

Measuring and Explaining Management Practices Around the World

Nick Bloom (Stanford)

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

ABFER May 24th 2018





Singapore

LEVEL

4



MATH



70

Must-Know

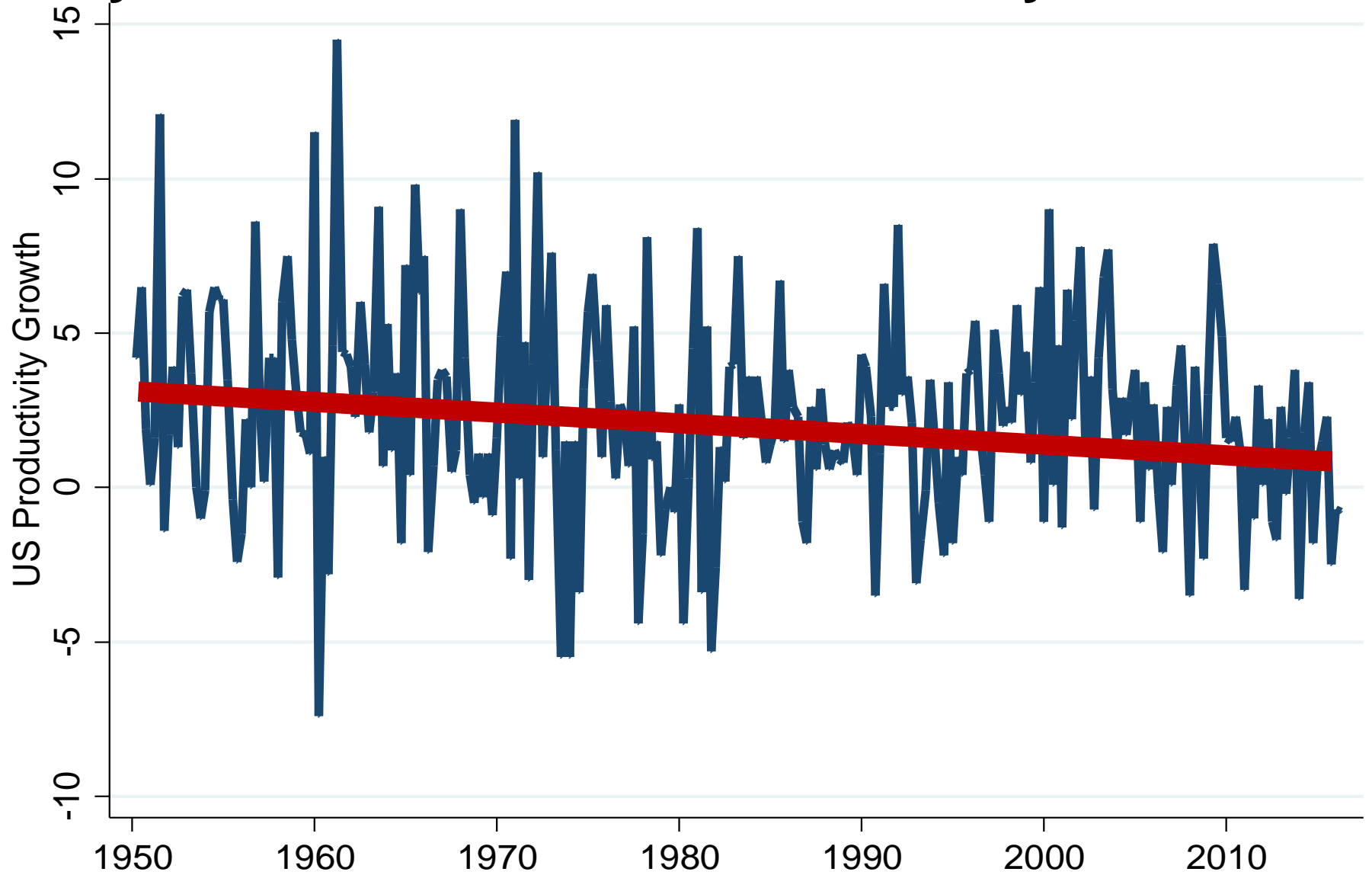
WORD PROBLEMS

4

- ✓ Word problems based on the leading math program in the world—Singapore Math!
- ✓ Introduction explaining the Singapore Math method
- ✓ Step-by-step solutions in the answer key
- ✓ Reproducible pages

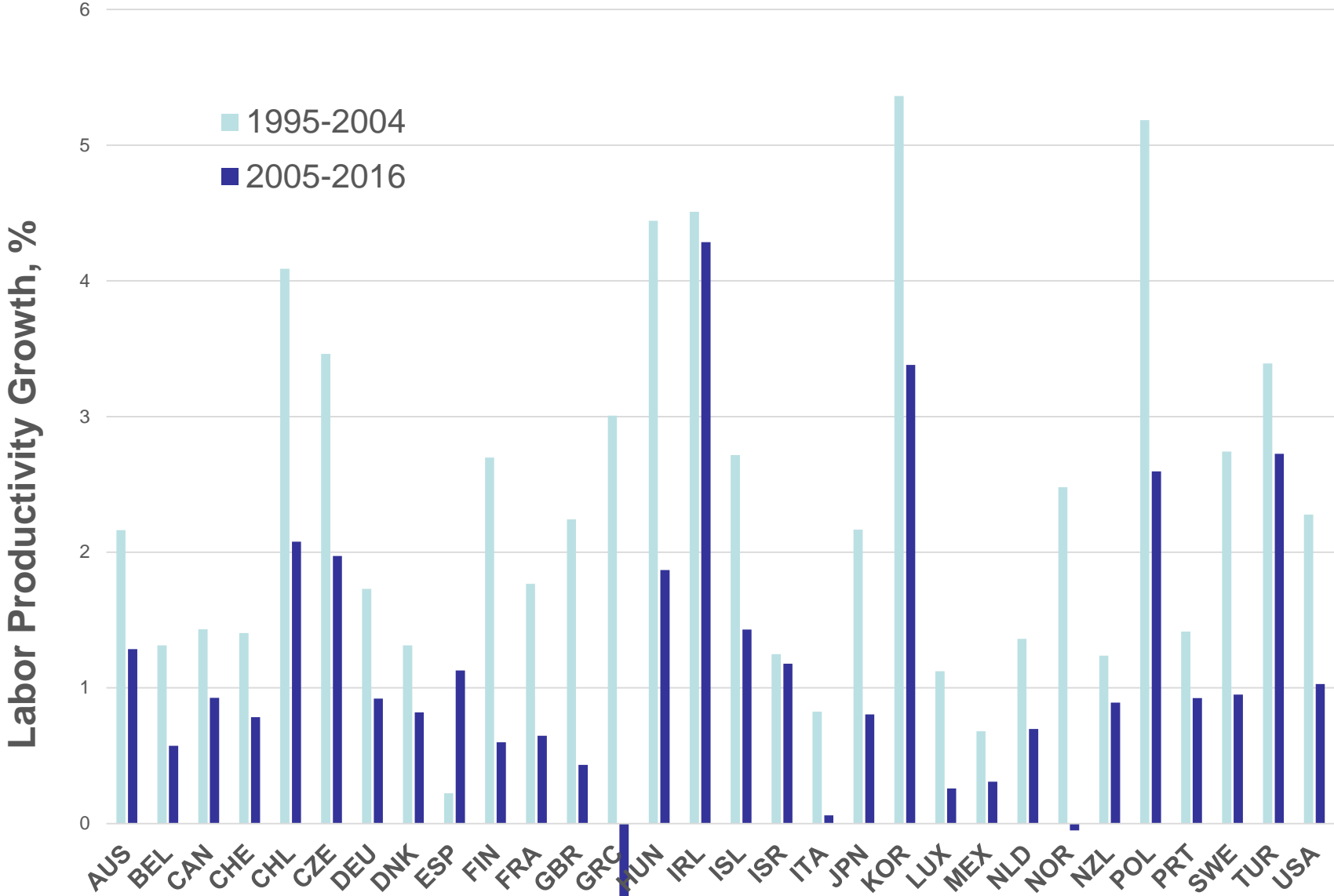


US productivity growth is slowing, and I argue will likely remain low for the next 10 to 20 years



Source: US BLS growth of real output per hour. On slowing productivity growth see Bloom, Jones, Webb and Van Reenen (2017), "Are Ideas Getting Harder to Find?"

Indeed, productivity growth is slowing across almost all countries (including Singapore)



Source: OECD, Syverson (2018)

Francis Walker (1840-1897), founding President American Economic Association



THE
QUARTERLY JOURNAL
OF
ECONOMICS

APRIL, 1887

THE SOURCE OF BUSINESS PROFITS.

IN the *Fortnightly* of September, 1879, Professor Henry Sidgwick, in reviewing the recent literature of the wages controversy, said, "It seems to me that, while Professor Walker's argument gives a *coup de grâce* to the wages fund theory,* it supplies no substitute for it; it leaves us with no theoretical determination whatever of the average proportions in which produce is divided between labor and capital."

I confess that at the time this seemed to me a hard judgment. The current political economy had for more than a generation declared that the measure of possible wages was found in existing capital; that the average rate of wages was wholly determined by the ratio between the amount of capital and the numbers of the laboring class; †

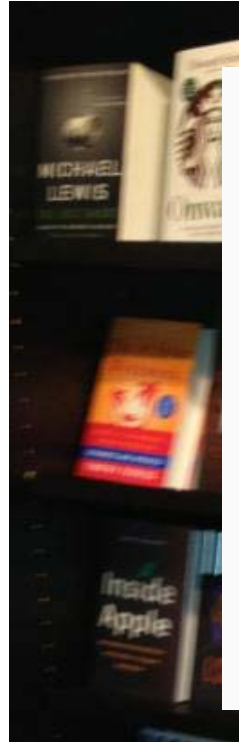
*For both the natural history and the literary history of this doctrine, reference may be made to an article by the present writer in the *North American Review* for January, 1875.

† "The circulating capital of a country is its wage-fund. Hence, if we desire to calculate the average money-wages received by each laborer, we have

But there is still a wide debate – many people claim management is “hot air” or “BS”

“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

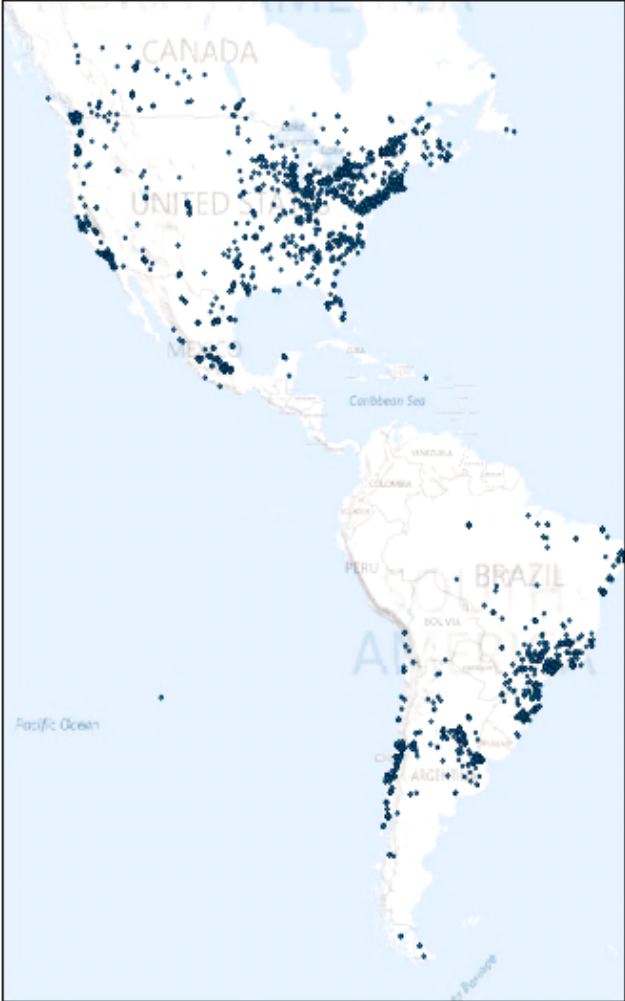
3) Drivers and policy



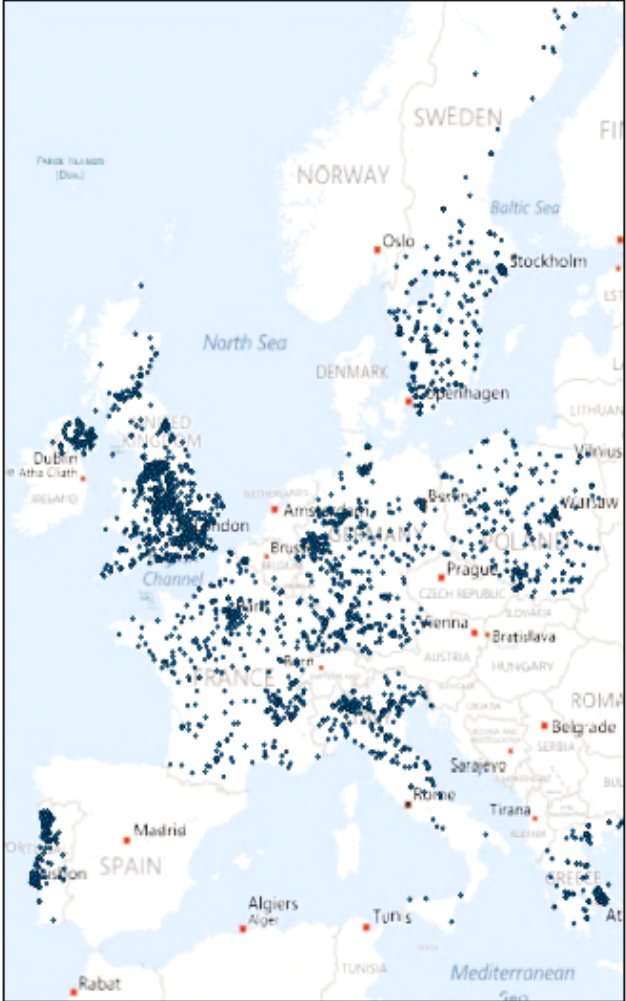
accenture

McKinsey & Company

World Management Survey has covered more than 20,000 firms in 35 countries since 2002



Americas



Europe



Asia

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

1) Developing management questions

- Scorecard for management practices ≈45 m

JOHN DREW • BLAIR McCALLUM • STEFAN ROGGENHOFER

JOURNEY TO LEAN
MAKING OPERATIONAL CHANGE STICK

...le management
...t managers

2) Getting firms to participate

- Introduced as a pilot
- Official Endors

...w

...ew, no financials
...orld Bank, BOJ etc.

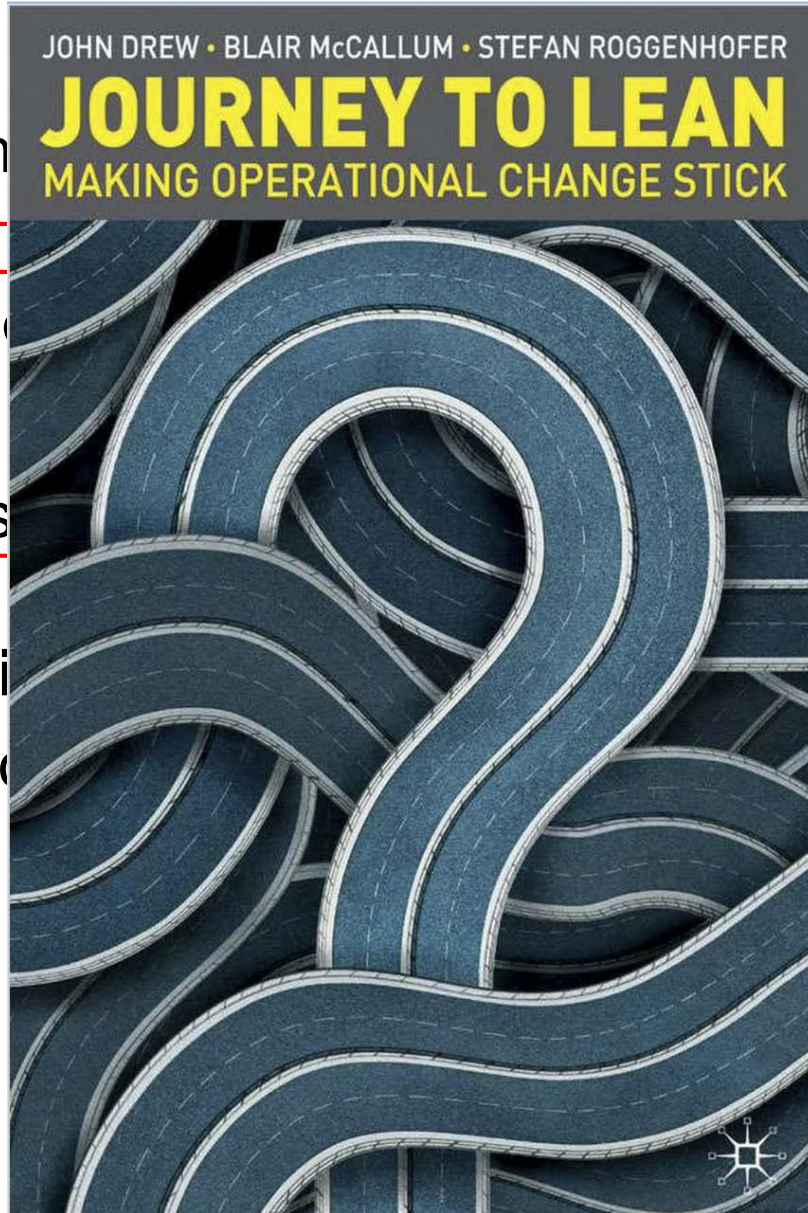
3) Obtaining unbiased data

- Interviewers do not know which firms are in the control group
- Managers are not aware of the study

...es, “Double-blind”

...formance

...ey are scored



Some typical endorsement letters



HRDD No. 52843 / 024001 / 2005-06

Dear Prof. Bloom

I would like to confirm the official support of Reserve Bank of India to the joint London School of Economics and Stanford project across India. Continually improving our productivity practices is important for ensuring economic growth and we believe this project would be very helpful in pursuing this goal.

With regards

Yours sincerely

SC Ghose
(Sandip Ghose)

Prof. Nick Bloom
PI Program Director
Centre for Economic Performance
London School of Economics
Houghton Street
London WC2A 2AE

मानव संसाधन विकास विभाग, केंद्रीय कार्यालय (20 वीं मंजूर) शहीद भगत सिंह
पता : (91-22) 2266 0940, फ़ैक्स : (91-22) 2270 2524, ई-मेल : cgm@rbid.org.in
Human Resources Development Department, Central Office building, 60th Floor, Shहीद Bhगत Singh
To : (91-22) 2266 0940, Fax : (91-22) 2270 2524, E-mail : cgm@rbid.org.in
हिंदी कार्यालय में, प्रस्ताव प्रेषण बंद है।

Toshihiko Fukui
GOVERNOR



July 4, 2006

Sir Howard Davies
Director
The London School of Economics and
Political Science
Houghton Street
London WC2A 2AE
United Kingdom

Dear Howard,

Thank you for your letter regarding your international productivity in manufacturing companies around the world.

Given the deepening global linkage of economic activities, your coverage of the project to Asia is indeed relevant and timely.

I wish you every success in the project.

Sincerely yours,

Toshihiko Fukui

FROM : FROM NO. : 2807.09.18 09:08 P1



Professor Nicholas Stern
Director of the Asia Research Centre
London School of Economics

September 12, 2007

Dear Professor Nicholas Stern,

Thank you for your email of August 20 addressed to Governor Zhou. On his behalf, I would like to congratulate you on your appointment as the first holder of the IG Patel Chair at the London School of Economics and the Director of the Asia Research Centre.

Governor Zhou thanks you for informing him of the joint London School of Economics and Stanford research project led by Professor John Van Reenen. He agrees with you that improving productivity and management practices is important for ensuring economic growth and employment, and believes that this project would be valuable in understanding managerial strengths 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 acknowledge would be happy to take part in such a high-level academic survey.

With my best regards,

Yi Gang

Yi Gang
Assistant Governor
People's Bank of China

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.

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



Examples of a performance metrics – Hospital



Examples of performance metrics – Retail (Ctrip)



何骋勇
代表作品：携程网站UI设计

月度最佳进步奖

周海友
代表作品：携程球馆大赛设计

月度最佳进步奖

葛琛
代表作品：海外旅游嘉年华设计

月度最佳进步奖

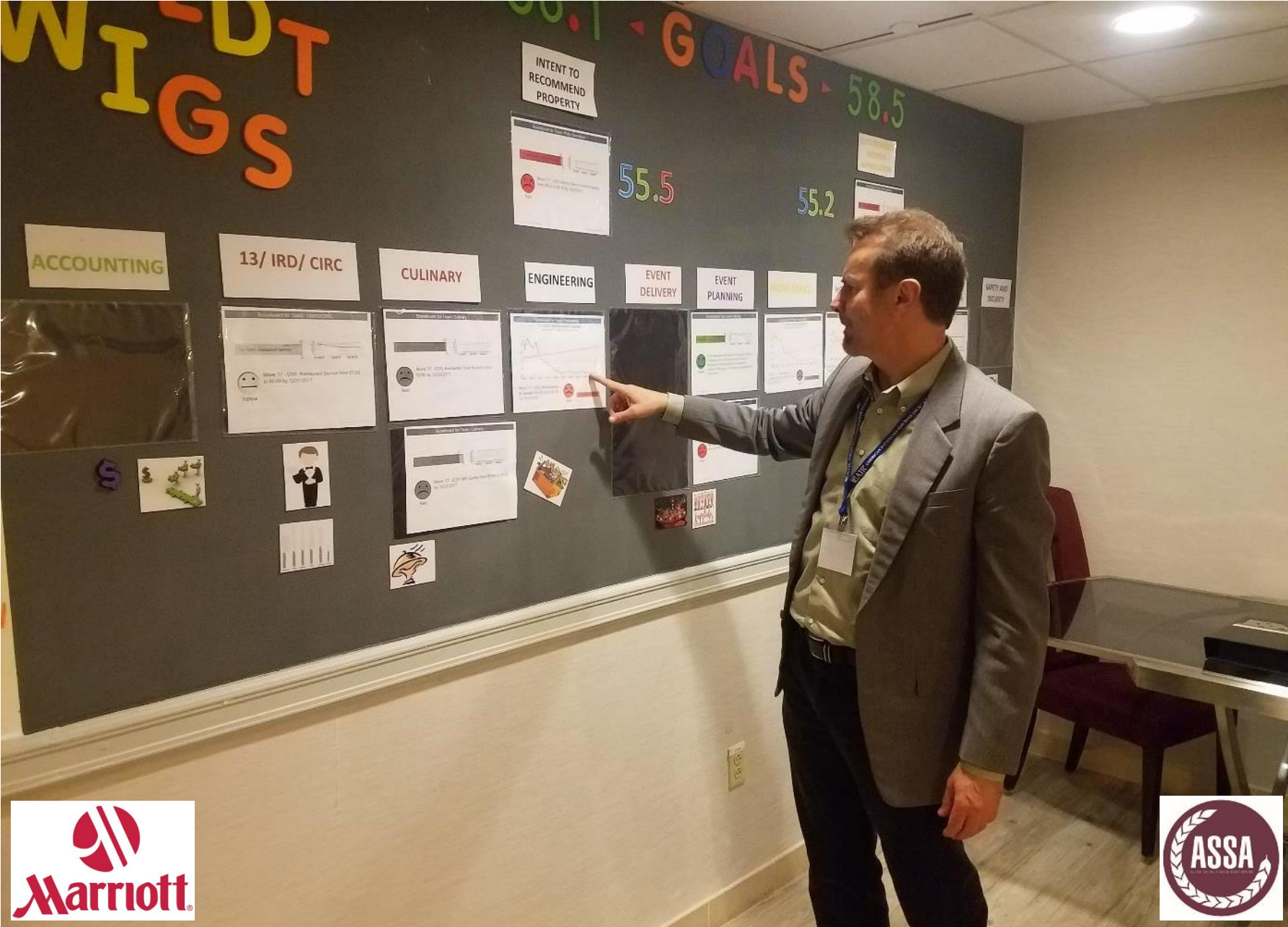
网络市场部
美术设计团队文化
携其专业化的设计 成就无限化的价值

SHOW TIME
色彩是我们的工具，创意是我们的灵魂
技术是我们专业的保证
为公司节约成本，提升公司网站的观赏性
有市场化的理念设计每一个作品
创造无可无限的品牌价值是我们的目标

团队介绍
网络市场部美术设计团队



Examples of performance metrics – hotels (ASSA)



Example of no performance metrics: Textile Plant



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

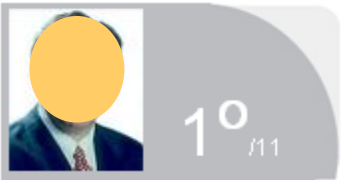
Score	(1) People are promoted primarily upon the basis of tenure, irrespective of performance (ability & effort)	(3) People are promoted primarily upon the basis of performance	(5) We actively identify, develop and promote our top performers
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Note: All 18 questions & 50+ examples in <http://worldmanagementsurvey.org/>

Examples of performance reviews – Retail Bank

Porte A


Data: 09/01/2008



	Out	Nov	Dez	4Tri	Jan	Fev	Mar	1Tri
• Total Segmentos	61,53	83,64	79,17	73,25	52,27	0,00	0,00	34,37
• Total PF	70,15	76,99	75,13	68,82	42,11	0,00	0,00	26,86
Preferencial	58,09	86,85	86,87	76,92	15,16	0,00	0,00	13,43

Porte A

Data: 09/01/2008



SEGMENTO	PESO	META	REAL	%	PONTOS	OPORT.				
Cientes					0,00	0,0				
+ Incr. Base Ativa	0	28	146	150,0	0,00	0,0				
+ Incr. Clientes c/ Ofer...	0	153	0	0,0	0,00	0,0				
+ Abertura Contas PF	0	120	24	11,3	0,00	0,0				
+ Abertura Contas Busine...	0	6	0	0,0	0,00	0,0				
+ Aquisição Com Of. Bási...	0	136	0	0,0	0,00	0,0				
+ Conversão Of. Básica	0	313	1	0,0	0,00	0,0				
Vendas					0,00	0,0				
+ Super Auto	0	5	2	40,0	0,00	0,0				
+ Seguro Vida	0	47	26	55,3	0,00	0,0				
+ Seguro Residencial	0	25	8	32,0	0,00	0,0				
+ Seguro Auto	0	6	1	16,7	0,00	0,0				
+ Seguro Vida Master	0	2	0	0,0	0,00	0,0				
+ Cartões	0	140	75	53,6	0,00	0,0				
+ CP Protegido	0	295	70	23,7	0,00	0,0				
+ Capitalização	0	58	6	10,3	0,00	0,0				
+ Novas Cobranças Ativas	0	4	2	50,0	0,00	0,0				
+ Títulos Liquidados	0	5.301	1.815	34,2	0,00	0,0				
Captações - Captação Líquida					0,00	0,0				
+ Captação Alvo	0	1.371	1.072	78,2	0,00	0,0				
+ Previdência Foco PF	0	184	599	325,6	0,00	0,0				
+ Captação Demais	0	766	-3.001	-391,8	0,00	0,0				
Depósito à Vista / Float					0,00	0,0				
+ DAV / Float	0	100	1.708	999,0	0,00	0,0				
Empréstimos - Incr. Saldo Médio					0,00	0,0				
+ Empréstimos Alvo PF	0	543	-118	-21,7	0,00	0,0				

Rede III


REGIONAL [REDACTED]

PV [REDACTED]

PORTE A

INTEGRANTES

SUPER RANKING



TOTAL SEGMENTOS 52,27

PERÍODO

Jan Feb Mar 1Tri

Tri: 10% Jan: 27%

Voltar

Imprimir

SUPER RANKING

Ponderação

Atualização

Analisar

Cara a Cara

Histórico

Métricas

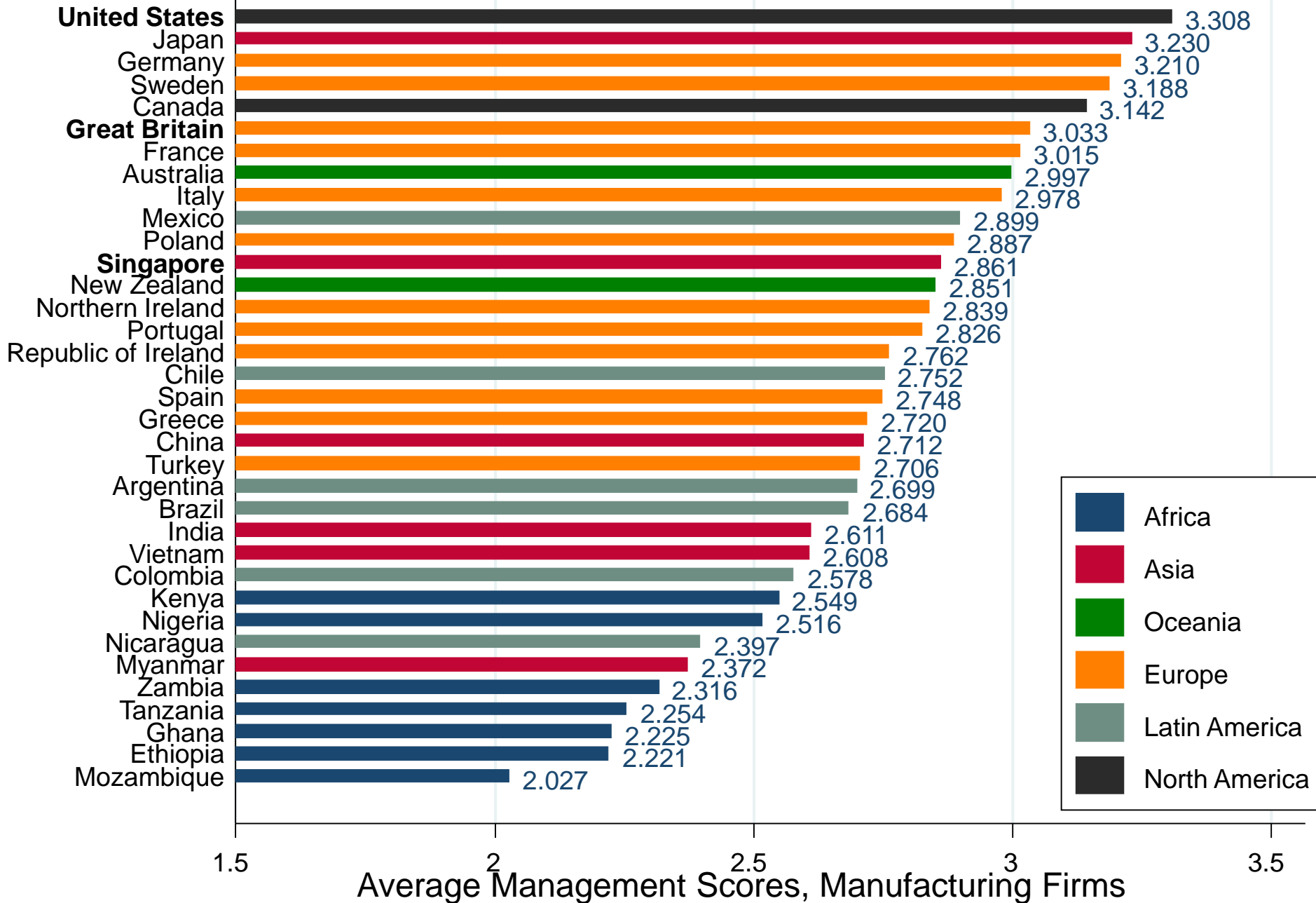
Voltar

Imprimir

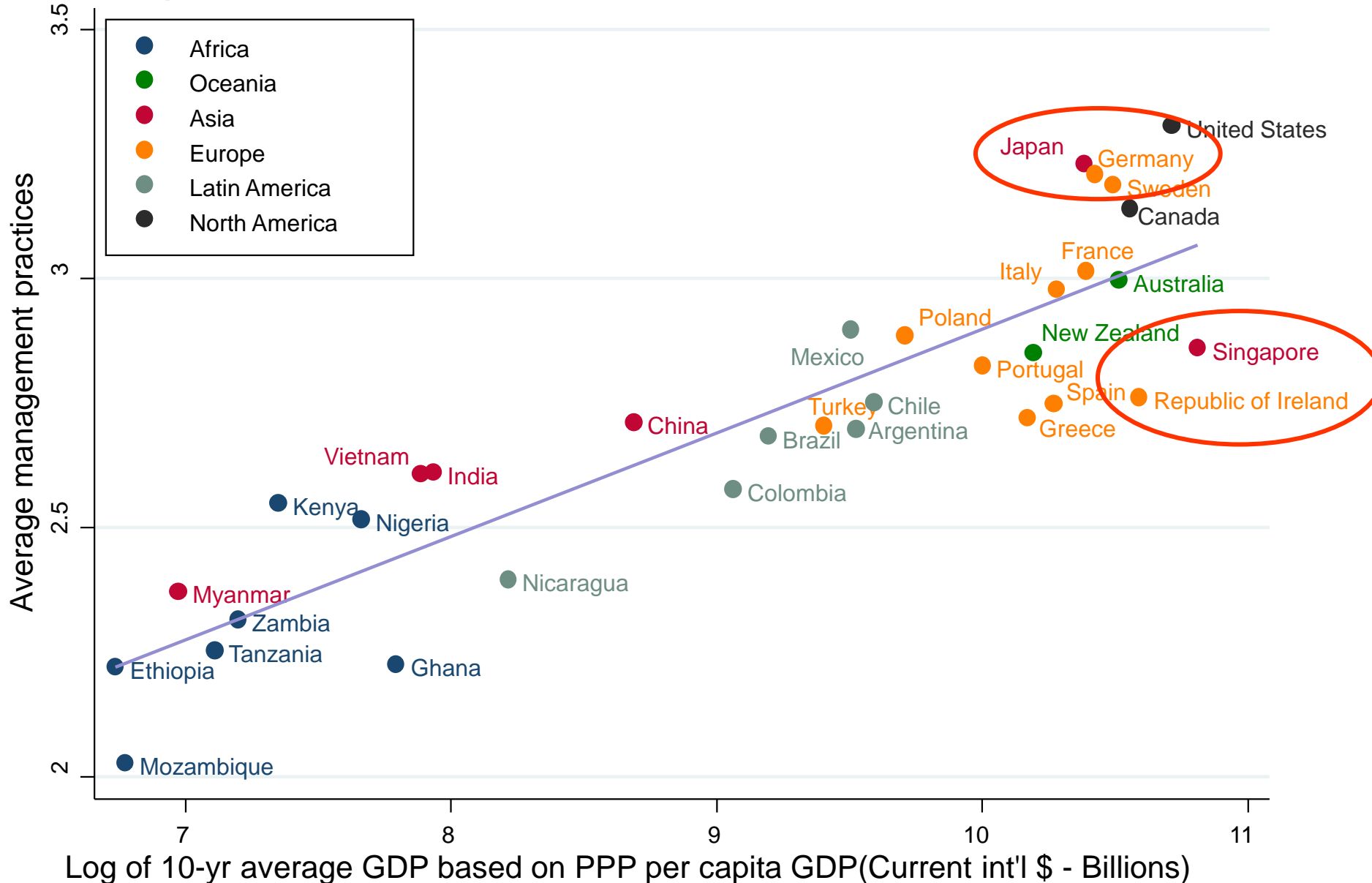
Interviewers survey multiple countries, typically all from the same place (e.g. London 2006)



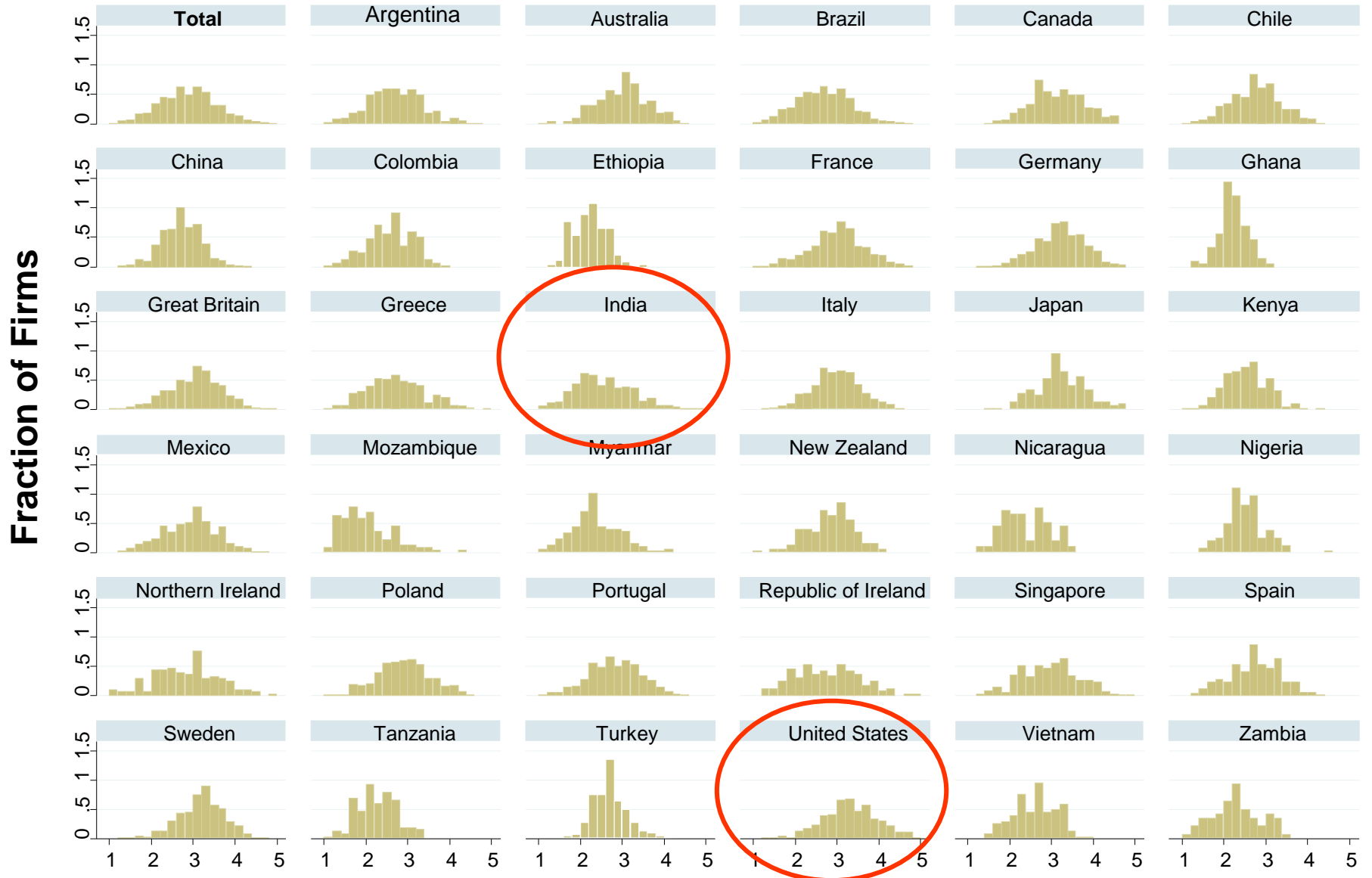
Wide spread of management in manufacturing



Average management scores across countries are strongly correlated with GDP per capita

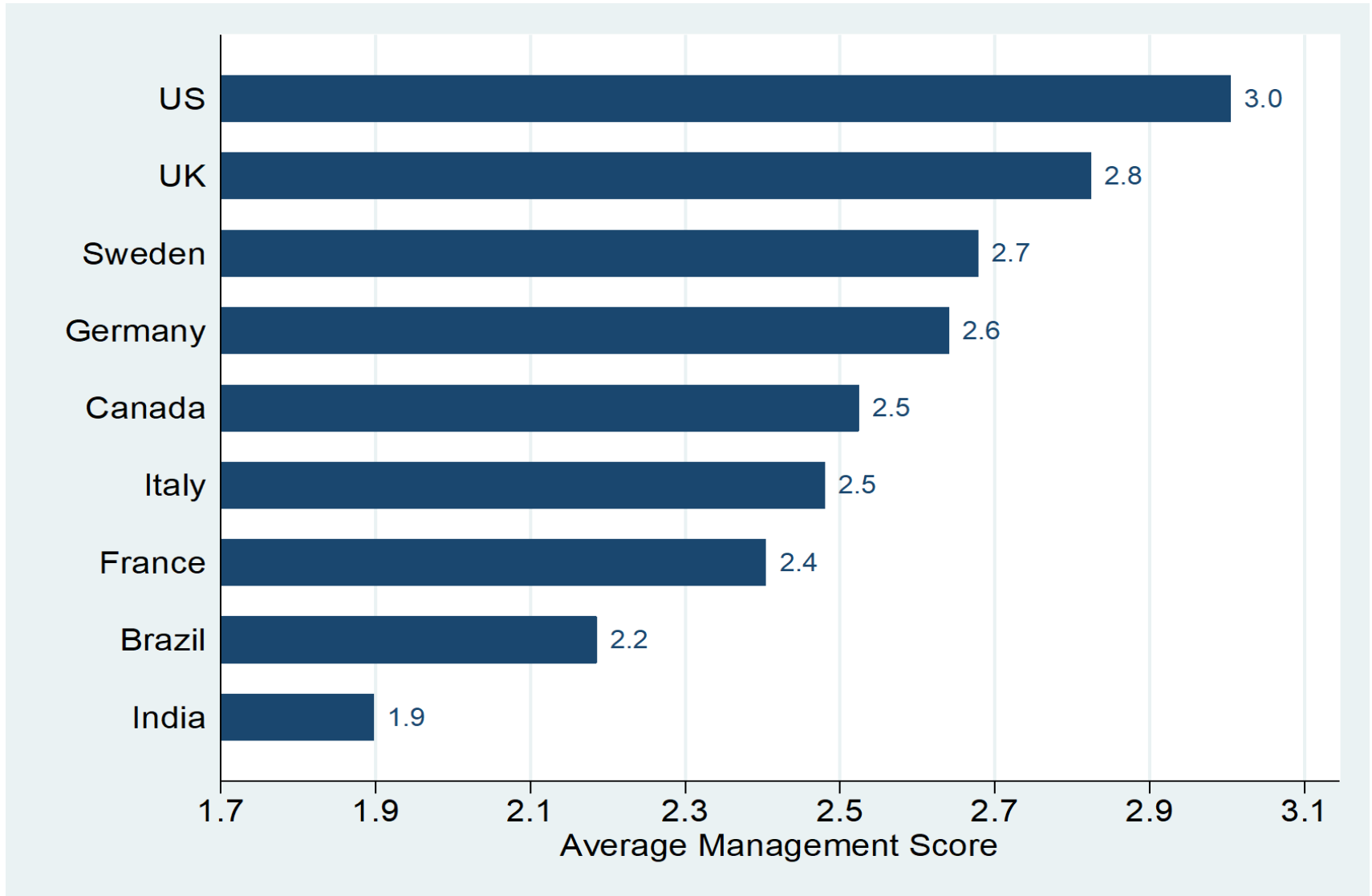


Management also varies heavily within countries



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

Also been looking at other sectors: hospitals



Randomly surveyed population of hospitals in each country that offer acute care (take emergencies), and have an orthopedics and/or cardiology department. Total of 1687 hospitals.

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

....but does this matter?

I will try to summarize 15+ years research in 2 areas

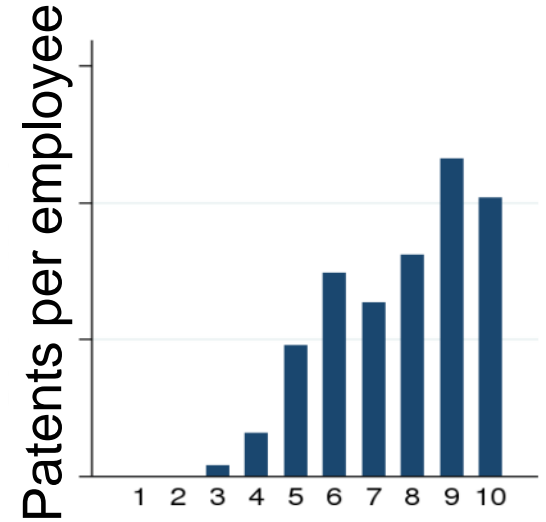
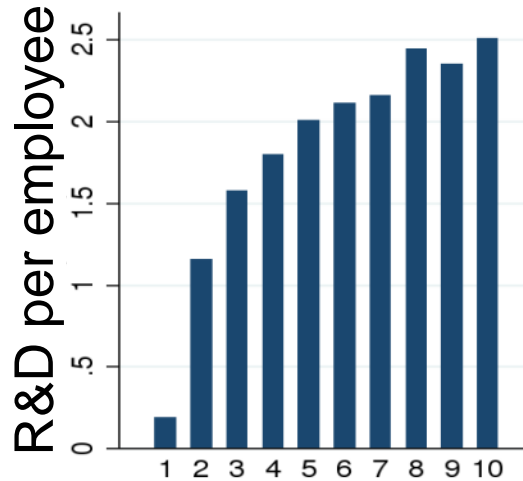
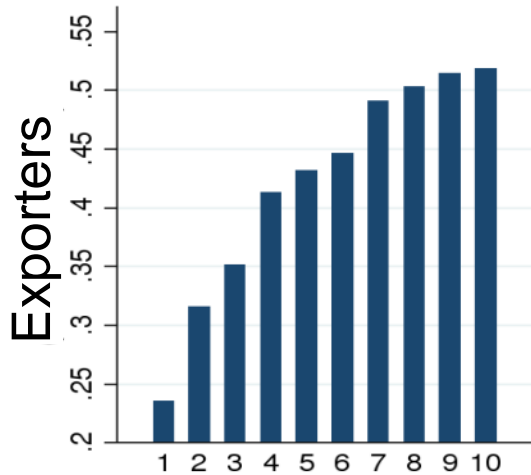
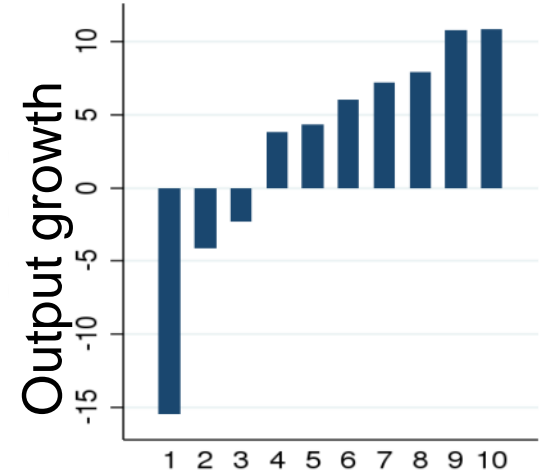
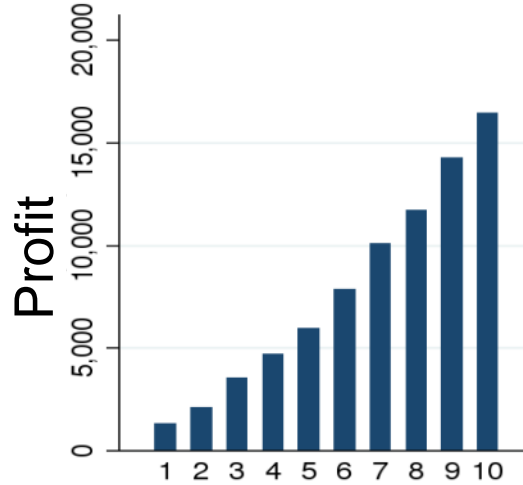
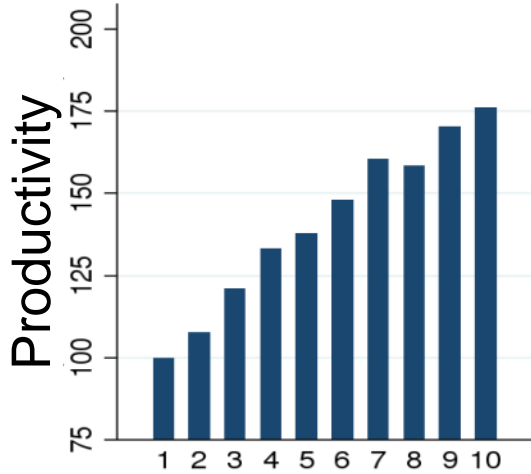
1) Measuring management

2) Impact of management on performance

- Regression results
- Field experiments

3) Drivers and policy

These management scores are robustly positively correlated with firm performance



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

Better management associated with lower pollution



Source: “Modern management: Good for the environment or all hot air?” Bloom, Genakos, Martin and Sadun, (2010, EJ). Data from UK census of production and WMS management survey. Energy intensity=energy/output.

Of course this correlation may not be causal.

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

THE
QUARTERLY JOURNAL
OF ECONOMICS

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Issue 1

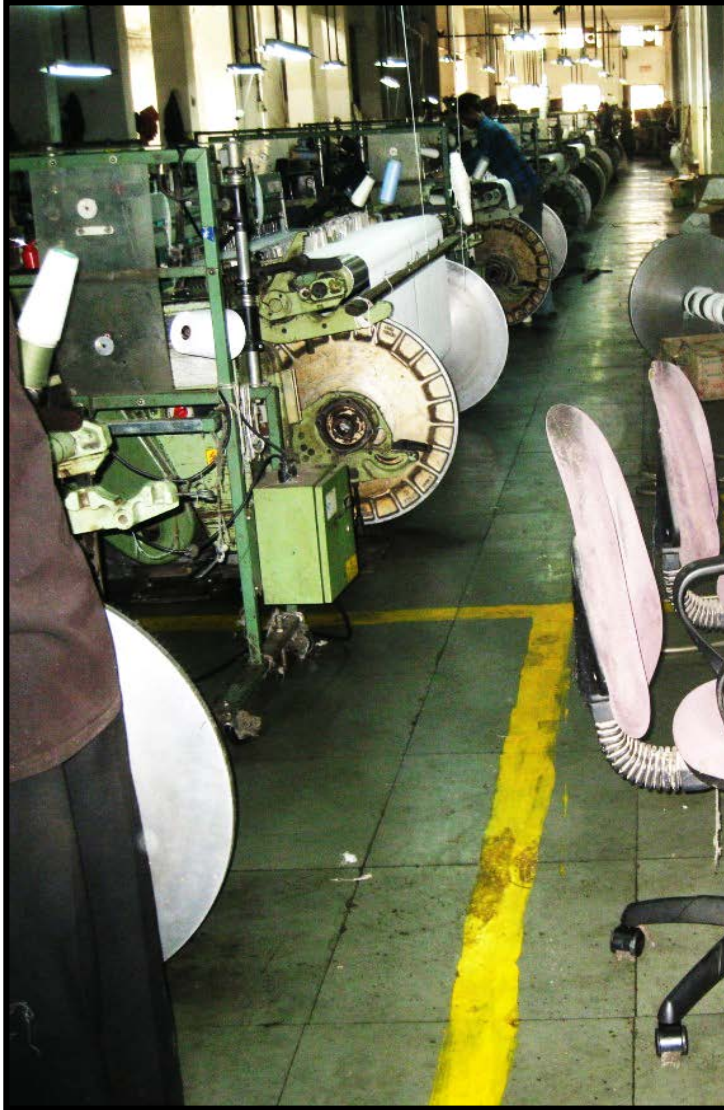
DOES MANAGEMENT MATTER? EVIDENCE FROM INDIA*

NICHOLAS BLOOM
BENN EIFERT
APRAJIT MAHAJAN
DAVID MCKENZIE
JOHN ROBERTS

Took 28 large textile plants near Mumbai and randomized into treatment (improved management) & control (same as before)



Factory operations: Before



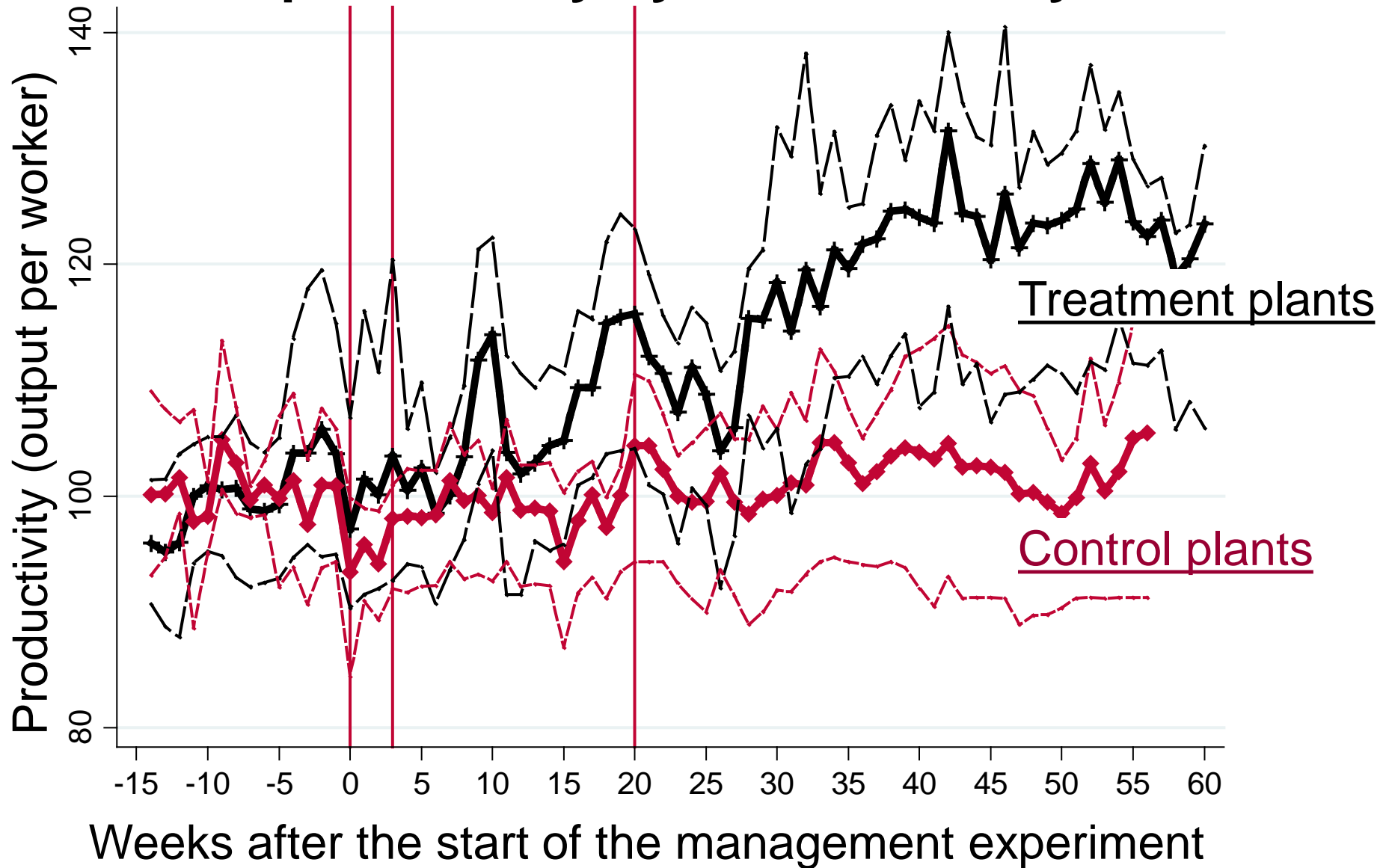
Factory operations: After



Factory information: After



These simple management improvements increased productivity by 20% within 1 year alone



1) Measuring management

2) Impact of management on performance

- Regression results
- Field experiments

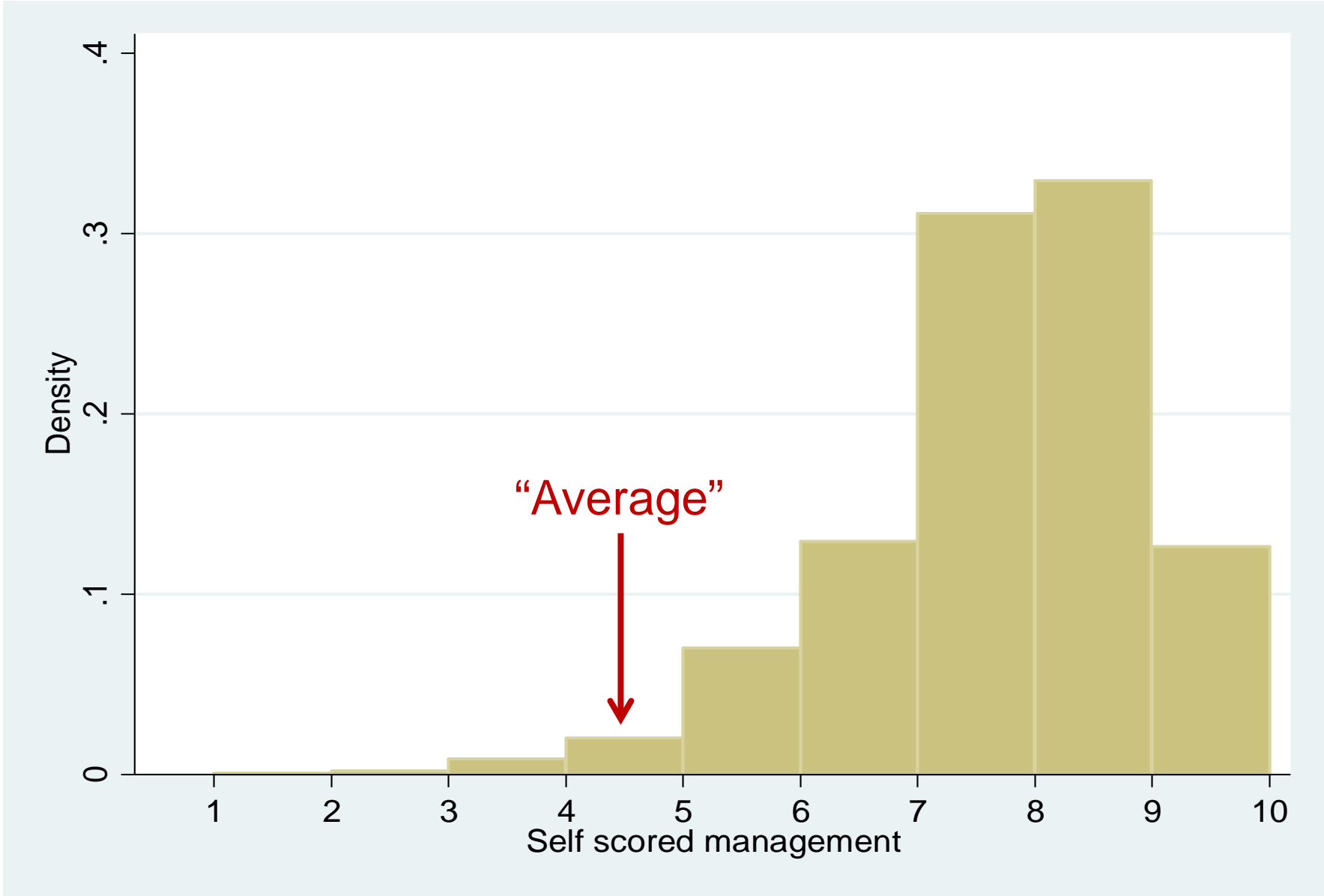
3) Drivers and policy

So why don't firms just improve their management practices – one reason is they cannot self assess

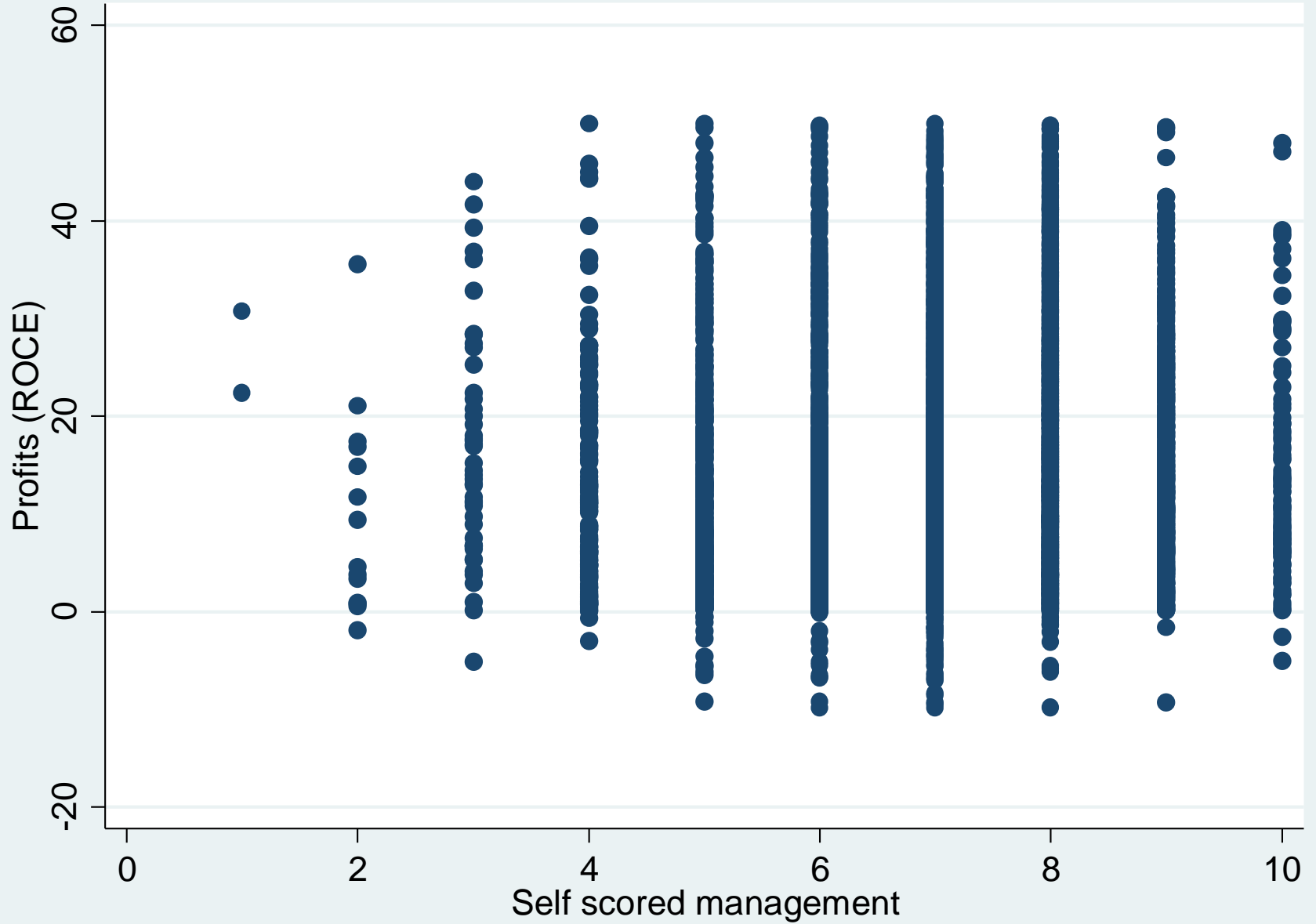
At the end of the survey we asked:

“Excluding yourself, how well managed would you say your firm is on a scale of 1 to 10, where 1 is worst practice, 5 is average and 10 is best practice”

...and found firms are too optimistic on management



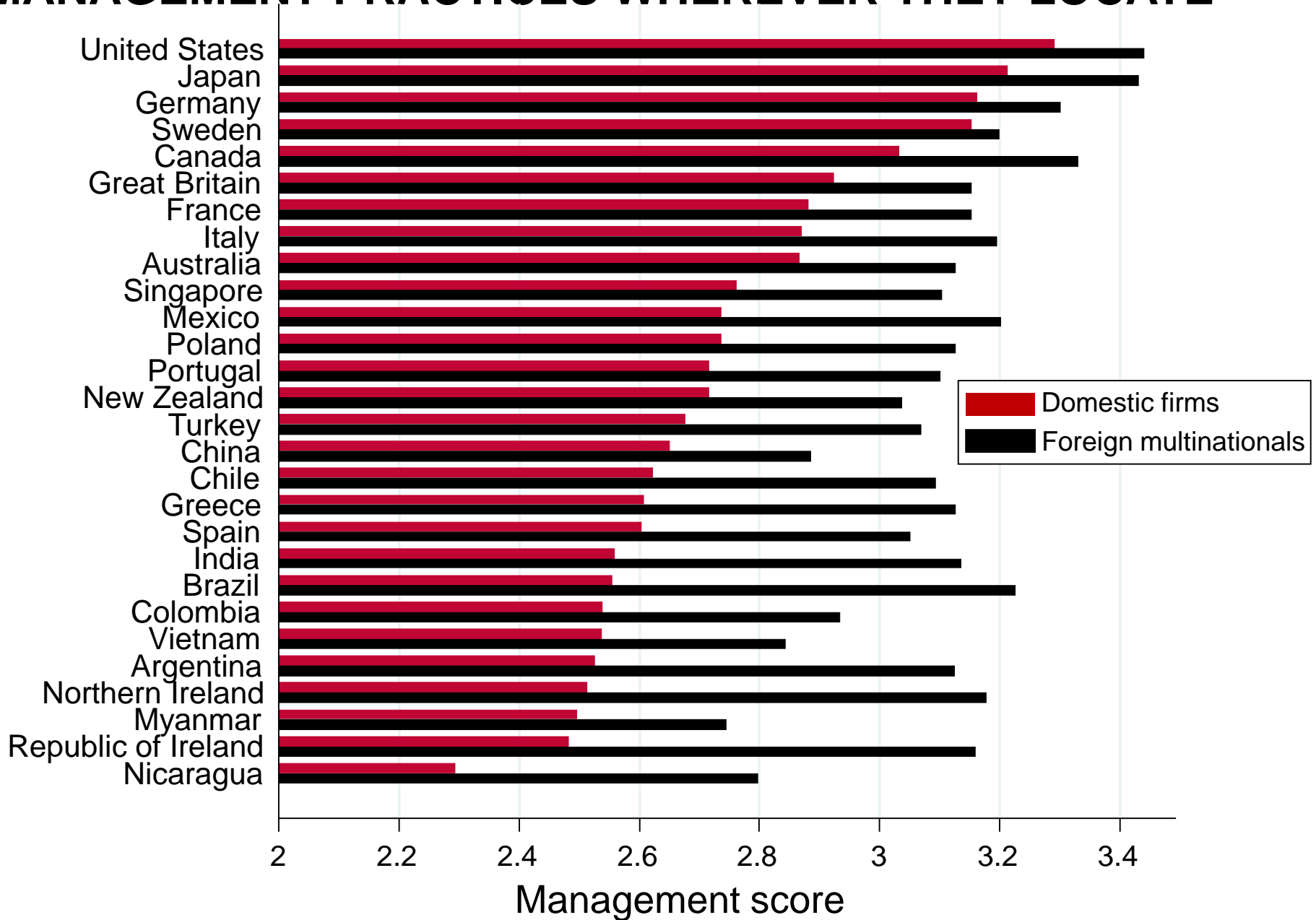
...and self-scores show no link to performance



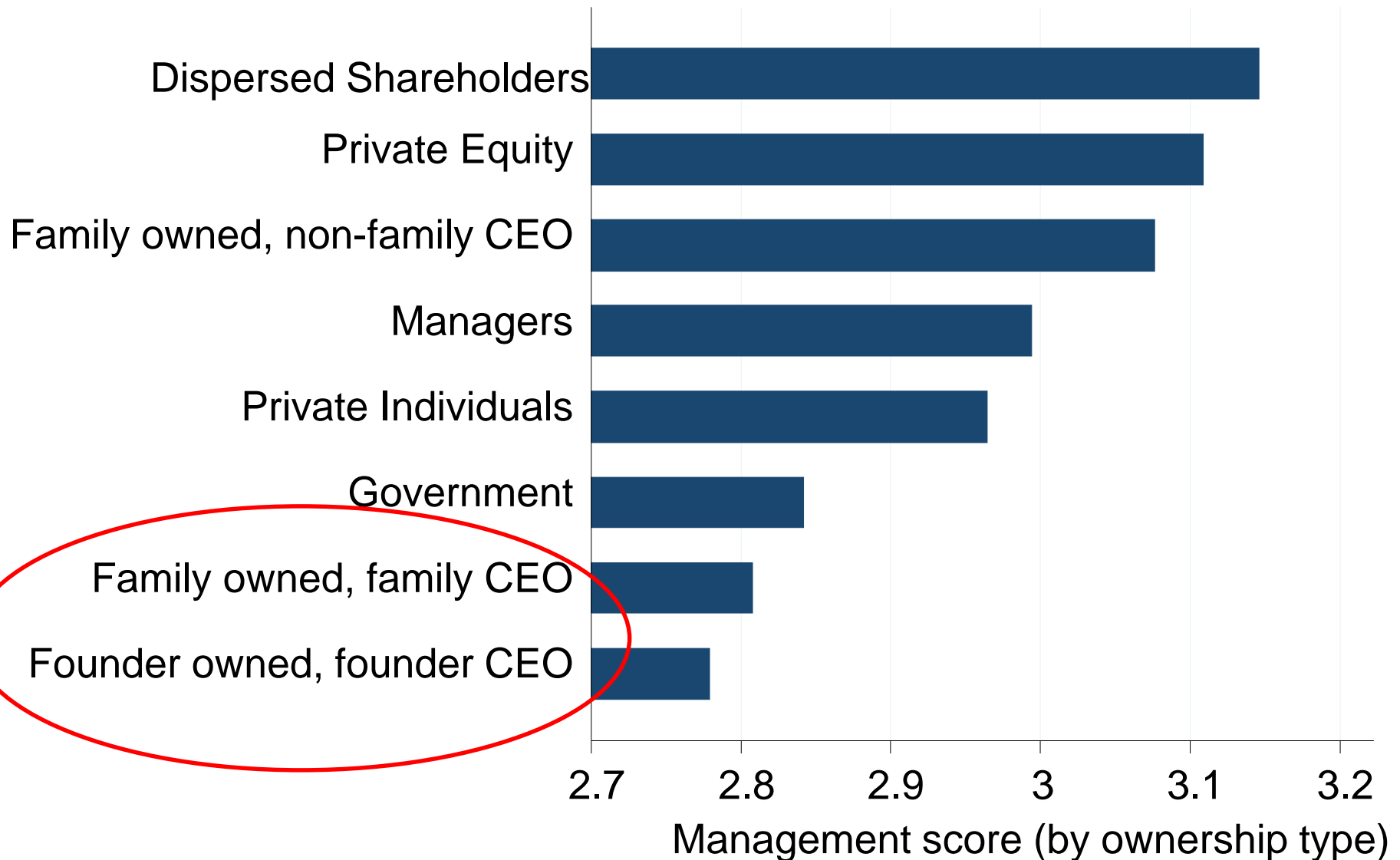
So what policies Governments could enact?

- Ownership
- Competition
- Education
- Regulation

OWNERSHIP: MULTINATIONALS ACHIEVE GOOD MANAGEMENT PRACTICES WHEREVER THEY LOCATE

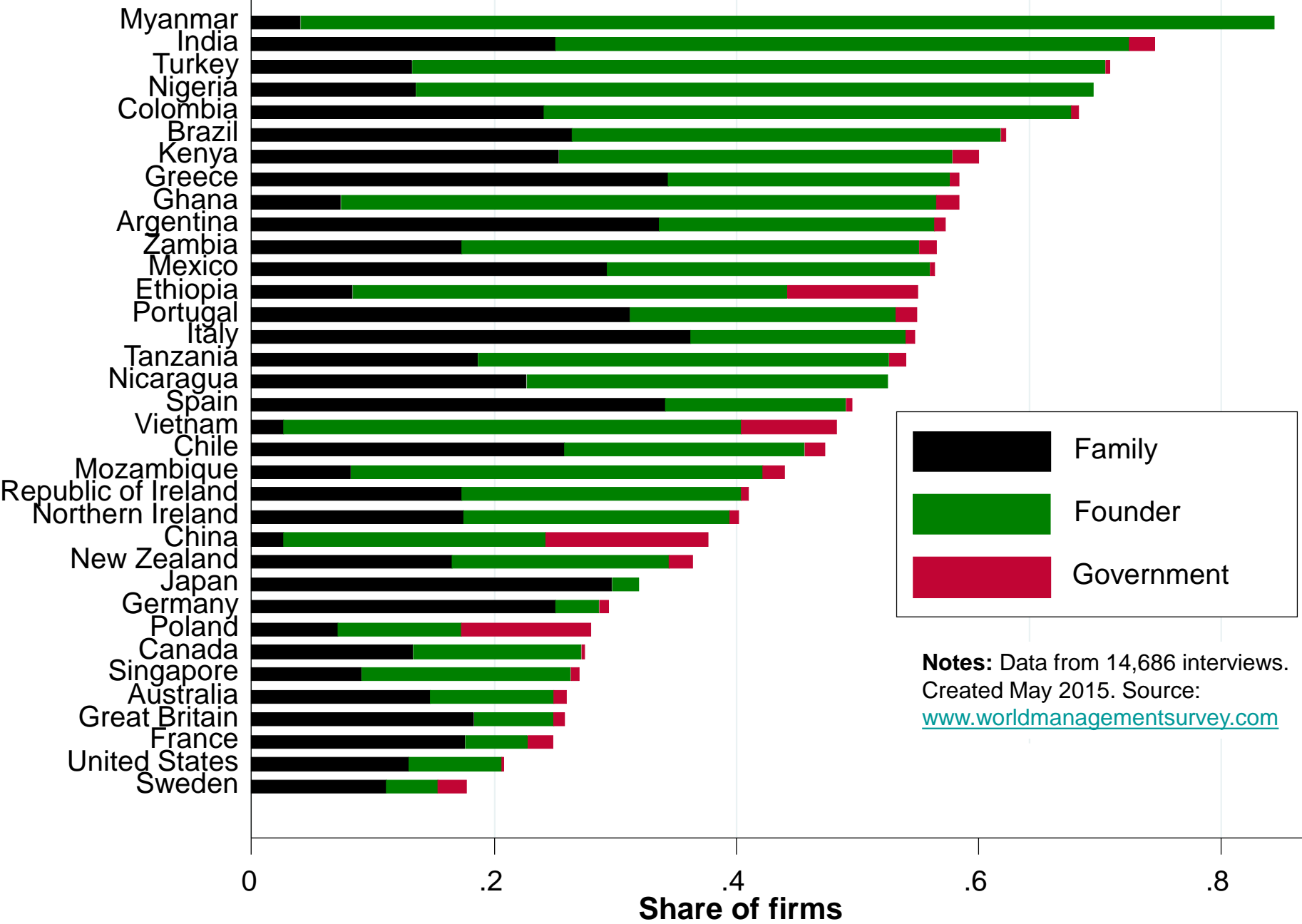


OWNERSHIP: FAMILY-RUN AND GOVERNMENT FIRMS TYPICALLY HAVE VERY POOR MANAGEMENT



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.

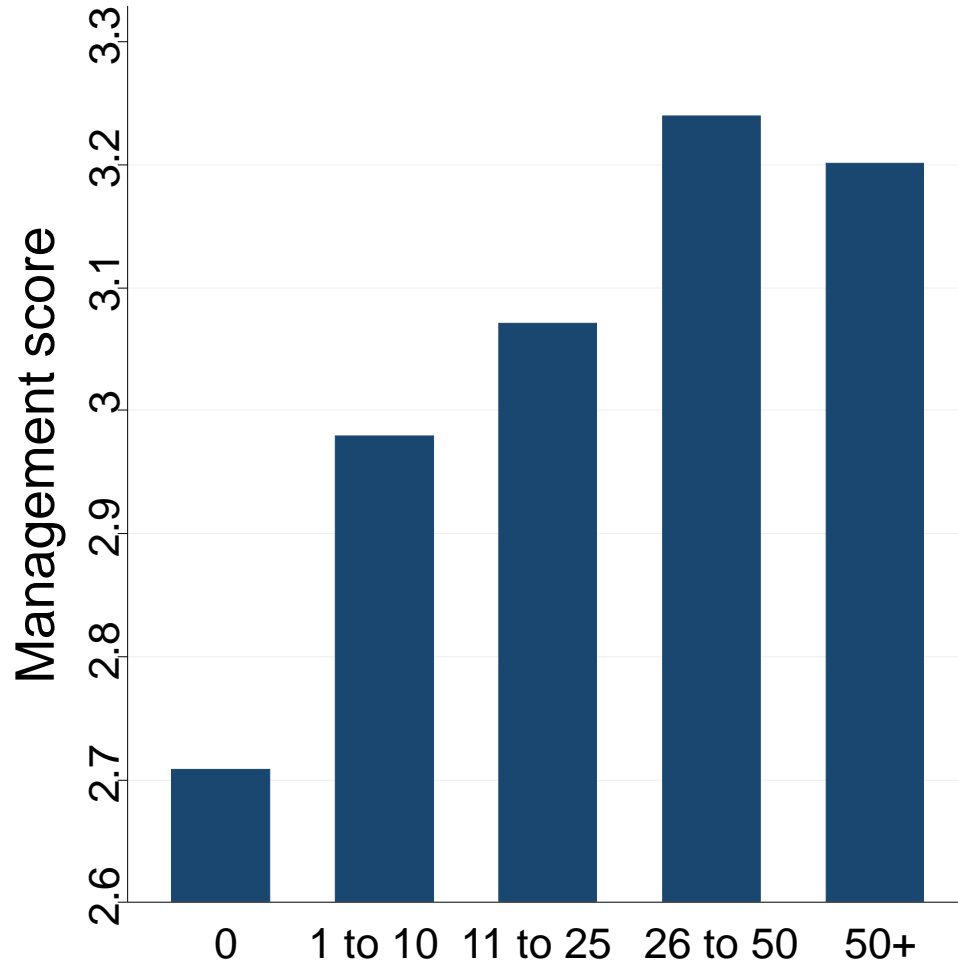
Family & founder firms common in Asia



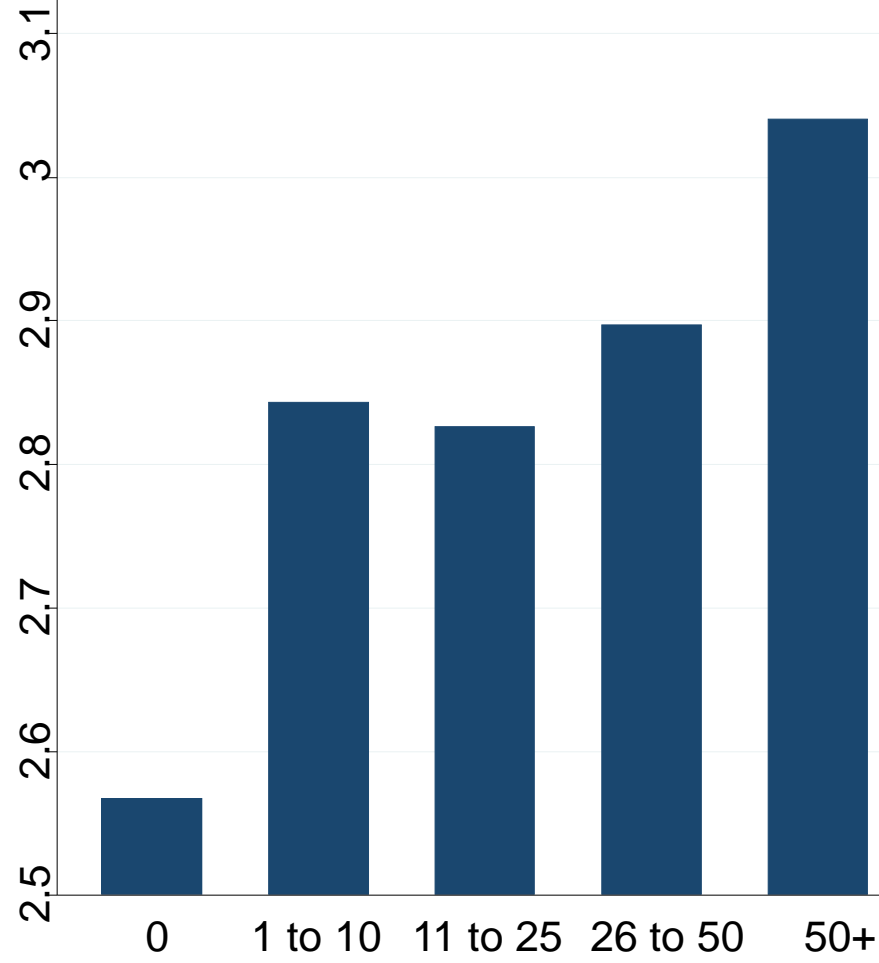
Notes: Data from 14,686 interviews.
 Created May 2015. Source:
www.worldmanagementsurvey.com

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

Non-managers

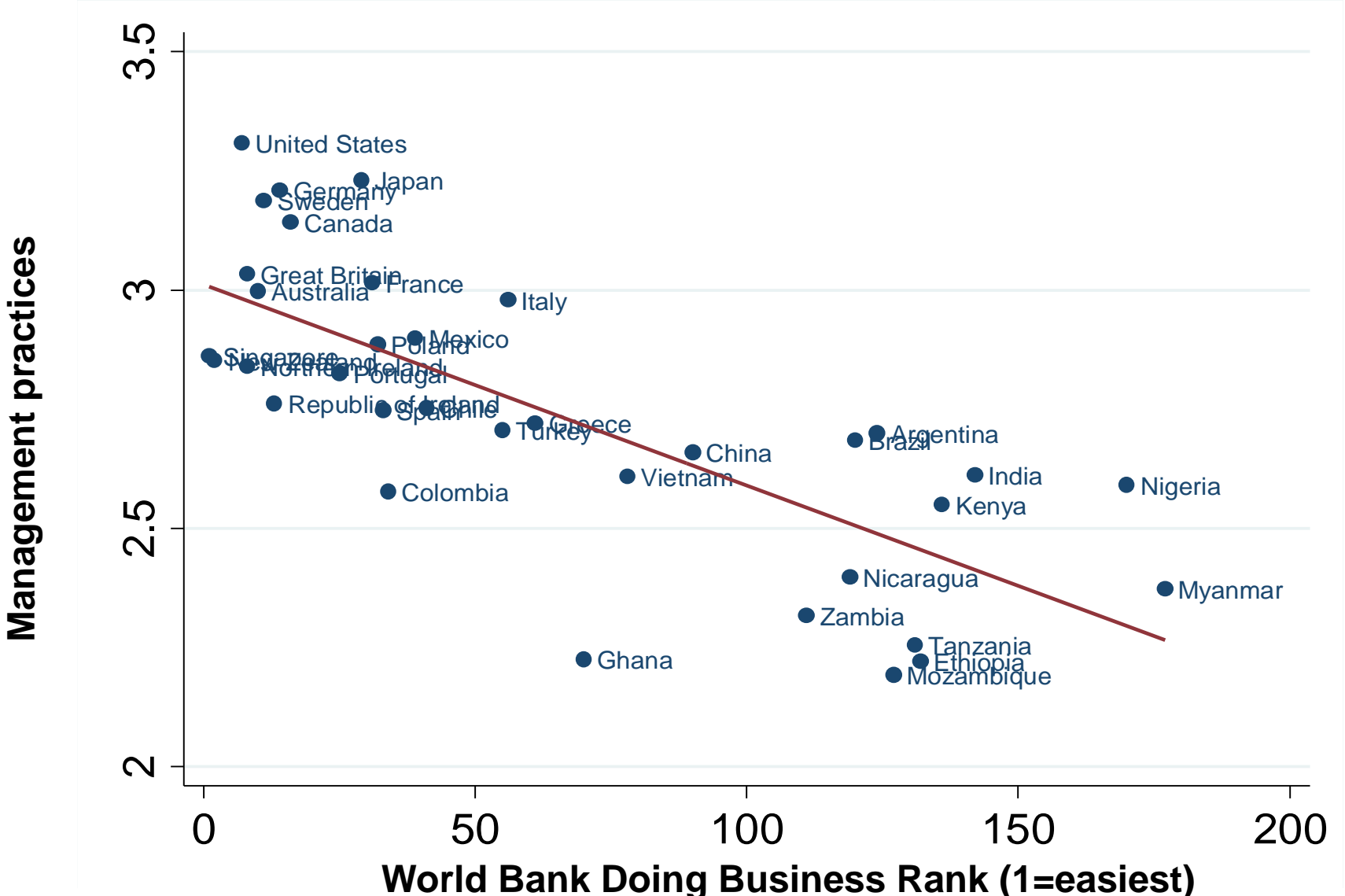


Managers



Percentage of employees with a college degree (%)

REGULATIONS: REGULATIONS 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.

Also been working with the US Census Bureau on running national management surveys (MOPS)

It was delivered to $\approx 50,000$ manufacturing plants in 2010 and again in 2015

This was quick and easy to fill out - and mandatory - so 78% of plants responded, covering 5.6m employees (>50% of US manufacturing employment)

Samples all ages & sizes

U.S. DEPARTMENT OF COMMERCE
Economic and Statistics Administration
U.S. CENSUS BUREAU
FORM
MP-10002 (DRAFT)

2010 MANAGEMENT AND ORGANIZATIONAL PRACTICES SURVEY

OMB No. 0607-0963: Approval Expires 2/28/2014

MP-10002

Need help or have questions about filling out this form?
Visit www.census.gov/econhelp/mops
Call 1-301-763-4873, between 8:00 a.m. and 4:30 p.m., Eastern time, Monday through Friday.
- OR -
Write to the address below. Include your 11-digit Census File Number (CFN) printed in the mailing address.

Mail your completed form to:
U.S. CENSUS BUREAU
1201 East 10th Street
Jeffersonville, IN 47132-0001

(Please correct any errors in this mailing address.)

YOUR RESPONSE IS REQUIRED BY LAW. Title 13, United States Code, requires businesses and other organizations that receive this questionnaire to answer the questions and return the report to the U.S. Census Bureau. By the same law, **YOUR CENSUS REPORT IS CONFIDENTIAL.** It may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used only for statistical purposes. Further, copies retained in respondents' files are immune from legal process.

INTERNET REPORTING OPTION AVAILABLE - We encourage you to complete this survey online at: www.census.gov/econhelp/mops

User ID: Password:

Public reporting burden for this collection is estimated to be 30 minutes. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Paperwork Project 0607-0963, U.S. Census Bureau, 4600 Silver Hill Road, ASMD - 3K138, Washington, DC 20233. You may e-mail comments to Paperwork@census.gov; use "Paperwork Project 0607-0963" as the subject.

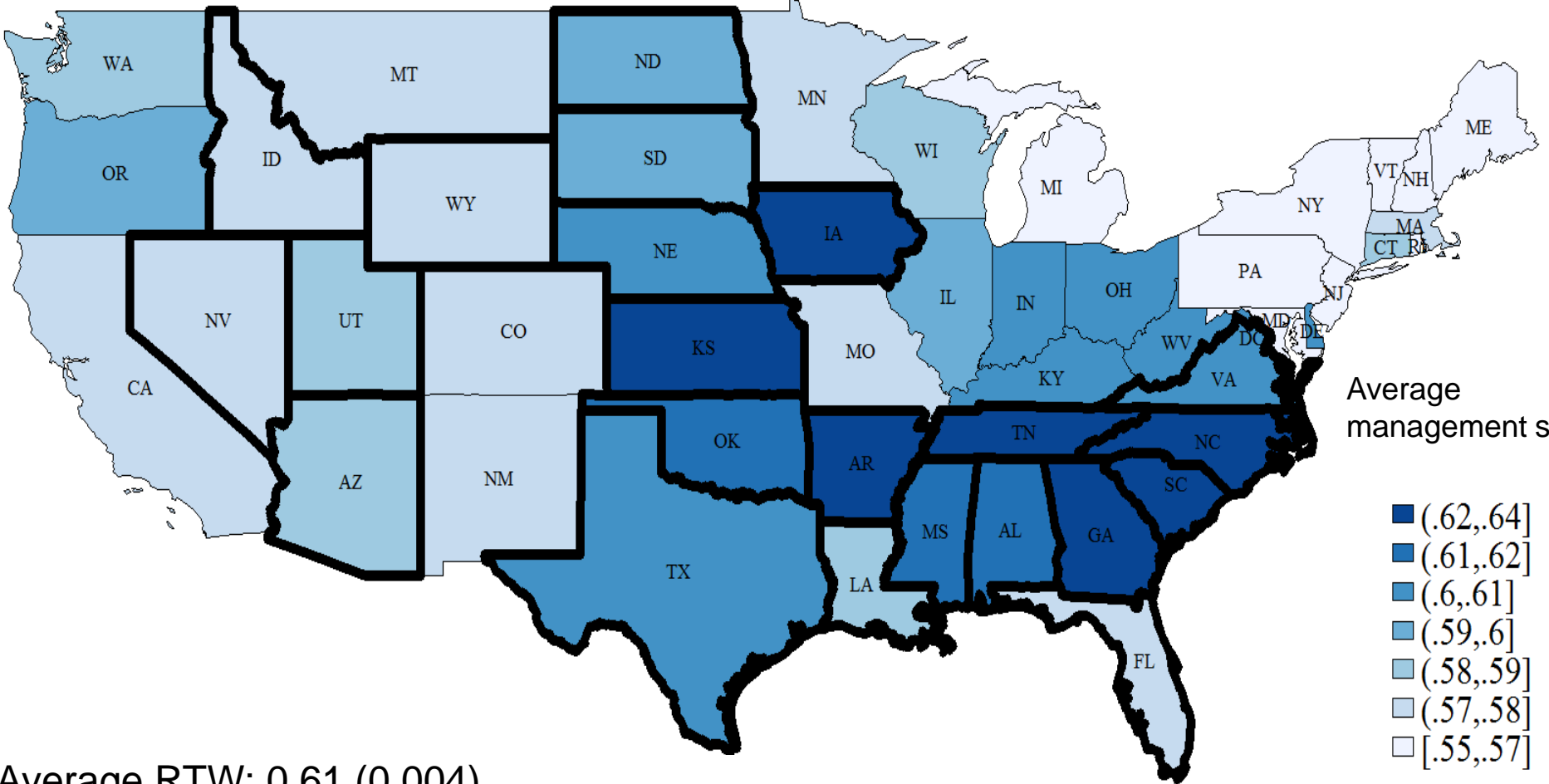
An Office of Management and Budget (OMB) approval number is printed in the upper right corner of this form. Without displaying this number, we could not collect this information or require your response.

The reporting unit for this form is an **establishment** which is generally a single physical location where business is conducted or where services or industrial operations are performed.

10002012

46

Regulation: Right to work (less regulation) improves management scores



Notes: Black outline: right-to-work states as of 2010. The RTW and non-RTW averages are calculated using the 35 states which are reported in the paper, weighted by the number of observations in each state.

Conclusions

You can measure management practices in large samples

Explains $\approx 1/3$ cross-country & plant TFP spreads

Key drivers appear to be:

- competition
- ownership
- regulation
- skills

MY FAVOURITE QUOTES:

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...”

MY FAVOURITE QUOTES:

Don't get sick in Britain

Interviewer : “Do staff sometimes end up doing the wrong sort of work for their skills?”

NHS Manager: “You mean like doctors doing nurses jobs, and nurses doing porter jobs? Yeah, all the time. Last week, we had to get the healthier patients to push around the beds for the sicker patients”

Don't do Business in Indian hospitals

Interviewer: “Is this hospital for profit or not for profit”

Hospital Manager: “Oh no, this hospital is only for loss making”

MY FAVOURITE QUOTES:

Don't get sick in India

Interviewer : “Do you offer acute care?”

Switchboard: “Yes ma'am we do”

Interviewer : “Do you have an orthopaedic department?”

Switchboard: “Yes ma'am we do”

Interviewer : “What about a cardiology department?”

Switchboard: “Yes ma'am”

Interviewer : “Great – can you connect me to the ortho department”

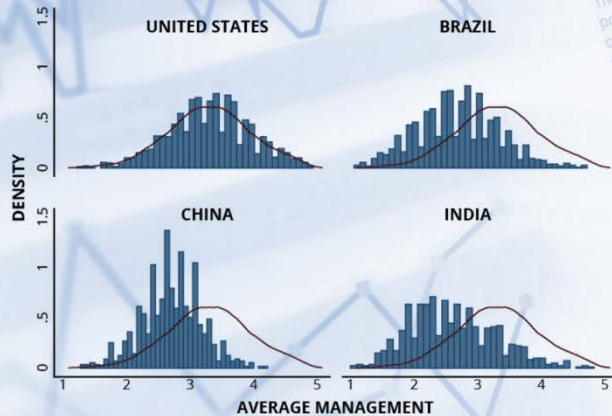
Switchboard?: “Sorry ma'am – I'm a patient here”

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



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