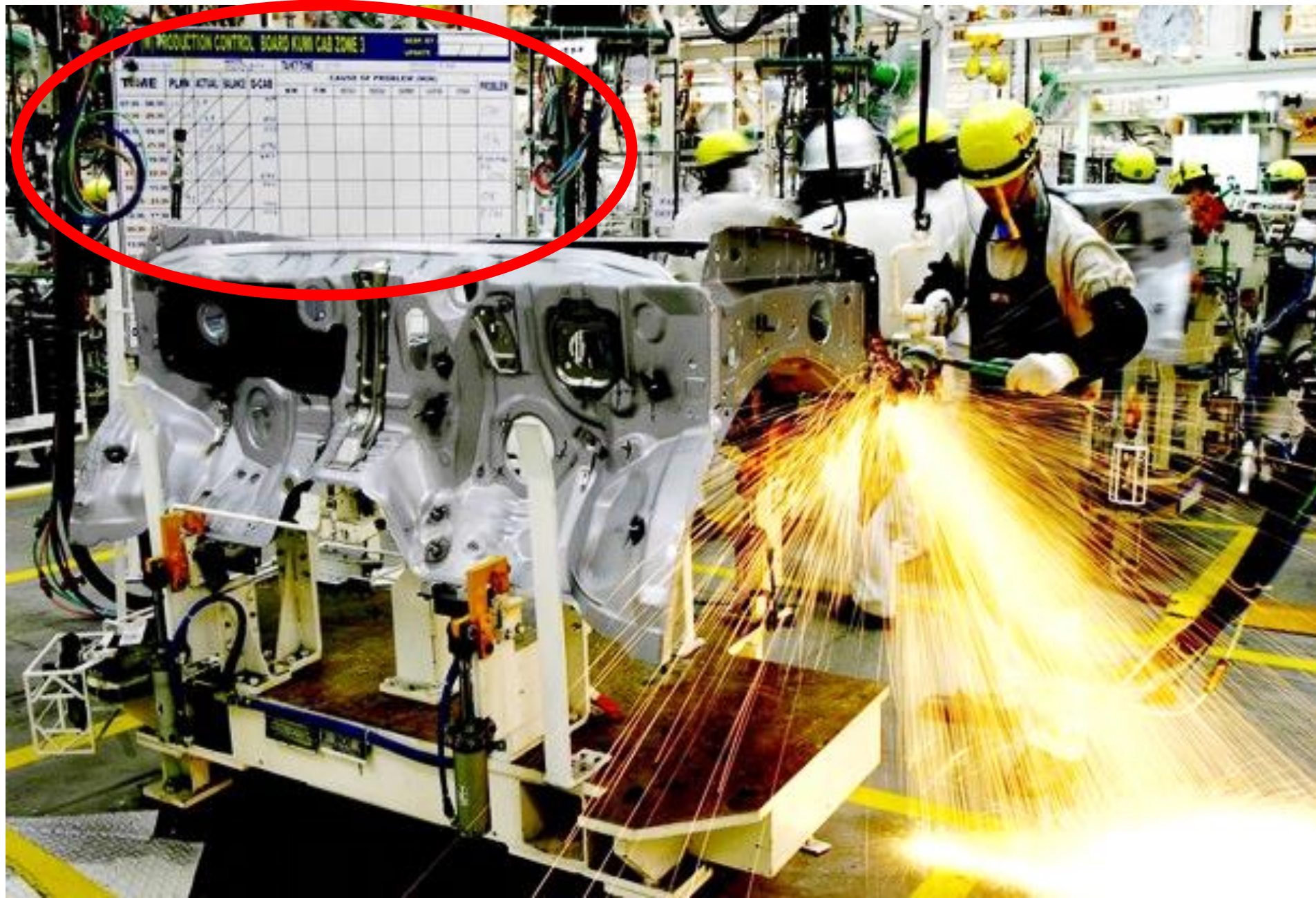
- Interviewers do not know the company’s performance
- Managers are not informed (in advance) they are scored

Example monitoring question, scored based on a number of questions starting with “*How is performance tracked?*”

Score	(1): Measures tracked do not indicate directly if overall business objectives are being met. Many 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
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Note: All 18 questions & 50+ examples in <http://worldmanagementsurvey.org/>

Examples of performance metrics – Car Plant

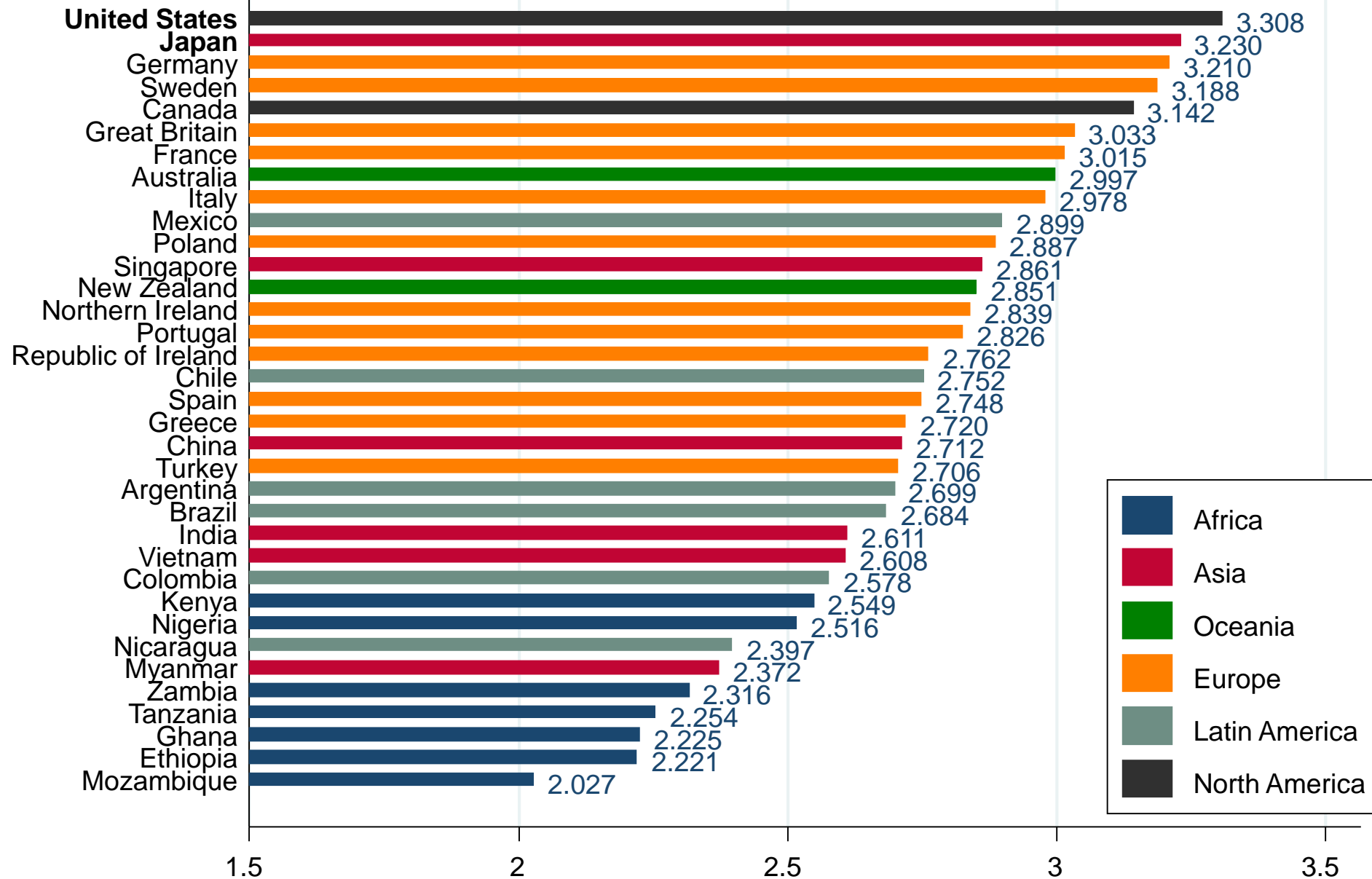


Example incentives question, scored based on questions starting with “*How does the promotion system work?*”

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
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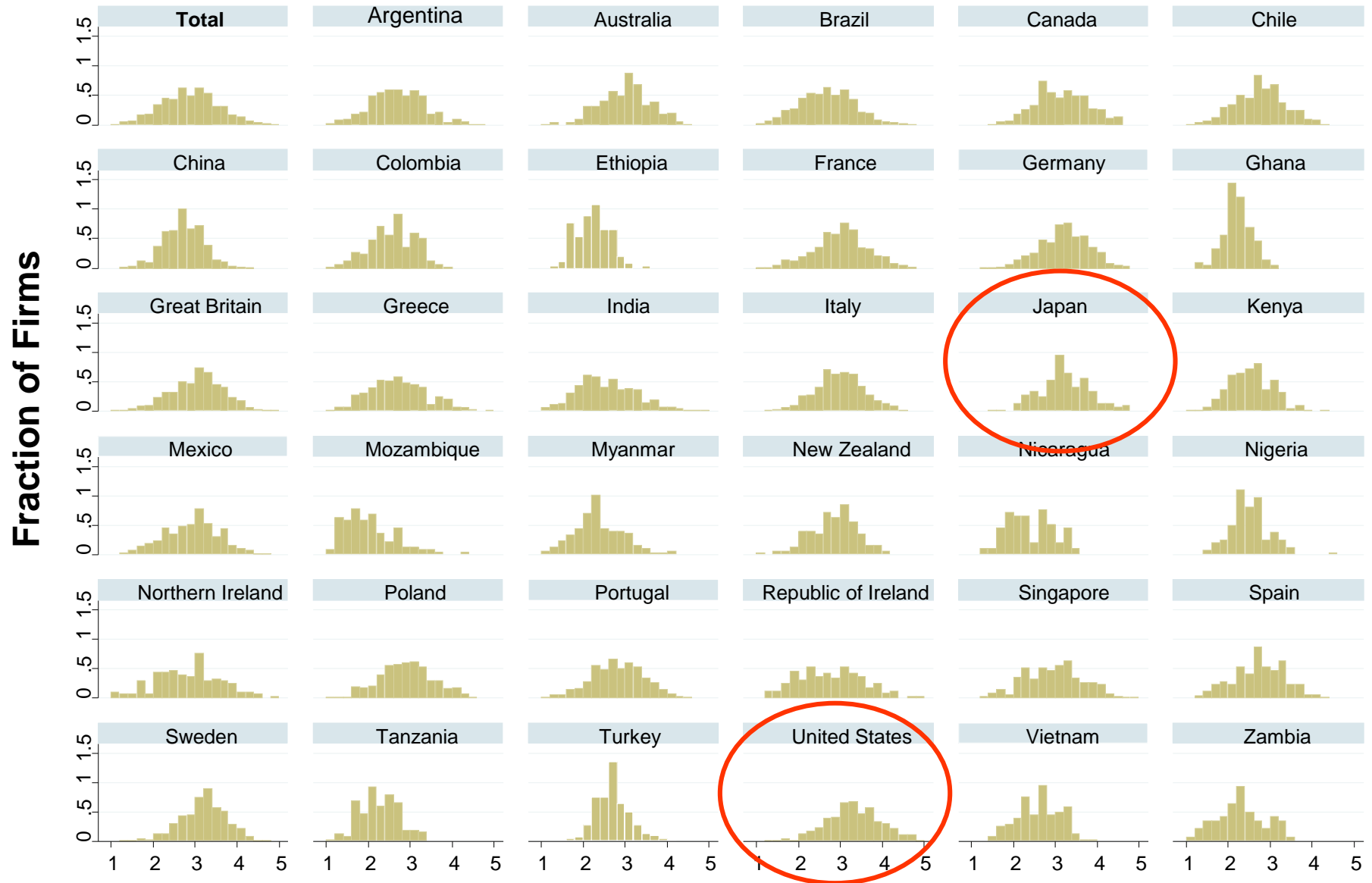
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Wide spread of management in manufacturing



Average Management Scores, Manufacturing Firms

Management also varies heavily within countries

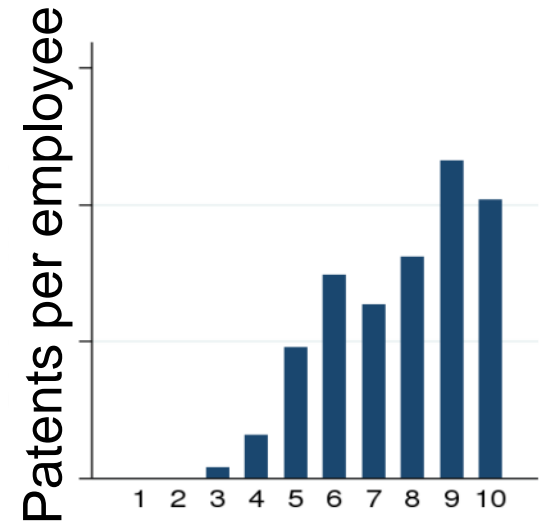
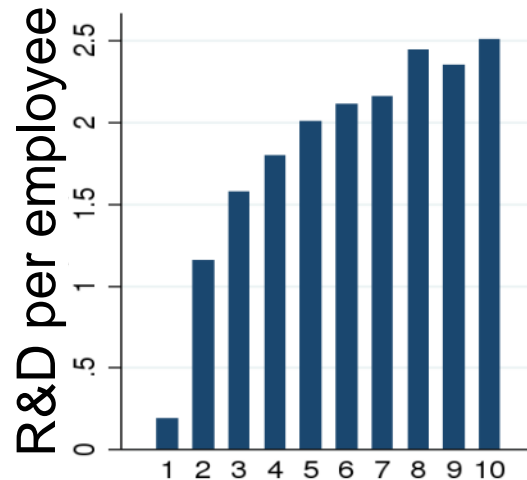
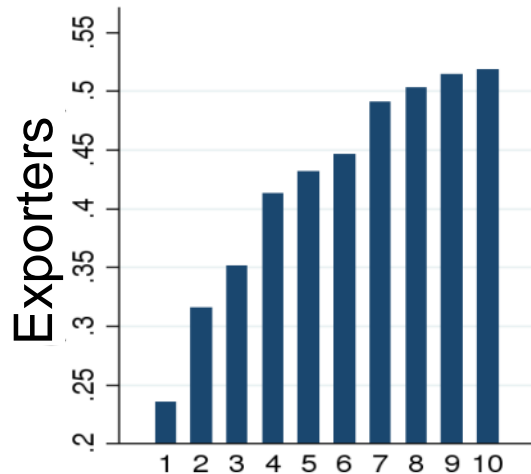
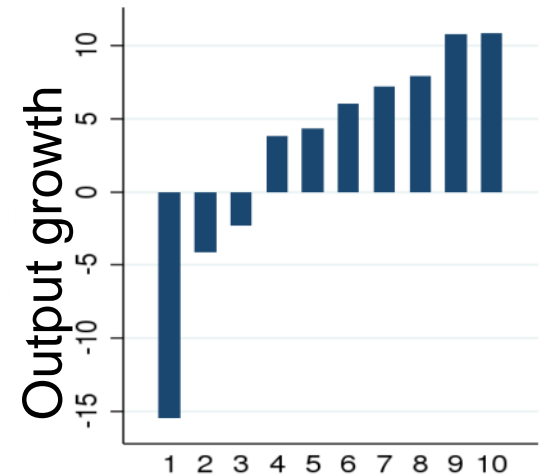
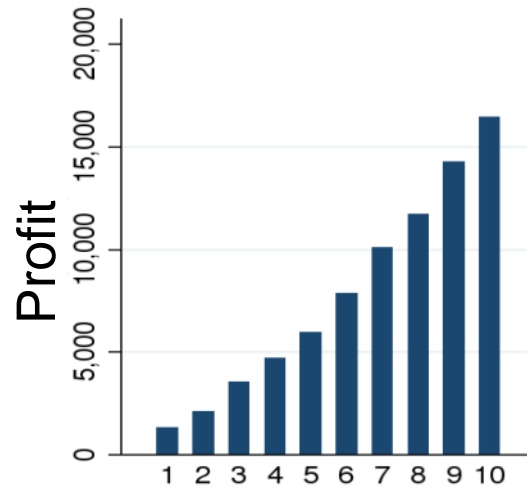
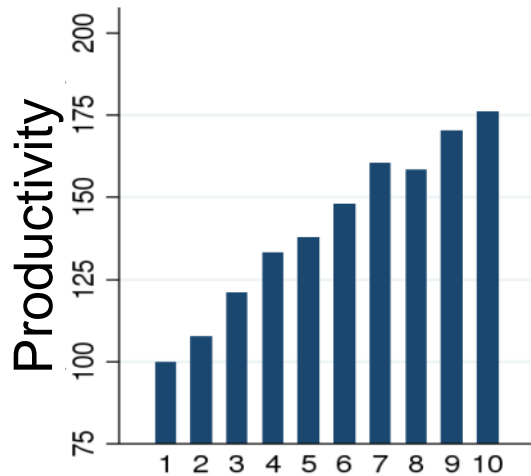


Firm level average management scores, 1 (worst practice) to 5 (best practice)

So we find a huge spread in management practices across firms and countries....

....but does this matter?

These management scores are positively correlated with firm performance



Management score decile (worst=1, best=10)

Of course this correlation may not be causal.

**So I've also been working with the World Bank
on management randomized control trial**

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Issue 1

DOES MANAGEMENT MATTER? EVIDENCE FROM INDIA*

NICHOLAS BLOOM
BENN EIFERT
APRAJIT MAHAJAN
DAVID MCKENZIE
JOHN ROBERTS

Pulling all our data together we estimate management accounts $\approx 1/3$ cross-country TFP gaps

	(1) Weightd Man- agement	(2) Covariance	(3) Unwghtd Man- agement	(4) Weighted Mng. Gap with US	(5) % reallo- cation	(6) TFP Gap With US	(7) % TFP due to Man- agement
Average					24.93		31.4
US	.91	.47	.44	0	1	1	
Japan	.61	.21	.41	-.3	89.1	.71	8.82
Sweden	.52	.13	.39	-.39	87.34	.92	48.46
Germany	.45	.29	.16	-.46	38.9	.83	24.46
Canada	.32	.27	.05	-.59	34.71	.88	45.55
Singapore	.25	.43	-.18	-.66	5.95		
Britain	.2	.26	-.05	-.71	30.46	.94	107.81
Mexico	.17	.4	-.23	-.74	9.51	.73	23.04
N. Ireland	.16	.58	-.42	-.75	-15.18		
Australia	.05	.21	-.16	-.86	30.65	.83	45.24
Italy	0	.12	-.12	-.91	38.96	.82	45.4
Portugal	-.04	.37	-.41	-.95	10.55	.66	23.04
Poland	-.07	.14	-.21	-.98	33.89	.8	44.74
France	-.11	.11	-.22	-1.02	36.08	.84	58.87
Colombia	-.12	.37	-.48	-1.03	10.25	.52	15.69
NZ	-.14	.27	-.42	-1.05	18.68	.79	43.54

Source: Management as a Technology by Bloom, Sadun and van Reenen (2015)

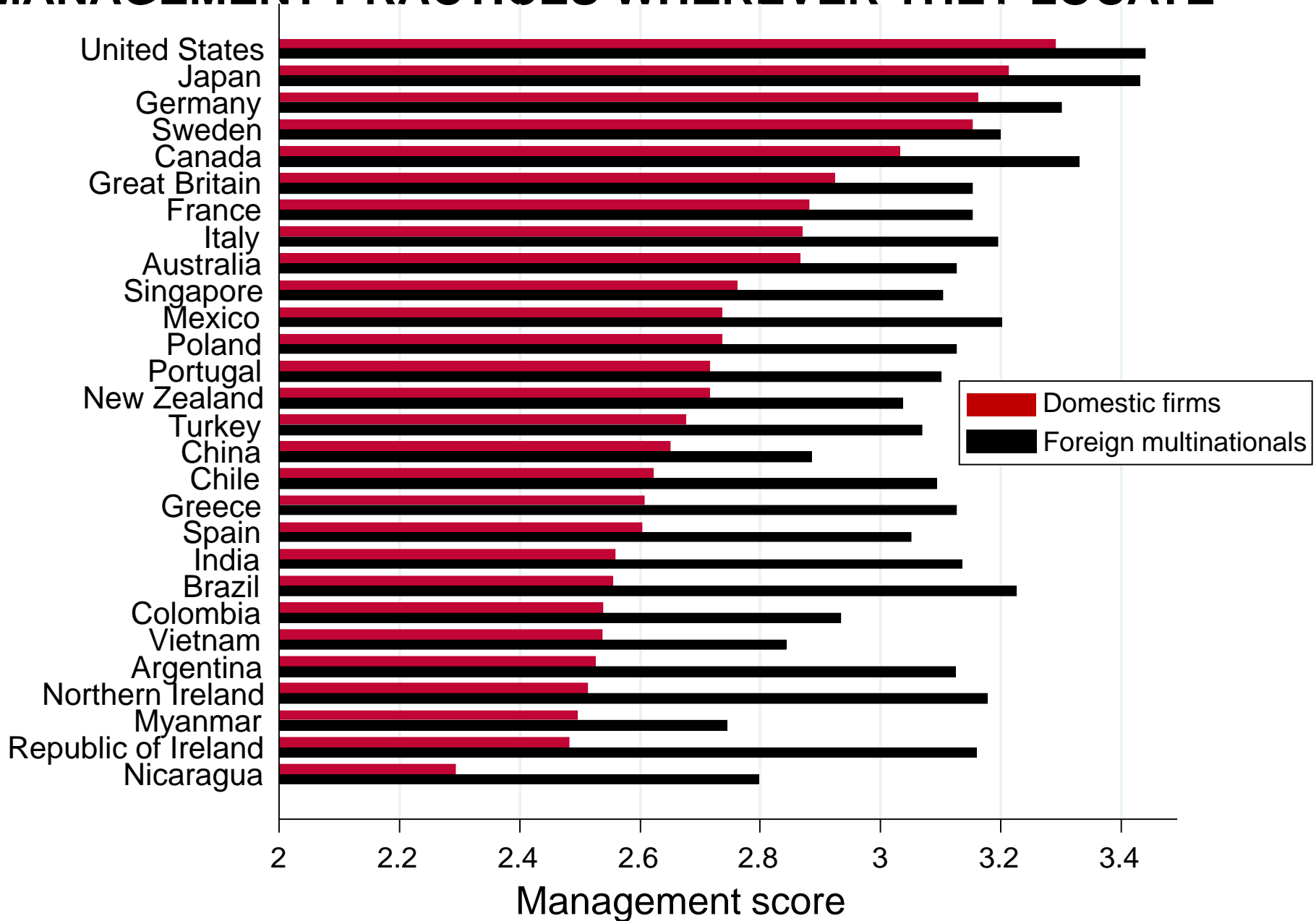
1) Measuring management and its impact on GDP

2) Impact of management on performance

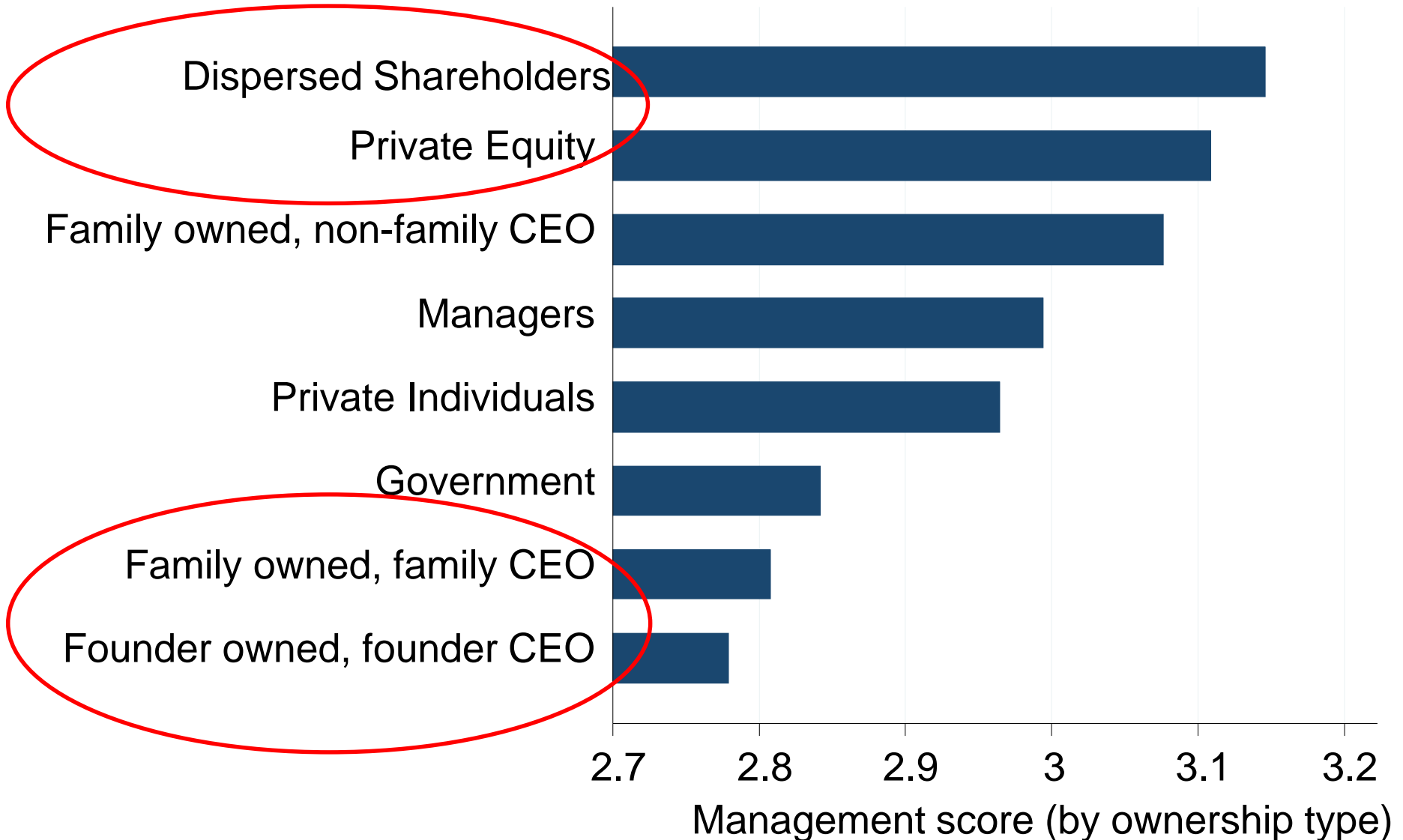
- Regression results
- Field experiments

3) Drivers and policy – how can we raise growth?

PROMOTE FDI: MULTINATIONALS ACHIEVE GOOD MANAGEMENT PRACTICES WHEREVER THEY LOCATE

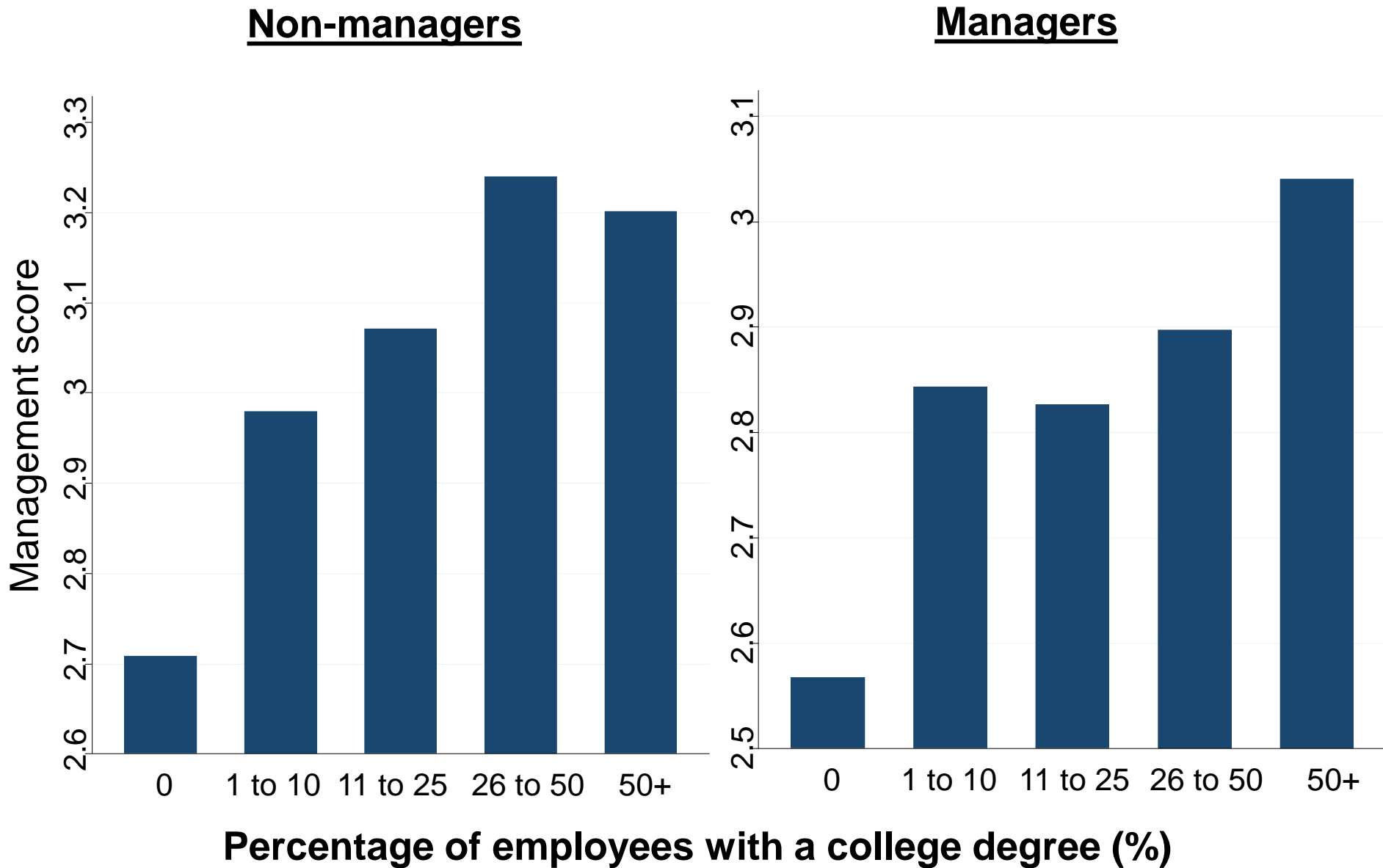


PROMOTE PROFESSIONAL OWNERSHIP: FAMILY-RUN AND GOVERNMENT FIRMS OFTEN HAVE POOR MANAGEMENT



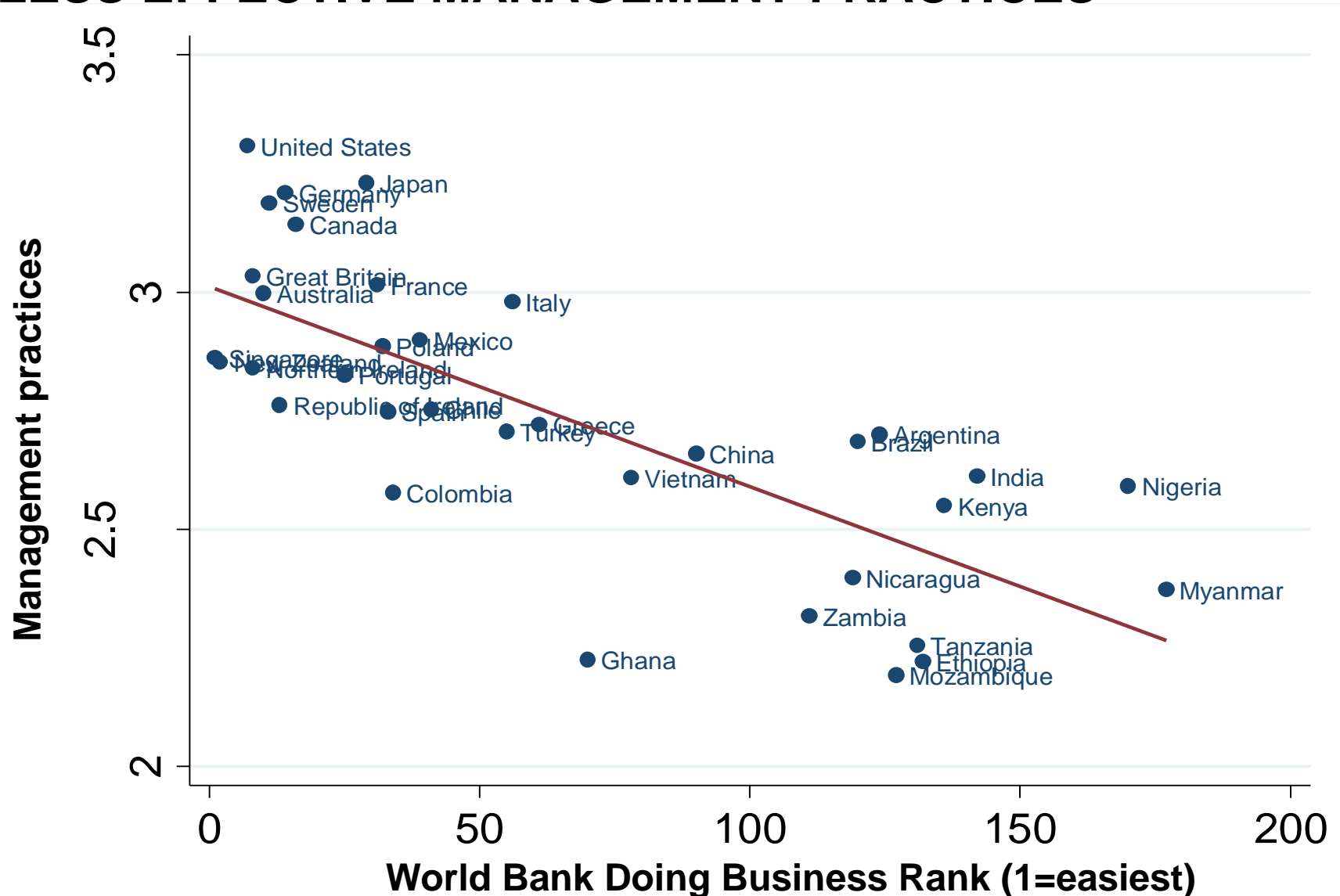
Management scores after controlling for country, industry and number of employees. Data from 9085 manufacturers and 658 retailers. "Founder owned , founder CEO" firms are those still owned and managed by their founders. "Family firms" are those owned by descendants of the founder "Dispersed shareholder" firms are those with no shareholder with more than 25% of equity, such as widely held public firms.

RAISE EDUCATION FOR NON-MANAGERS AND MANAGERS APPEAR LINKED TO BETTER MANAGEMENT



Sample of 8,032 manufacturing and 647 retail firms.

MINIMIZE REGULATIONS: THESE ARE CORRELATED WITH LESS EFFECTIVE MANAGEMENT PRACTICES



Note: Management scores for the 15,454 interviews in the WMS survey plotted against the World Bank's 2014 doing business "Ease of Doing Business" rank, where 1 is best and 189 is worst. See <http://www.doingbusiness.org/rankings>. Smaller and larger firms in China, Nigeria and Mozambique have been re-stratified in order to balance the sampling frame.

Conclusions

Management appears to be a major driver of growth

Policies to follow in particular in Japan would be:

- Encouraging multinationals
- Less regulation

Policies to follow in particular in the US would be:

- Improved education
- Less regulation

More research, policy briefs & media available here
www.worldmanagementsurvey.com



ACADEMIC

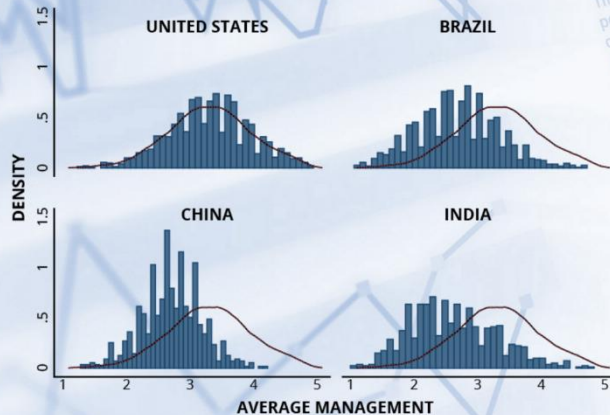
POLICY & BUSINESS

TEACHING

SURVEY DATA

MEDIA

ABOUT US



RESEARCH

We have worked with thousands of managers from nearly 40 countries to measure performance in their firms.

LATEST NEWS

DATE FOR YOUR CALENDARS: NEXT EMPIRICAL MANAGEMENT CONFERENCE AT MIT ON DECEMBER 8-9, CALL FOR PAPERS COMING IN JULY.

NEW PAPER: INTERNATIONAL DATA ON MEASURING MANAGEMENT PRACTICES



Benchmark your organization

Using our web-based tool, answer a set of questions to benchmark your organization against our full dataset in the four main sectors of the WMS research.

[BENCHMARK NOW](#)



[Survey Data](#)