

Management and Firm Performance

Nick Bloom (Stanford)

Sweden SNS, October 19th 2023



Long history of work on management e.g. Walker (1887)

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

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

Walker ran the 1870 and 1880 Census

Based on this Walker wrote his 1887 paper “*On the Source of Business Profits*” published in the first volume of the QJE.

It claimed management was the major source of performance differences across US firms.



But there is still a wide debate around a variety of empirical management topics

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

Chad Syverson (2011, *Journal of Economic Literature*)



So recently a move towards building large management datasets



U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU



Indeed, we should celebrate 21 years of research (the research project can now legally drink in America)

World Management Survey 2002-2023



1) World Management Survey

2) India Management Field Experiment

3) Measuring Strategy

4) Improving management

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



[ACADEMIC](#) [POLICY & BUSINESS](#) [TEACHING](#) [SURVEY DATA](#) [MEDIA](#) [CONFERENCE](#) [ABOUT US](#)



Project partners

[World Management Survey](#) / [About Us](#) / [Project partners](#)

in alphabetical order

CORE RESEARCH TEAM



NICK BLOOM
Stanford University



RENATA LEMOS
World Bank & CEP-LSE



RAFFAELLA SADUN
Harvard Business School

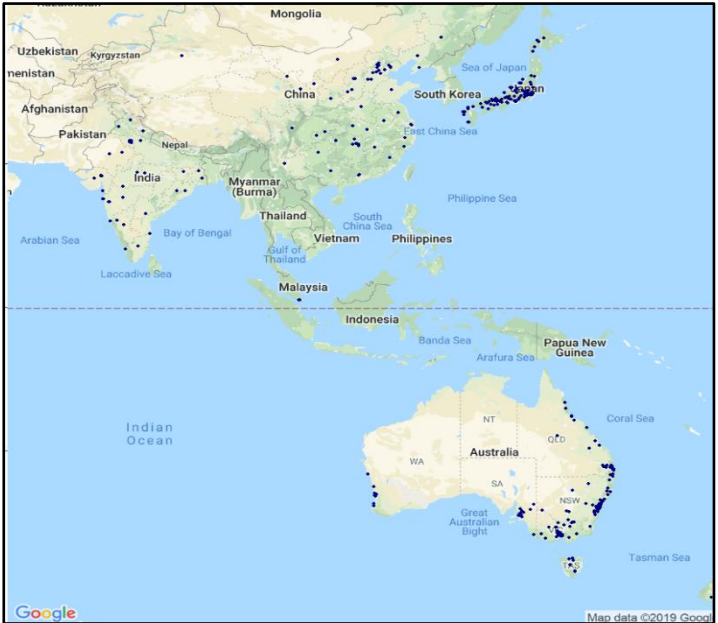
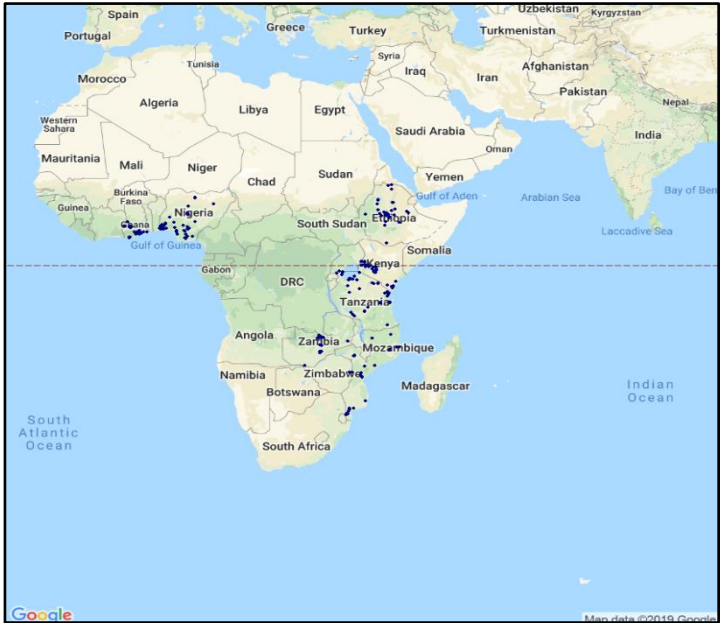
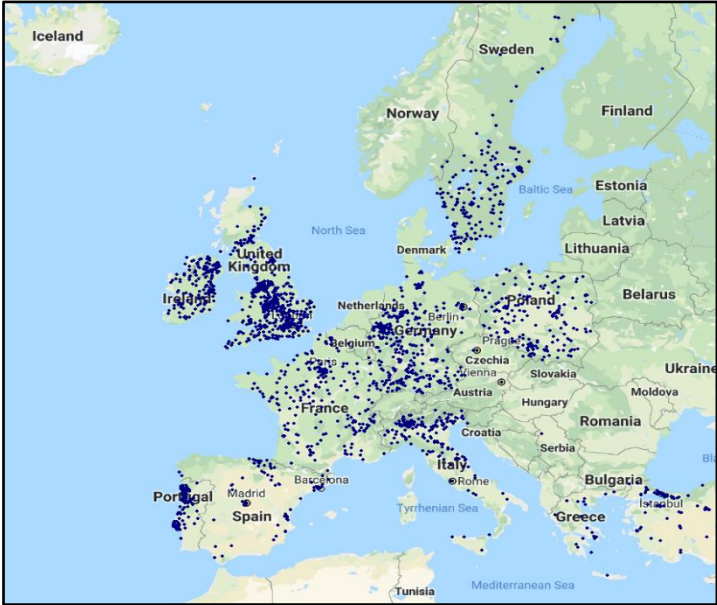
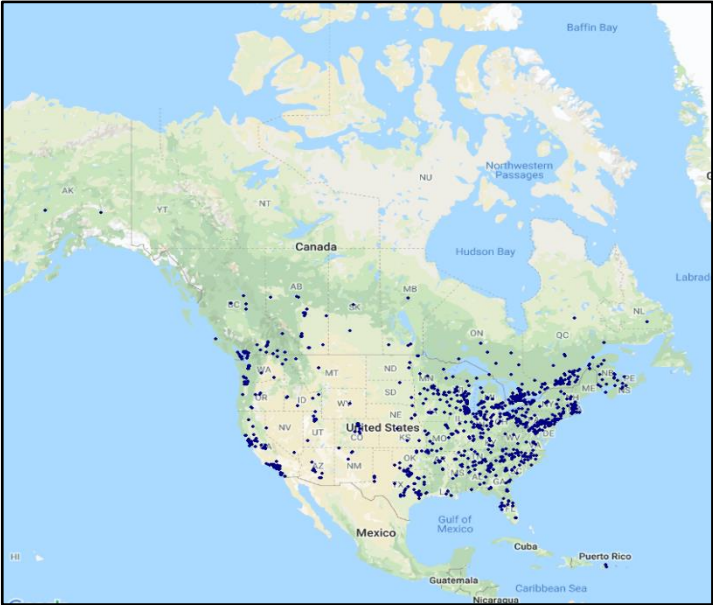


DANIELA SCUR
Cornell Dyson & MIT Sloan



JOHN VAN REENEN
MIT

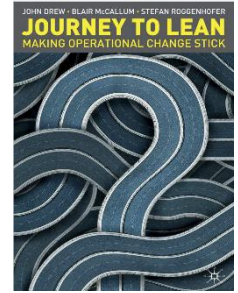
World Management Survey has covered >20,000 firms in 35 countries



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

1) Developing management questions

- McKinsey scorecard for 18 monitoring, targets & people practices
- ≈45 minute phone interview of senior (e.g. division) managers



2) Getting firms to participate in the interview

- Introduced as management interview, no financials
- Official Endorsement: Bundesbank, Riksbank, World Bank, BOJ etc.

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

- Interviewers do not know the company’s performance (e.g. Smith Plastics)
- Managers are not informed (in advance) they are scored

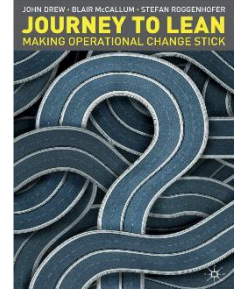
Survey team in 2006 – World Management Survey



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

1) Developing management questions

- McKinsey scorecard for 18 monitoring, targets & people practices
- ≈45 minute phone interview of senior (e.g. division) managers



2) Getting firms to participate in the interview

- Introduced as management interview, no financials
- Official Endorsement: Bundesbank, Riksbank, World Bank, BOJ etc.

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

- Interviewers do not know the company’s performance (e.g. Smith Plastics)
- Managers are not informed (in advance) they are scored

Some typical endo



2022-06-30

Professor John Van Reenen
London School of Economics
and Political Science
Houghton Street
London, WC2A 2AE
UK



RECEIVED
21 APR 2006

HRDD No. 3843 / 02-01 / 2005-06

Dear Prof. Bloom

I would like to confirm the official support of Reserve Bank of India for the joint London School of Economics and Stanford project in management practices 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 Luse
(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, भारतीय रिज़र्व बैंक, 20 वीं मंजिल, एच.डी. डी. बिल्डिंग, शांति भद्रा, नई दिल्ली - 110001
फोन : (91-22) 2266 0940, फैक्स : (91-22) 2270 2524, ई-मेल : cpminfo@rbi.org.in
Human Resources Development Department, Central Office Building, 20th Floor, Shanti Bhadra, New Delhi - 110001
Tel : (91-22) 2266 0940, Fax : (91-22) 2270 2524, Email : cpminfo@rbi.org.in
विशेष आचार्य, मानव संसाधन विभाग

Box 5629
Jakobsbergsgatan 18
SE 114 86 Stockholm
info@sns.se
www.sns.se
Tfn: + 46 8 507 025 00
Fax: + 46 8 507 025 015
Org.nr. 556191-6445
Bq 728-4904
Pg 35 62 60-0

Mia Horn af Rantzien
miah@sns.se
0761-40 24 00

To whom it may concern,

I would like to confirm the support of SNS for the joint research project of the London School of Economics and Stanford University on management practices, organization and productivity between firms and countries.

The survey follows up on an ongoing successful project with a new wave of management surveys in Europe, including Sweden. The project aims to contribute to a better understanding of the impact of management practices and organizational structure on firm performance, and the reasons for variations in these organizational practices across firms over time. For this purpose, the organizers of the project, professors Nicholas Bloom and Jon van Reenen and their colleagues, will need to talk to managers across Sweden.

Improving our productivity and management practices is important for ensuring economic growth and employment. SNS believe this study can contribute to improve our knowledge on the topic.

Yours sincerely,

Mia
Mia Horn af Rantzien
CEO

BANQUE DE FRANCE

Paris, le 8 Février 2006

Monsieur,

Je tiens tout d'abord à vous remercier de m'avoir tenu informé de votre projet de recherche sur les pratiques de gestion et de productivité des entreprises en France, en Allemagne, au Royaume-Uni et aux États-Unis.

Compte tenu du fait que l'impact de ces pratiques et évaluer leur impact sur la productivité est un enjeu majeur pour les entreprises et pour les politiques publiques qui visent à améliorer la compétitivité de l'économie européenne.

En raison de la grande portée de ces travaux, je tiens donc à vous assurer de mon soutien et de mon intérêt pour la poursuite de votre enquête auprès des entreprises françaises.

Je vous prie de croire, Monsieur le Professeur, à l'assurance de ma considération distinguée.

Jean-Paul Redouin
Jean-Paul REDOUIN

M,
Performance
economics

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

1) Developing management questions

- McKinsey scorecard for 18 monitoring, targets & people practices
- ≈45 minute phone interview of senior (e.g. division) managers

2) Getting firms to participate in the interview

- Introduced as management interview, no financials
- Official Endorsement: Bundesbank, Riksbank, World Bank, BOJ etc.

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

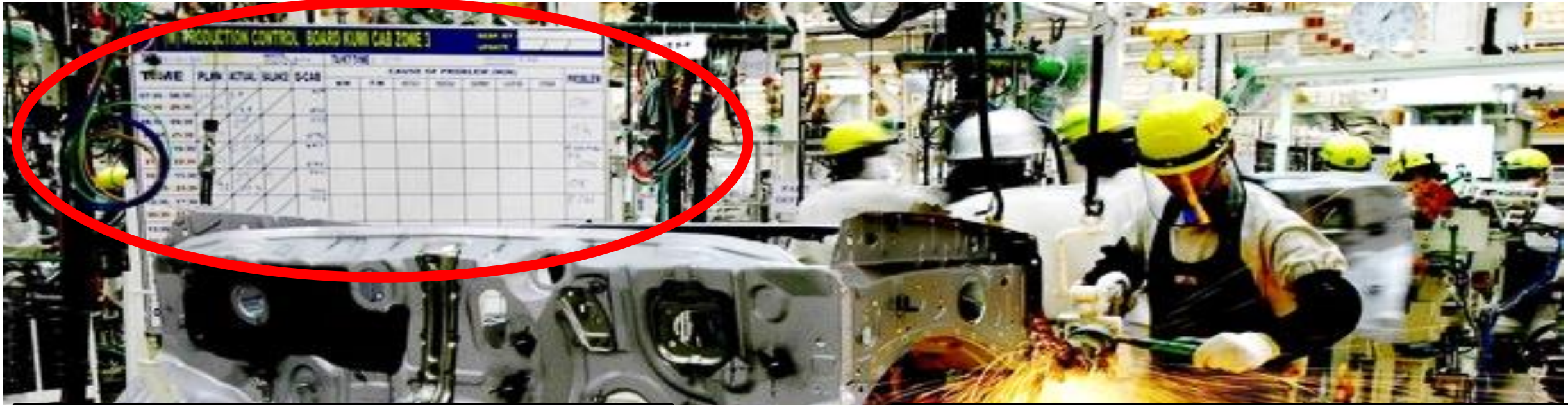
- Interviewers do not know the company's performance (e.g. Sven Plastics)
- Managers are not informed (in advance) they are scored

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
--------------	--	---	---

Note: All 18 questions & 50+ examples in <http://worldmanagementsurvey.org/>

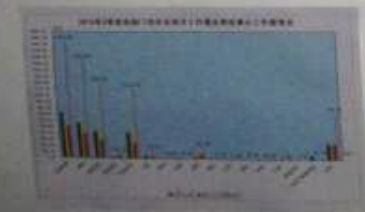
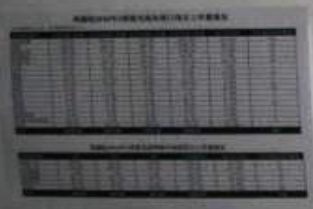
Examples of performance metrics – Car Plant



Examples of performance metrics – Retail/Tech (Ctrip)



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



Examples of monitoring: hotels



Examples of performance metrics – Heathrow T5



Not all firms have visible metrics – many do not (Indian textile firm)



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
--------------	---	--	---

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



Rede III
REGIONAL
PV
PORTE A

INTEGRANTES



TOTAL SEGMENTOS 52,27

PERÍODO

Jan Feb Mar 1Tri
Tri: 10% Jan: 27%

Ponderação
 Atualização
 Analisar
 Cara a Cara
 Histórico
 Métricas
 Voltar
 Imprimir

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

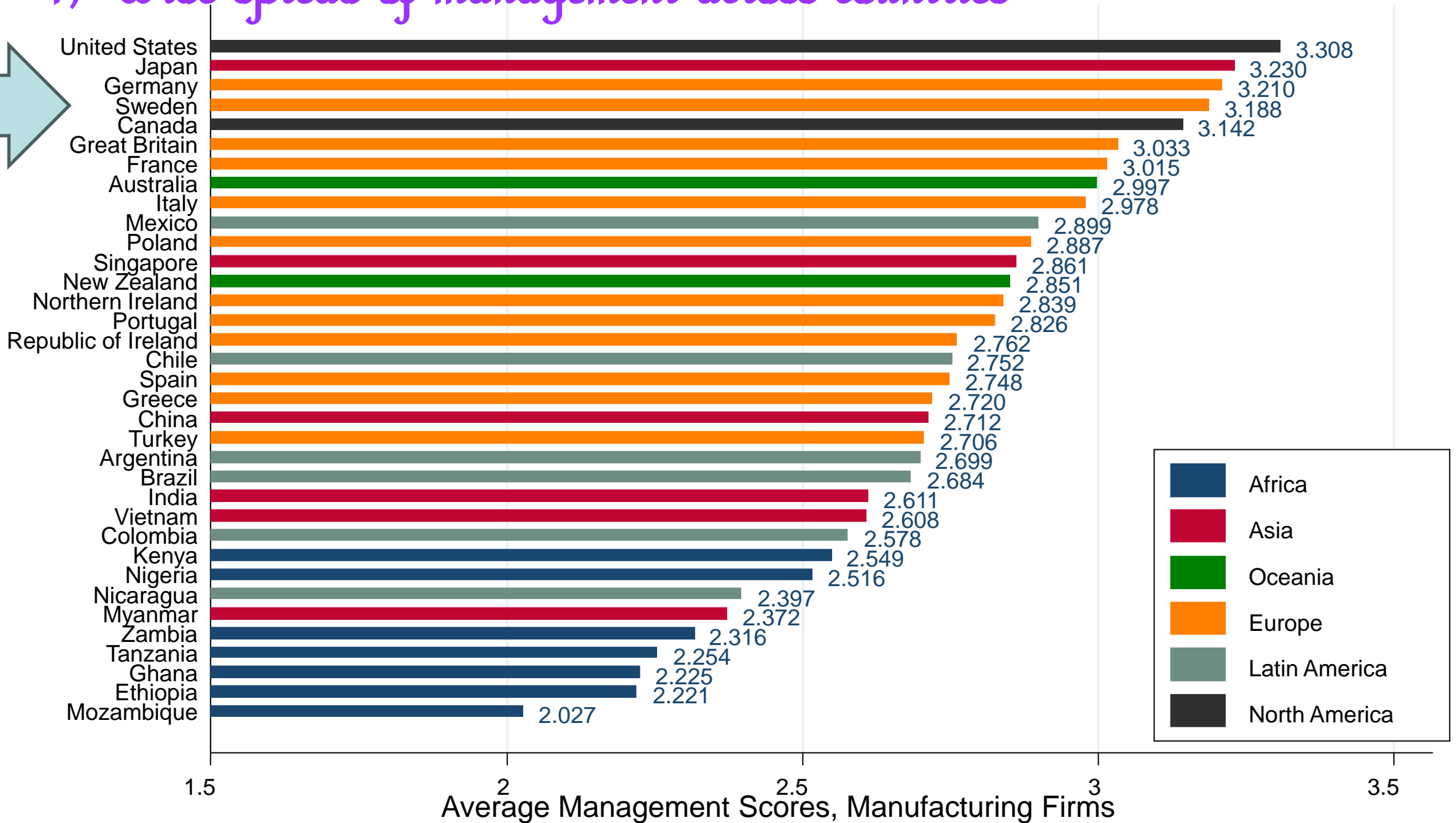
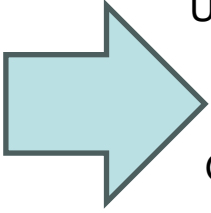
	Out	Nov	Dez	4Tri	Jan	Fev	Mar	1Tri
	74,10	57,53	70,13	18,78	0,00	0,00	18,12	
	72,51	79,11	76,87	37,11	0,00	0,00	25,07	
	99,15	88,59	83,56	75,99	0,00	0,00	51,89	
	05,12	86,24	85,47	47,40	0,00	0,00	41,84	
	33,90	32,20	31,49	26,08	0,00	0,00	23,13	

Métricas
 Voltar
 Imprimir

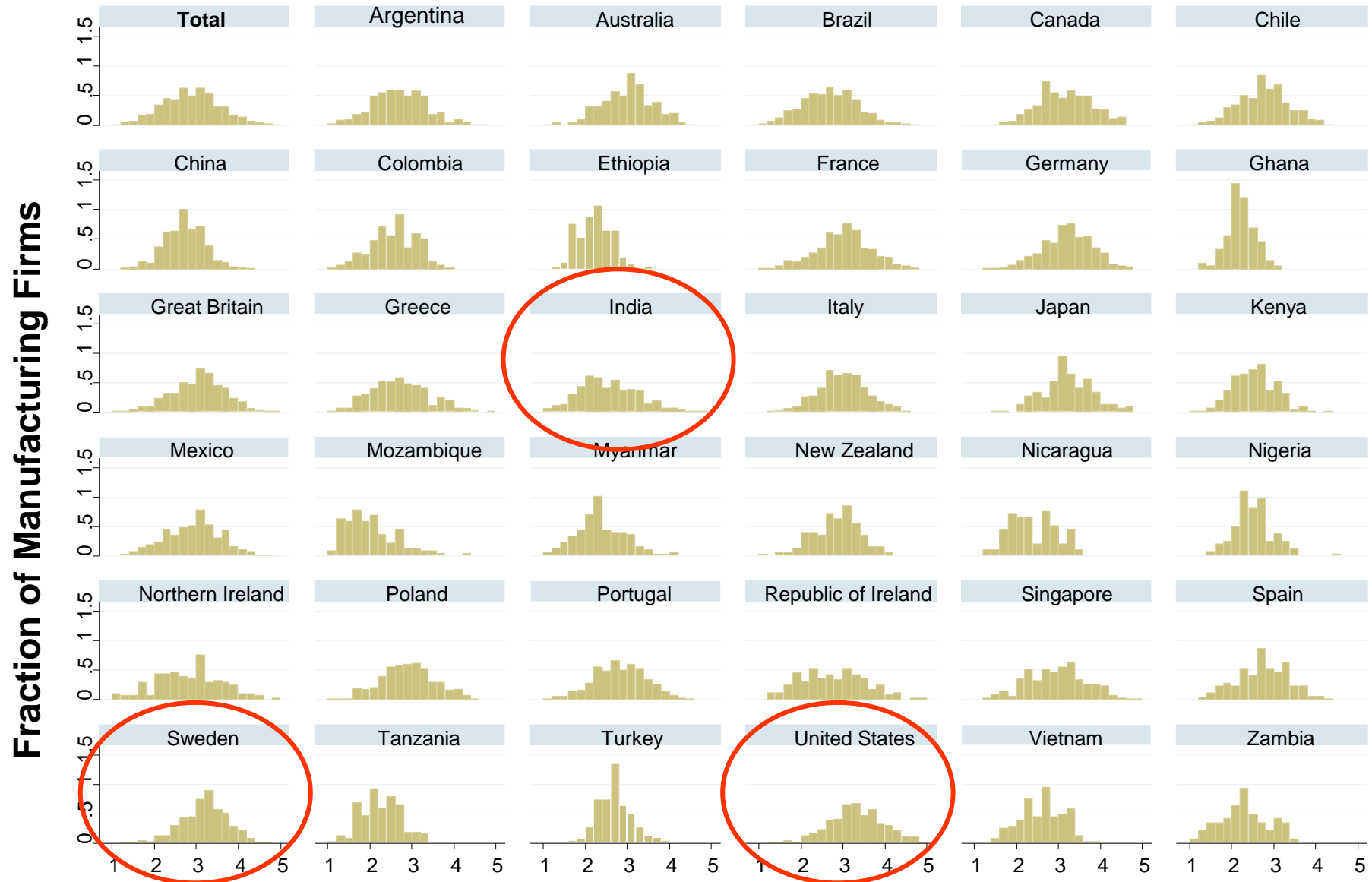


FIVE BASIC FACTS

1) Wide spread of management across countries

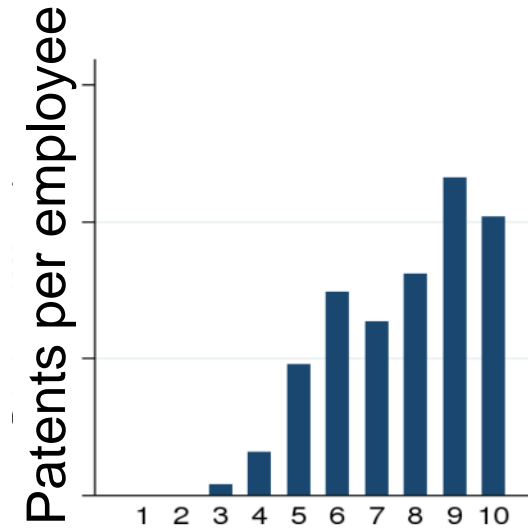
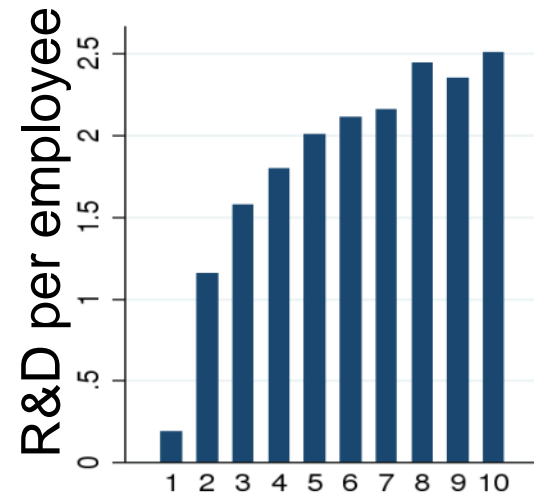
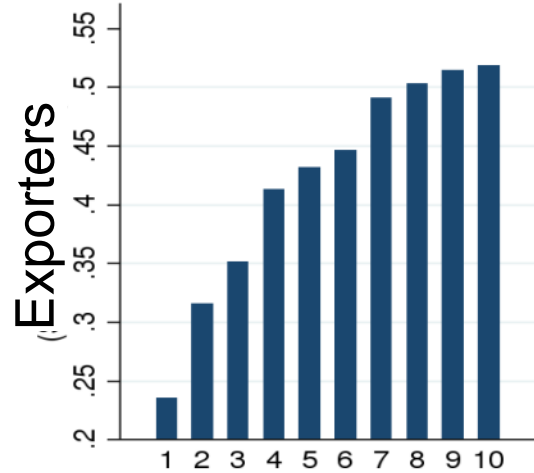
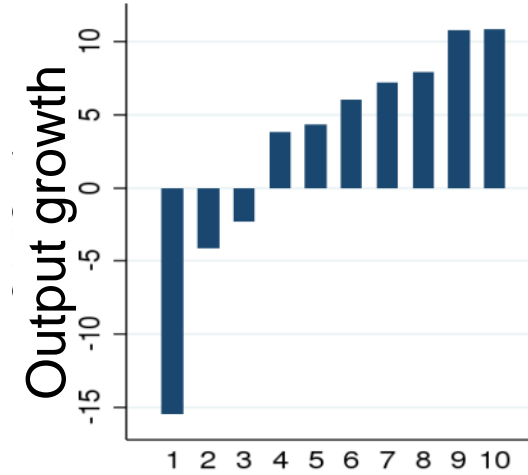
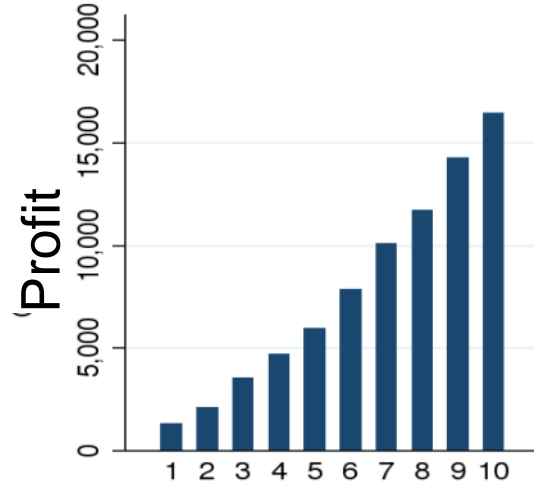
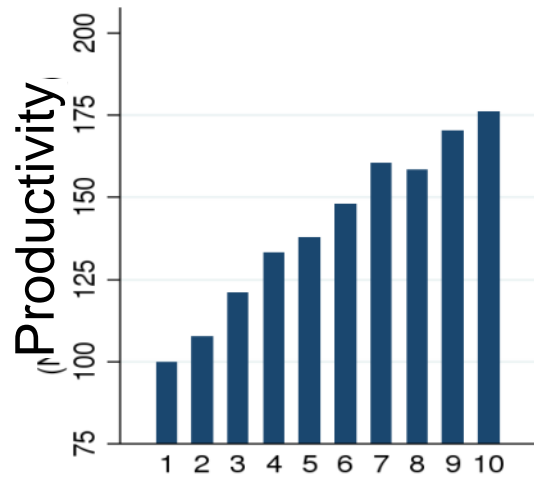


2) Wide spread of management within countries



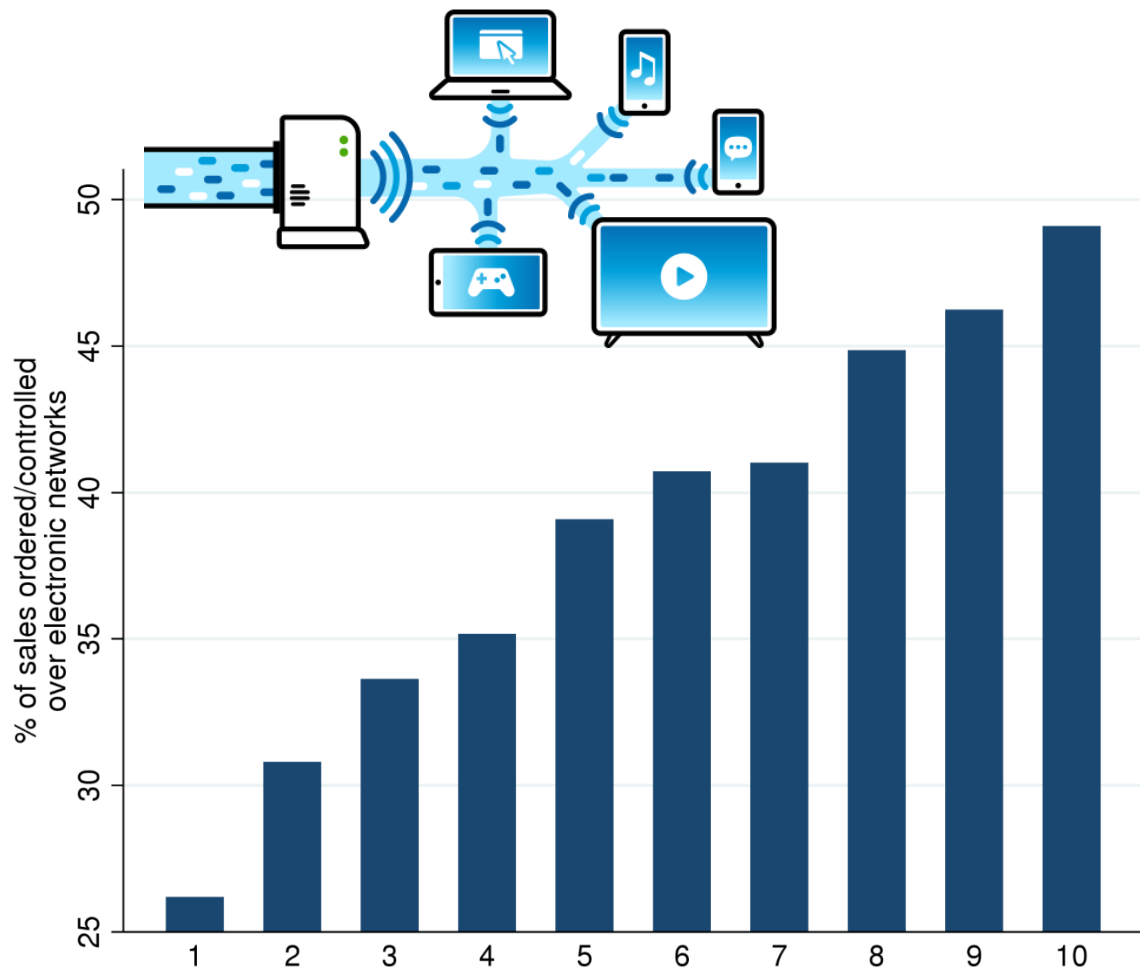
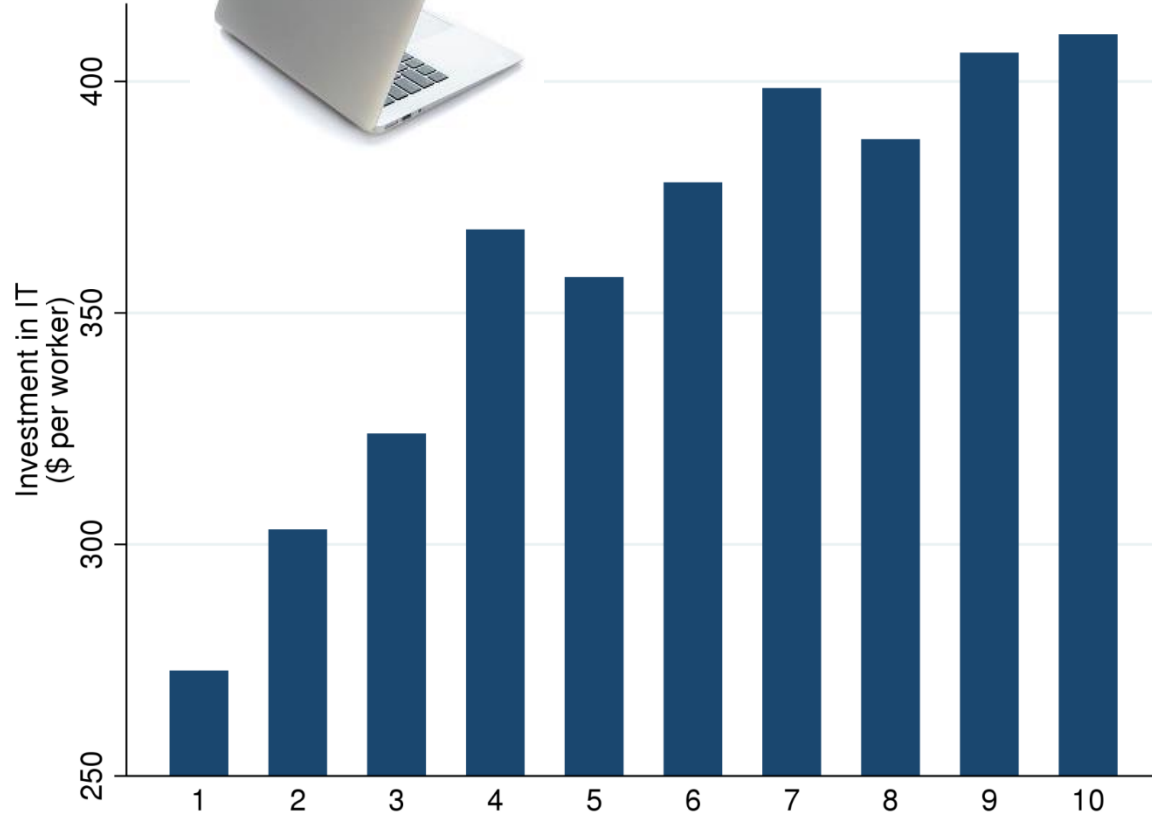
Firm level average management scores, 1 (worst practice) to 5 (best practice)

3) Management highly correlated with just about every conceivable performance measure - productivity, growth etc



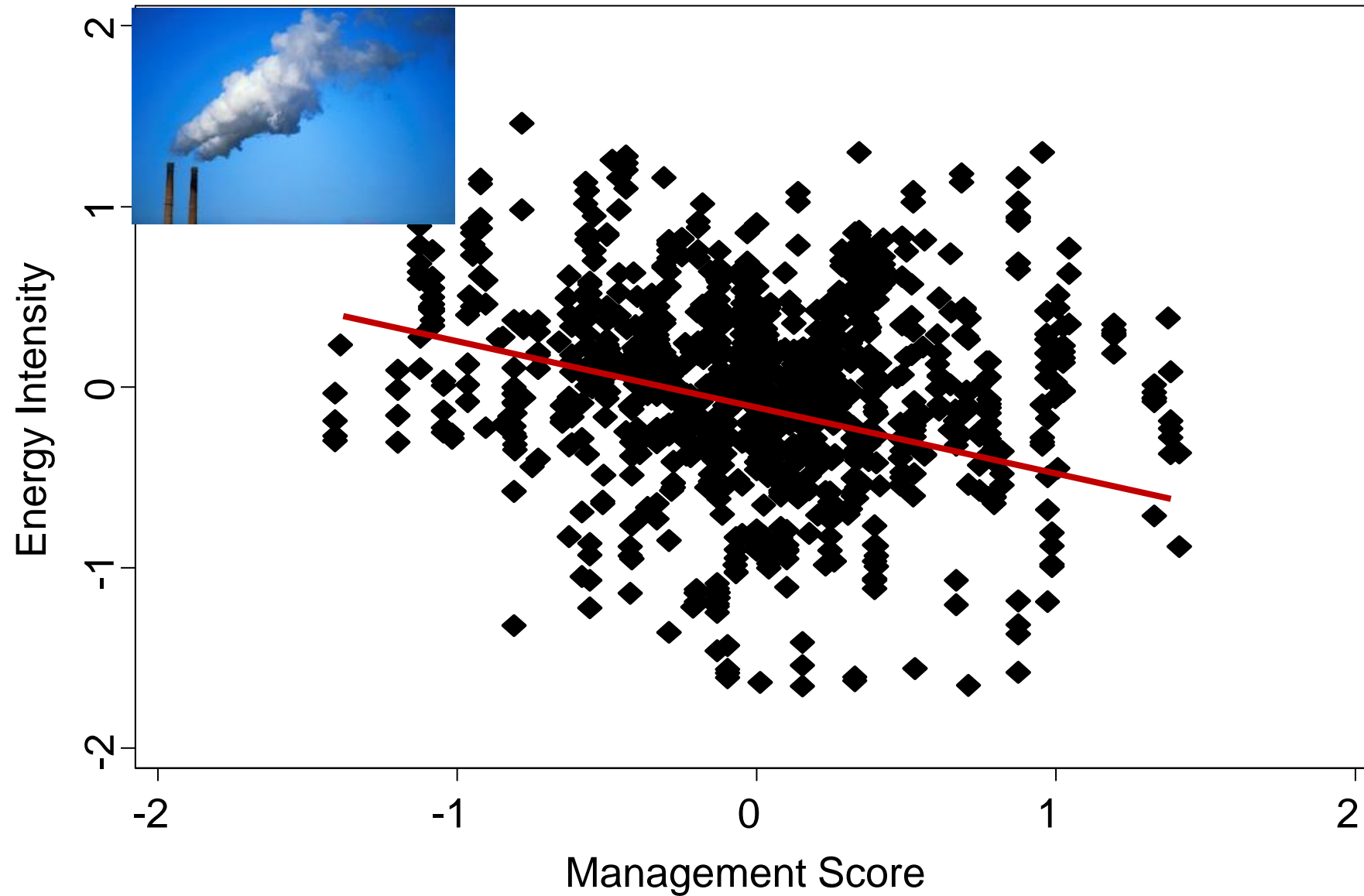
Management score decile (worst=1, best=10)

Well managed firms also using more advanced *technology*

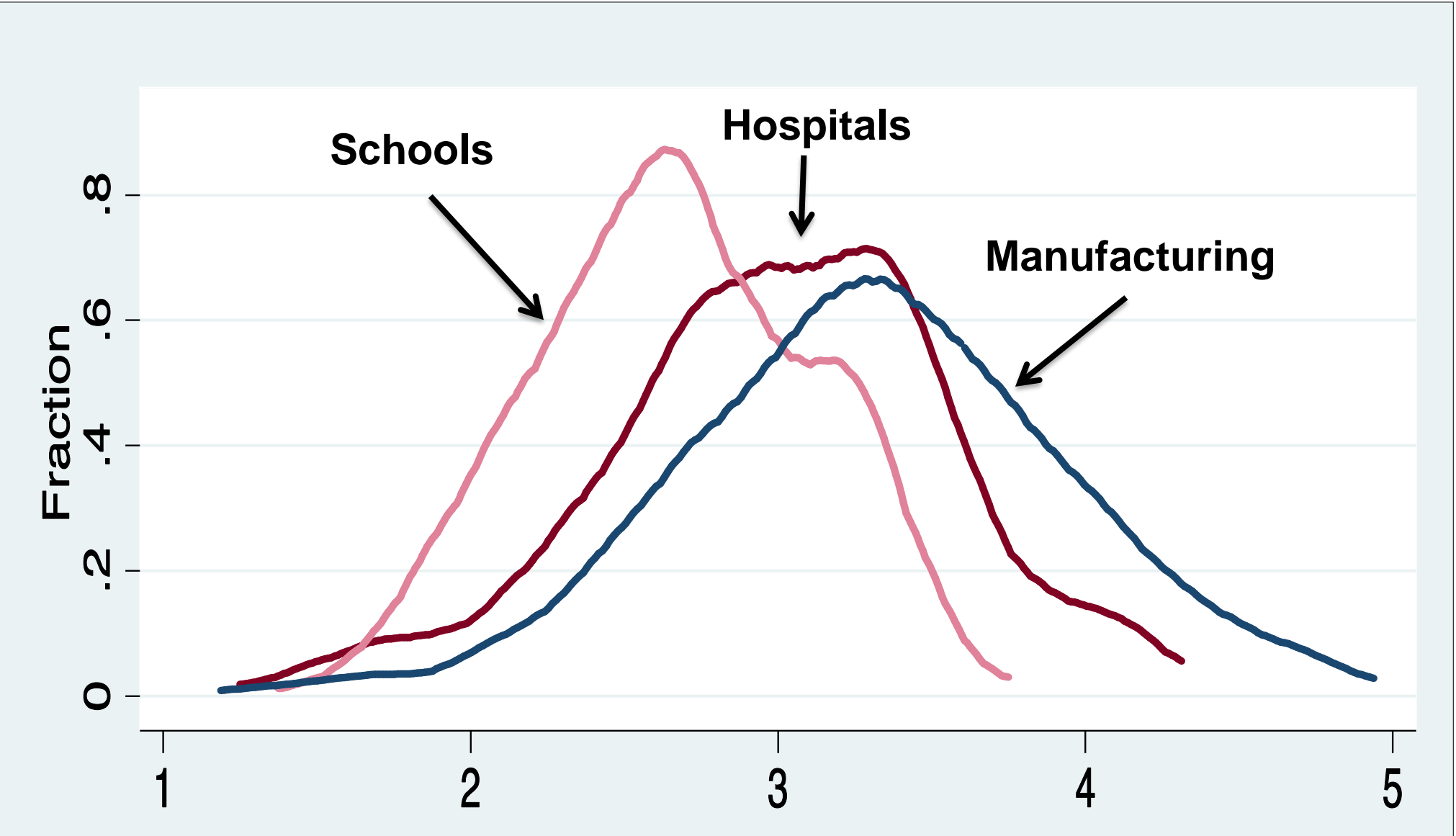


Management score decile (worst=1, best=10)

4) Management highly correlated with lower energy use



5) Public sector (schools and hospitals) tend to be worse than the private sector (manufacturing and retail) – particularly on incentives



Distribution for set of same 14 questions in the US

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:

The bizarre

Interviewer: “[long silence].....hello, hello....are you still there....hello”

Production Manager: “.....I’m sorry, I just got distracted by a submarine surfacing in front of my window”

ThyssenKrupp Marine Systems
Ships.Systems.Solutions.Worldwide.

Home Deutsch English Contact Sitemap ThyssenKrupp AG
Company **Products + Services** Career Exhibitions News + Information


Submarines


- HDW Class 209/1400mod
- HDW Class 210mod
- HDW Class 212A
- HDW Class 214
- HDW Class 216
- Components
- Credentials

Naval Surface Vessels

Services

Search






Submarines

Each a class of its own – the successful submarines

Virtually no shipyard the world over has more experience in the design and construction of non-nuclear submarines than ThyssenKrupp Marine Systems with its Operating Unit Submarines (Kiel). The Operating Unit partners the German Navy and has also delivered submarines for coastal and blue water deployment to the navies of 17 other countries.



1) World Management Survey

2) India Management Field Experiment

3) Measuring Strategy

4) Improving management

Also running field experiments on management

THE
QUARTERLY JOURNAL
OF ECONOMICS

Vol. 128 February 2013 Issue 1

DOES MANAGEMENT MATTER? EVIDENCE FROM INDIA*

NICHOLAS BLOOM
BENN EIFERT
APRAJIT MAHAJAN
DAVID MCKENZIE
JOHN ROBERTS

A long-standing question is whether differences in management practices across firms can explain differences in productivity, especially in developing countries where these spreads appear particularly large. To investigate this, we ran a management field experiment on large Indian textile firms. We provided free consulting on management practices to randomly chosen treatment plants and compared their performance to a set of control plants. We find that adopting these management practices raised productivity by 17% in the first year through improved quality and efficiency and reduced inventory, and within three years led to the opening of more production plants. Why had the firms not adopted these profitable practices previously? Our results suggest that informational barriers were the primary factor explaining this lack of

*Financial support was provided by the Alfred Sloan Foundation, the Freeman Spogli Institute, the International Initiative, the Graduate School of Business at Stanford, the International Growth Centre, the Institute for Research in the Social Sciences, the Kauffman Foundation, the Murthy Family, the Knowledge for Change Trust Fund, the National Science Foundation, the Toulouse Network for Information Technology, and the World Bank. This research would not have been possible without our partnership with Kay Adams, James Benton, and Breck Marshall; the dedicated work of the consulting team of Asif Abbas, Saurabh Bhatnagar, Shaleen Chavda, Rohan Dhote, Karl Gheewalla, Kusha Goyal, Manish Makhija, Abhishek Mandvikar, Shruti Rangarajan, Jitendra Satpute, Shreyan Sarkar, Ashutosh Tyagi, and Ravindra Vasant; and the research support of Troy Smith. We thank the editor, Larry Katz; six anonymous referees; our formal discussants Susantu Basu, Francesco Caselli, Ray Fisman, Naushad Forbes, Casey Ichniowski, Vojislav Maksimovic, Ramada Nada, Paul Romer, and Steve Tadelis; as well as a large number of seminar audiences.

© The Author(s) 2012. Published by Oxford University Press, on behalf of President and Fellows of Harvard College. All rights reserved. For Permissions, please email: journals.permissions@oup.com

The Quarterly Journal of Economics (2013), 1–51. doi:10.1093/qje/qjs044.
Advance Access publication on November 18, 2012.

American Economic Journal: Applied Economics 2020, 12(2): 198–219
<https://doi.org/10.1257/app.20180369>

Do Management Interventions Last? Evidence from India[†]

By NICHOLAS BLOOM, APRAJIT MAHAJAN, DAVID MCKENZIE,
AND JOHN ROBERTS*

We revisited Indian weaving firms nine years after a randomized experiment that changed their management practices. While about half of the practices adopted in the original experimental plants had been dropped, there was still a large and significant gap in practices between the treatment and control plants, suggesting lasting impacts of effective management interventions. Few practices had spread across the firms in the study, but many had spread within firms. Managerial turnover and the lack of director time were two of the most cited reasons for the drop in management practices, highlighting the importance of key employees. (JEL D22, D24, L67, L84, M11, O14)

After an early recognition of management as a driver of differences in firm performance (e.g., Walker 1887, Marshall 1887), economists are again paying increasing attention to the role of management in firm and economy-wide performance (Roberts 2018). Whereas the size and profitability of the management consulting industry are often cited as a revealed preference measure of the importance of management, recent academic work has also established a credible causal link between changes in management practices and productivity in medium and large firms (Bloom et al. 2013, Bruhn et al. 2018). The longer-term persistence of management improvements caused by consulting interventions, however, remains an open question.¹ The received wisdom at a leading global management consulting

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



Inventory Control: Before



Inventory Control: After



Factory operations: Before



Factory operations: After

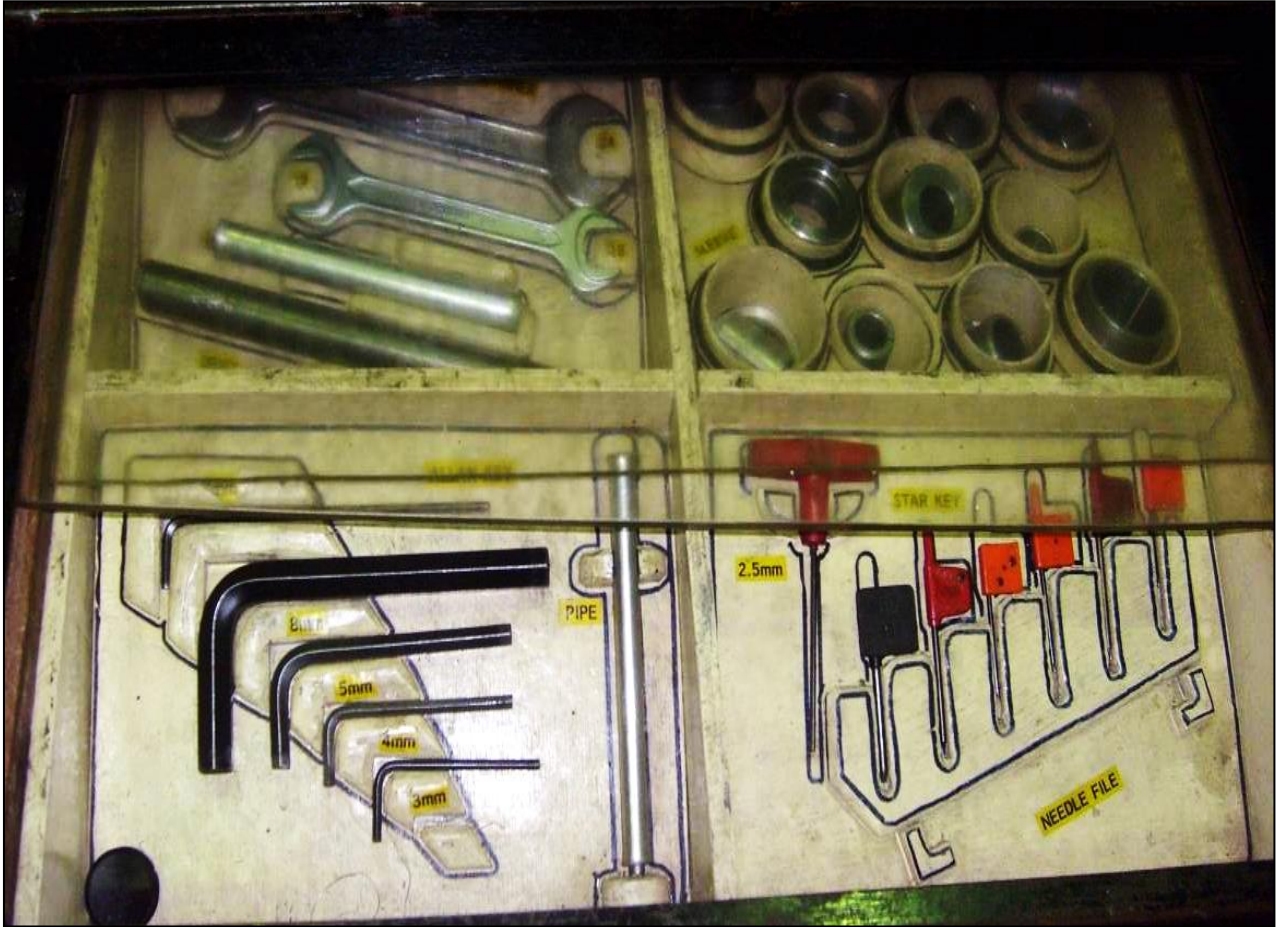


20 13:12

Spare parts: Before



Stores: After



Factory information: Before

FABRICS PVT. LTD.

Design No. SA 1600512 Beam Length 1150 Getting Date: _____
 Beam No. 464 No. of Pieces 10 x 10 Finish Date: _____
 Reel 5215 Total Ends 108 + 5180 + 108 Beam Weight: _____
 Reed Space 65" Salvage 3396 Warp Weight: _____
 Picks 34 (grey) Total Quality Weight: 21-500 → Weft Weight: _____
 Loom No. (12)

703 [15-51-47-58]

WARP PATTERN	DRAWING PATTERN	PEG PLAN
21-A	1-2-3-4-5-x4	1-2-3-5-7
1-B	6-7-8-9-10	6-7-4-5-3
1-B	1-2-3-4-5-x4	1-2-3-4-6
1-B	4-3-2-1-5	1-2-4-5-8
21-A	2-4-1-2-5	2-3-4-5-10
2-C	4-3-2-1-5	S.F.K.
S-A	12 dent 60 dent	
1-C		
S-A		
2-C		
60 S.P.K.		

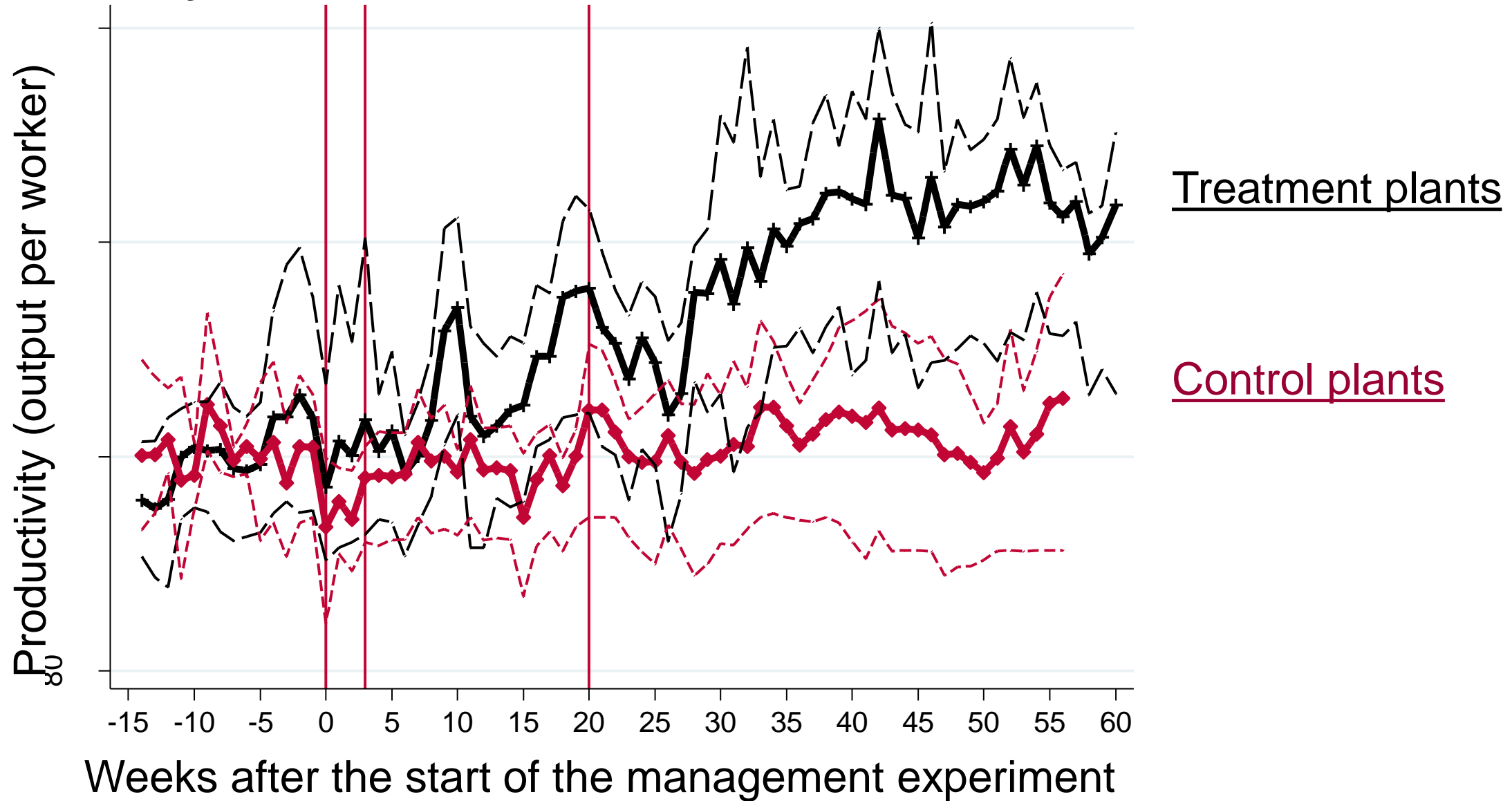
A - 160 den. parindana 15-113/507
 B - 160 den. white 108
 C - 160 den. carbon resist white
 (120)
 108 x 108 = 1136
 108 x 108 = 1136
 1136
 1136
 1136

Salvage
 18 dent = 26 1/20 1136
 2-1136
 8 dent = 70 1/2 1136
 1-1136
 2-1136
 25 dent = 108 1/20 1136

Factory information: After



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



Source: Bloom, Eifert, Mahajan, McKenzie & Roberts, (2013) *Quarterly Journal of Economics*

1) World Management Survey

2) India Management Field Experiment

3) Measuring Strategy

4) Improving management

So far focused on two sub-parts of management

Business management includes the following branches:

1. financial management

2. human resource management

3. information technology management

4. marketing management

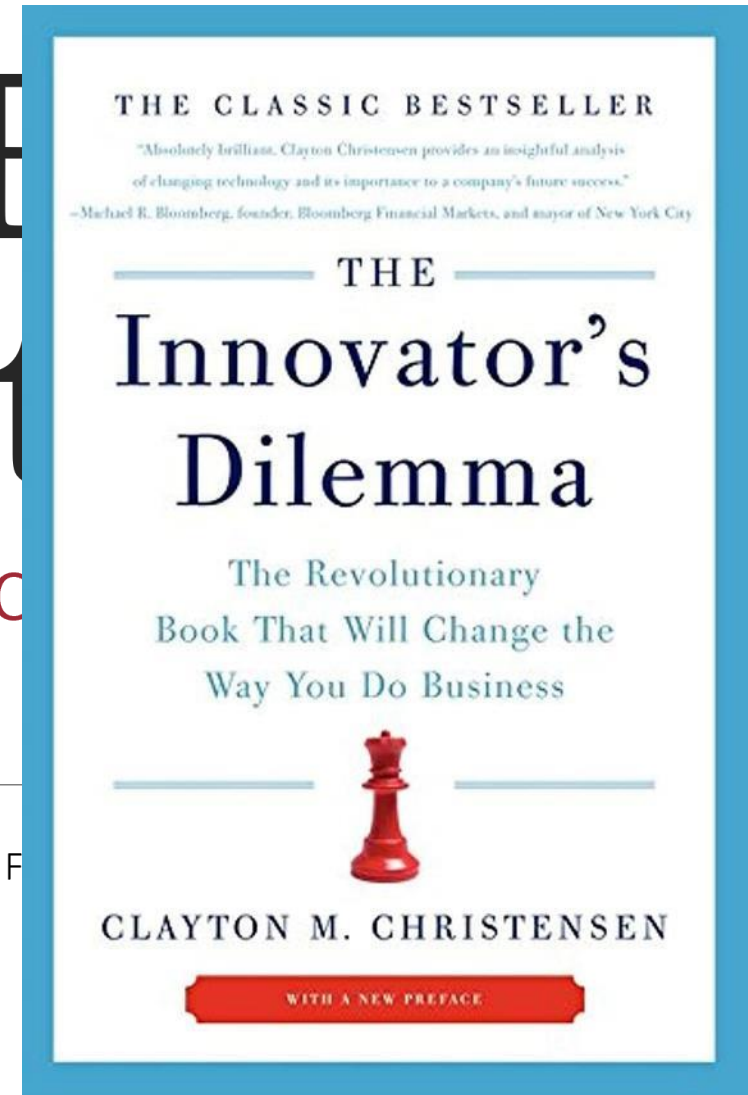
5. operations management

→ 6. strategic management

How Do CEOs Make Strategic

STRATEGIC MANAGEMENT SOCIETY OF
OCTOBER 2020

MJ YANG, ECCLES SCHOOL OF BUSINESS, UNIVERSITY OF
MICHAEL CHRISTENSEN, HARVARD BUSINESS SCHOOL
NICHOLAS BLOOM, STANFORD UNIVERSITY
RAFFAELLA SADUN, HARVARD BUSINESS SCHOOL
JAN RIVKIN, HARVARD BUSINESS SCHOOL



Developing a Strategy Survey

- No existing “best practice” in strategy decision making
- Iterated to determine relevant areas of interest
 - Literature review
 - Focus group with friendly CEOs
 - Pilot



The screenshot shows the Harvard Business Review website. The main article is titled "The Different Approaches Firms Use to Set Strategy" by Kimberly Teti, Mu-Jeung Yang, Nicholas Bloom, Jan W. Rivkin, and Raffaella Sadun, dated April 10, 2017. The article is categorized under "STRATEGIC PLANNING". Below the title, there are icons for Save, Share, Comment, and Print, along with a price of \$8.95 for buy copies. A large image of two people in go-karts is featured below the article. On the right side, there are two recommendation boxes: "WHAT TO READ NEXT" with the article "Navigating the Dozens of Different Strategy Options" and "RECOMMENDED" with the article "Management Time: Who's Got the Monkey?" priced at \$8.95. At the bottom right, there is a link to "HBR Guide to Building Your Business Case Ebook + Tools".

Survey Content – run in ≈45 minute phone interview on CEOs

Strategy Formalization

How deliberate and distinct are firms' strategies?

Strategy Development

How do CEOs come up with strategic ideas and how do they choose among alternatives?

Strategy Implementation

How are strategies executed and how do CEOs learn from strategy outcomes?

Scoring Formalization Practices

Strategy Formalization

		1	3	5
1	Strategy Statement: What is your company's strategy?	Respondent is unable to summarize	There is an informal statement, covering scope and possibly goals.	A formalized, concise statement exists, that summarizes: goals, scope and (competitive) advantage.
2	Strategy scope and advantage: What is your most important choice of "where to compete" in terms of products, geography or customers?	No priorities are set, regarding scope.	There are clear priorities, but reasons for these priorities are vague.	Clear priorities are related to internal advantage and external market opportunities.
3	Mode of Competing: If I asked your customers, how your company differs from the competition, either in the products/services you offer or in the way you provide them, what would they say?	The company is neither different in terms of products, nor in terms of business process or price, relative to the competition.	The company is different, in terms of products, processes or prices, relative to the competition. But information that ensures uniqueness is mostly informal (e.g. customer feedback).	The company is unique either in terms of in terms of products, processes or prices, relative to the competition. Data on customer feedback, and competitors is utilized to track how unique the company is.

Scoring Development Practices

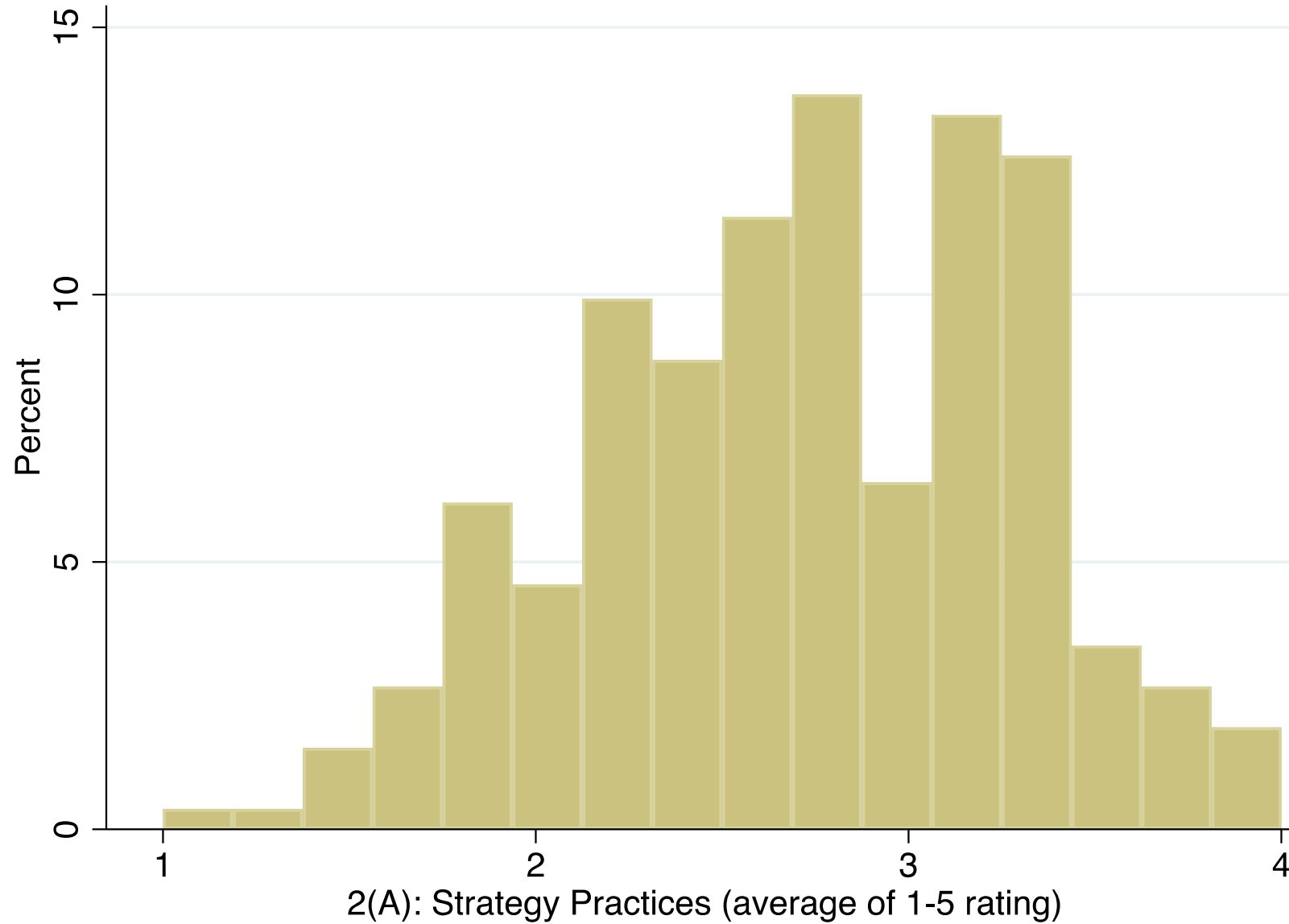
	1	3	5	
4	Proactivity and External focus: How do you typically first come to consider changes to strategy?	We go with our gut to decide whether change is needed.	Change strategy before imminent performance changes. Qualitative and quantitative info from internal and external sources used, but no details are mentioned.	Proactively seek opportunities based on subtle shifts, using a broad range of quantitative and qualitative information on current and future external conditions to determine the need for change. Regular information updates combine internal and external sources.
5	Strategy selection-relevant information: What type of information do you use to select a strategic change rather than its alternatives?	To decide on a strategic change, we don't use any information beyond our own intuition.	To select among alternatives, we use quantitative information on external conditions. But no details are provided. When we lack data, we make our best guess.	To select among alternatives, we use a broad range of quantitative and qualitative information on current and future external conditions. Regular information updates combine internal and external sources. When we lack data, we articulate "what would have to be true" for an alternative to be optimal.
6	Strategy Development—frequency: How often do strategy development meetings take place? And why? Are there recurring themes across strategy development meetings?	We do not have regular meetings dedicated to strategy development.	Most strategic decisions are made in annual strategy exercises (strategy retreats, annual planning cycle of functional staff). Budgeting and compensation questions dominate.	Strategy development is embedded in regular formal and informal meetings, as strategy and implementation go together. Strategy discussions take priority.
7	Strategy Development—involvement: How are strategy development meetings prepared? What is the typical structure? Who participates? What is the role of the different participants?	We do not have regular meetings dedicated to strategy development.	Recurring meeting structure is dominated by presentations. Process is led by functional staff (strategy, finance..)	Recurring meeting structure is dominated by discussions, with detailed advance preparation. CEO and operating managers jointly lead the process.
8	Exploration of Alternatives: Do you typically consider alternatives to given possible strategic change? How much information on these alternatives is there? How do you typically first come to consider these alternatives?	We know what we have to do and do it.	We consider mostly 1 alternative. But, alternatives are not regularly generated and there might be no vetting of alternatives.	We usually consider at least two realistic and feasible alternatives. We have a routinized process in place to explore feasible alternatives, even without immediate need.
9	Structured Criticism: When you are considering a strategic change, when and how do people express potential concerns?	Concerns are expressed irregularly.	We have public discussions, but managers also express concerns in private. Public discussions are mostly done for "important" decisions only.	All concerns were voiced and debated, using a systematic process of criticism, risk evaluation and open discussion. All strategic changes and possible alternatives are vetted through the same process.

Scoring Implementation Practices

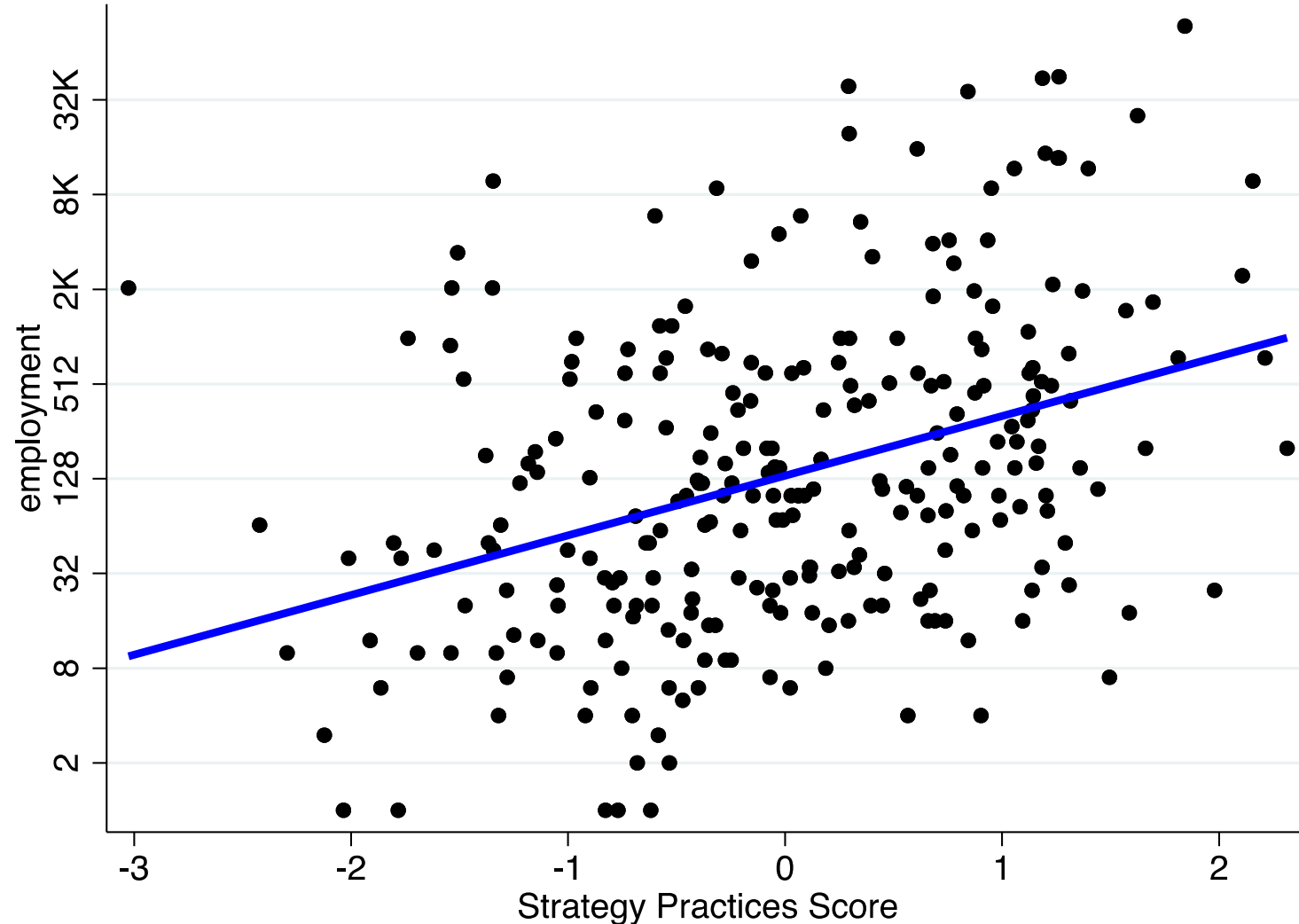
Strategy Implementation

	1	3	5
<p>10 Implementation planning: When you make a strategic decision, which implementation details are clear and what remains to be figured out?</p>	Steps to implement a strategy are typically not articulated at the time of the decision.	The most important steps for implementation are clearly defined for directly involved department heads. Department targets reflect these steps. But no details on performance targets or incentives are clear.	Detailed steps and intermediate targets for all directly and indirectly involved departments and individuals are defined. Performance and compensation were tied to the completion of these steps at the individual and team level.
<p>11 Strategy review and follow-ups: How do you review the progress of a strategic change?</p>	No or irregular review.	Reviews discuss successes/failures and follow-up goals are usually stated. But either discussion minutes or follow-ups do not regularly exist.	Strategy review discussions discuss successes/failures, risks/opportunities and review of initial assumptions. Minutes document discussion and follow up plans with clear goals.
<p>12 Learning from strategy outcomes: How would you typically know whether a strategic change has succeeded or failed? What happens if a strategic change does not meet your expectations, either</p>	We typically do not know whether a strategy succeeded or not.	We use performance in a targeted area to measure success but often do not know how strategy worked. Large surprises are reviewed but often no adjustment steps are taken or lessons for strategy discussed.	We judge success/failure relative to targeted effects using customized measures informative about the way strategy works and try to separate luck from design. We investigate why outcome was surprising and have an ongoing detailed dialogue on surprise outcomes and their implications for operations and strategy.
<p>13 Strategy Communication: When and how are employees outside top management typically informed about strategic changes?</p>	As changes take place, "word trickles out".	Official (CEO) memos go out in advance and announce the change. Employees mostly do not interact with superiors during communications.	Official statements go out in advance and inform employees through a variety of channels such as CEO statements, town-hall type Q&As, personal meetings throughout the organization. Communications include: what is done, why change was needed, how it affects employees.
<p>14 Resistance to change: There might sometimes be individuals opposed to a strategic change? How do you find out about them? Are you usually able to overcome their resistance? If so, how?</p>	We do not identify resisters.	Before the decision, we identify resisters, as they voice opposition. Resisters are sidelined, neutralized or compliance is bought.	When preparing strategy considerations, we proactively identify influential individuals or groups, who might oppose the change. There is a routinized process to increase support for changes, elicit constructive criticism and keep management informed about potential implementation-issues from resistance.

Wide variation (much like monitoring and HR management scores)

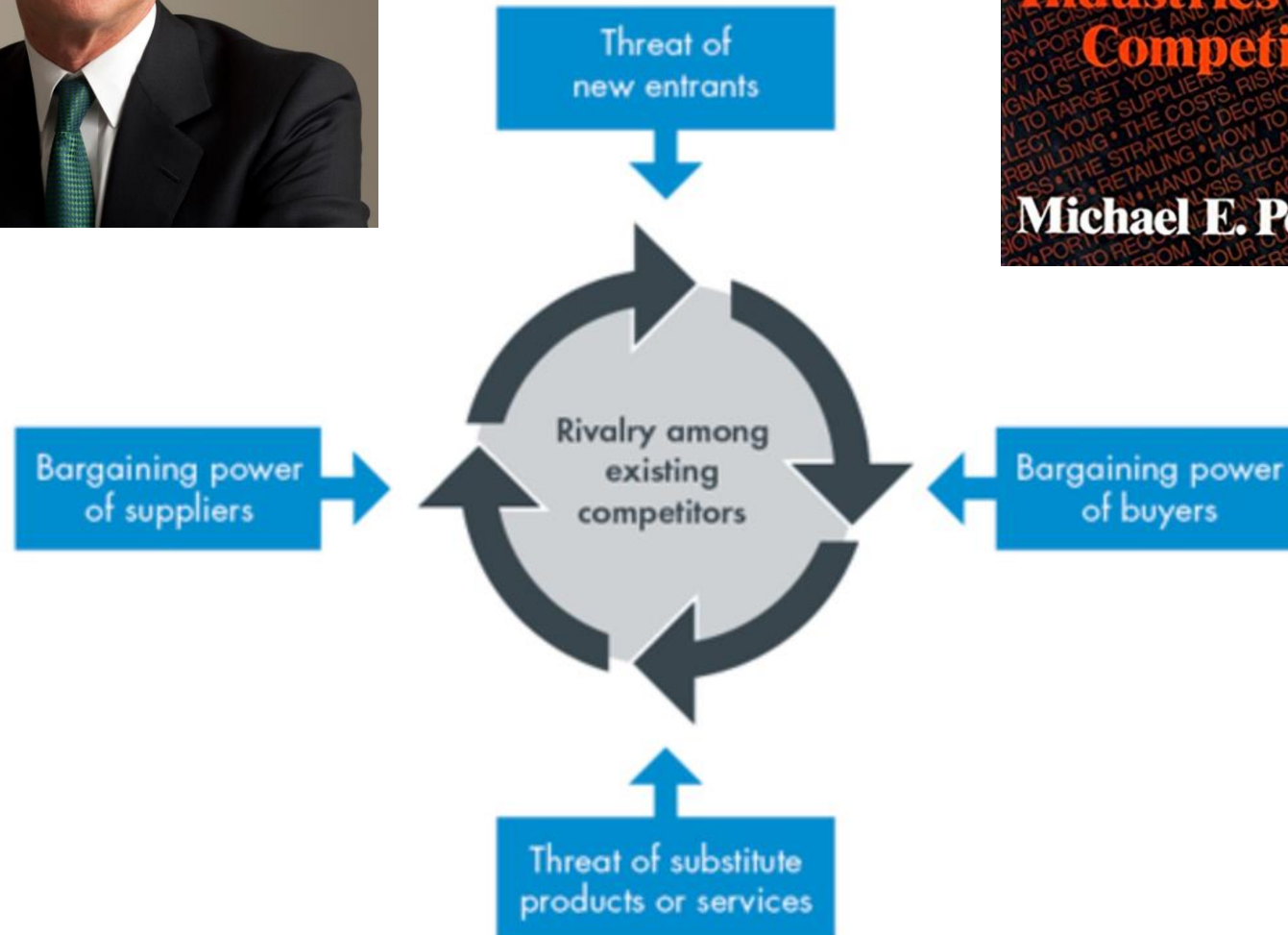
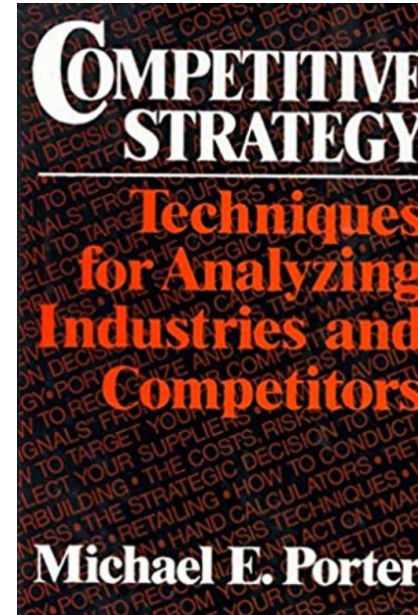


Larger and faster growing firms higher strategy scores



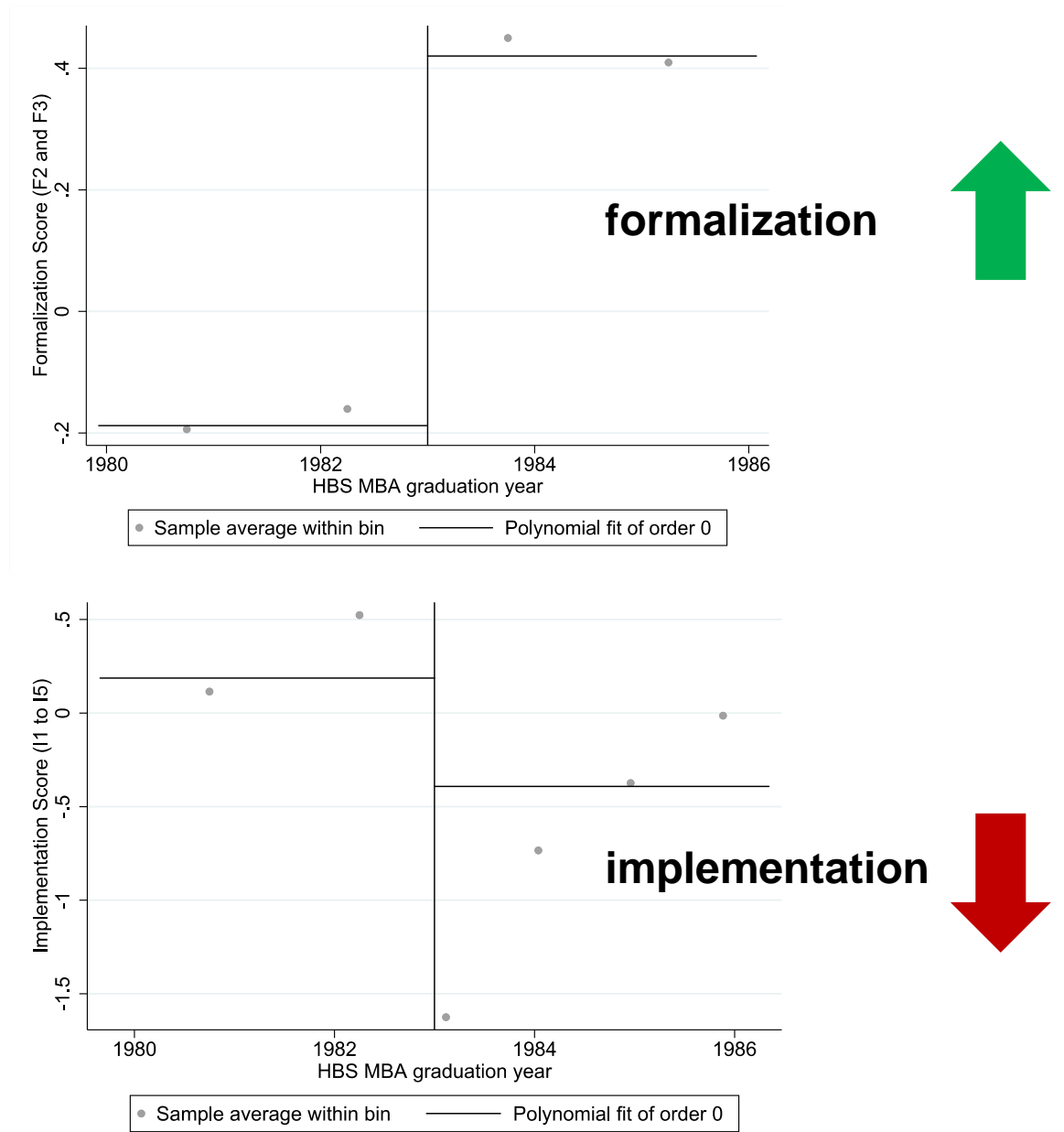
Note: The Structured Strategy Practices score is an unweighted average of the score for each of the 17 strategy questions, where each question is normalized to have zero mean and standard deviation of one. Employment is measured as the number of full-time employees at the company.

Business Education Matters



A Discontinuous Change in the Curriculum

Business Policy I Course Description (1982)	Business Policy I Course Description (1983)
<p>Business Policy is the study of the functions and responsibilities of general management and the problems which affect the character and success of the total enterprise. The problems of policy in business have to do with the choice of purposes, the molding of organizational character, the definition of what needs to be done, and the mobilization of resources for the attainment of goals in the face of competition or adverse circumstances.</p>	<p>Business Policy I is a course about competition. It examines the competitive forces in industries, and the way in which companies can create and sustain competitive advantage through strategy. Reflecting a company's competencies, competitive strategy is a set of goals and integrated policies in each functional area that define how the company will compete in an industry, taking the point of view of the enterprise as a whole. A major theme of the Business Policy I is that an acute understanding of competitive forces will allow companies to shape competition in their favor.</p>
<p>In Business Policy, the problems considered and the point of view assumed in analyzing and dealing with them are those of the chief executive officer or general manager whose primary responsibility is the enterprise as a whole. Cases are drawn from companies of various sizes and industries. The purpose of instruction is to develop in students a general management point of view rather than a specialist or departmental orientation. Business Policy builds upon and integrates the total work of the school.</p>	<p>The primary focus of Business Policy I is on competitive strategy in the industry environment, the primary arena in which competitive advantage is either won or lost. Government's effect on competition is examined both domestically and internationally. The course also considers how competitive advantage may be enhanced through the combination of business units in a multibusiness company, an important task in corporate strategy. Cases are drawn from a wide variety of U.S. and global industries illustrating the range of competitive situations companies face. In its concern with how a total enterprise can be related to its environment, Business Policy I aims to integrate the work of other functional courses.</p> <p>...</p>



- 1) World Management Survey
- 2) India Management Field Experiment
- 3) Measuring Strategy
- 4) Improving management**

Three broad themes defined as “good management”

Monitoring: information collection and improvement

(1): No, process improvements are made when problems occur.

(3): Improvements are made in one week workshops involving all staff, to improve performance in their area of the plant

(5): Exposing problems in a structured way is integral to individuals' responsibilities and resolution occurs as a part of normal business processes rather than by extraordinary effort/teams

Three broad themes defined as “good management”

Targets: relevant, binding and undestandable

Score	(1): Top management's main focus is on short term targets .	(3): There are short and long-term goals for all levels of the organization. As they are set independently, they are not necessarily linked to each other	(5): Long term goals are translated into specific short term targets so that short term targets become a "staircase" to reach long term goals
-------	---	---	---

Three broad themes defined as “good management”

Incentives: strong rewards, and rapid retraining/exit

(1): Poor performers are rarely removed from their positions

(3): Suspected poor performers stay in a position for a few years before action is taken

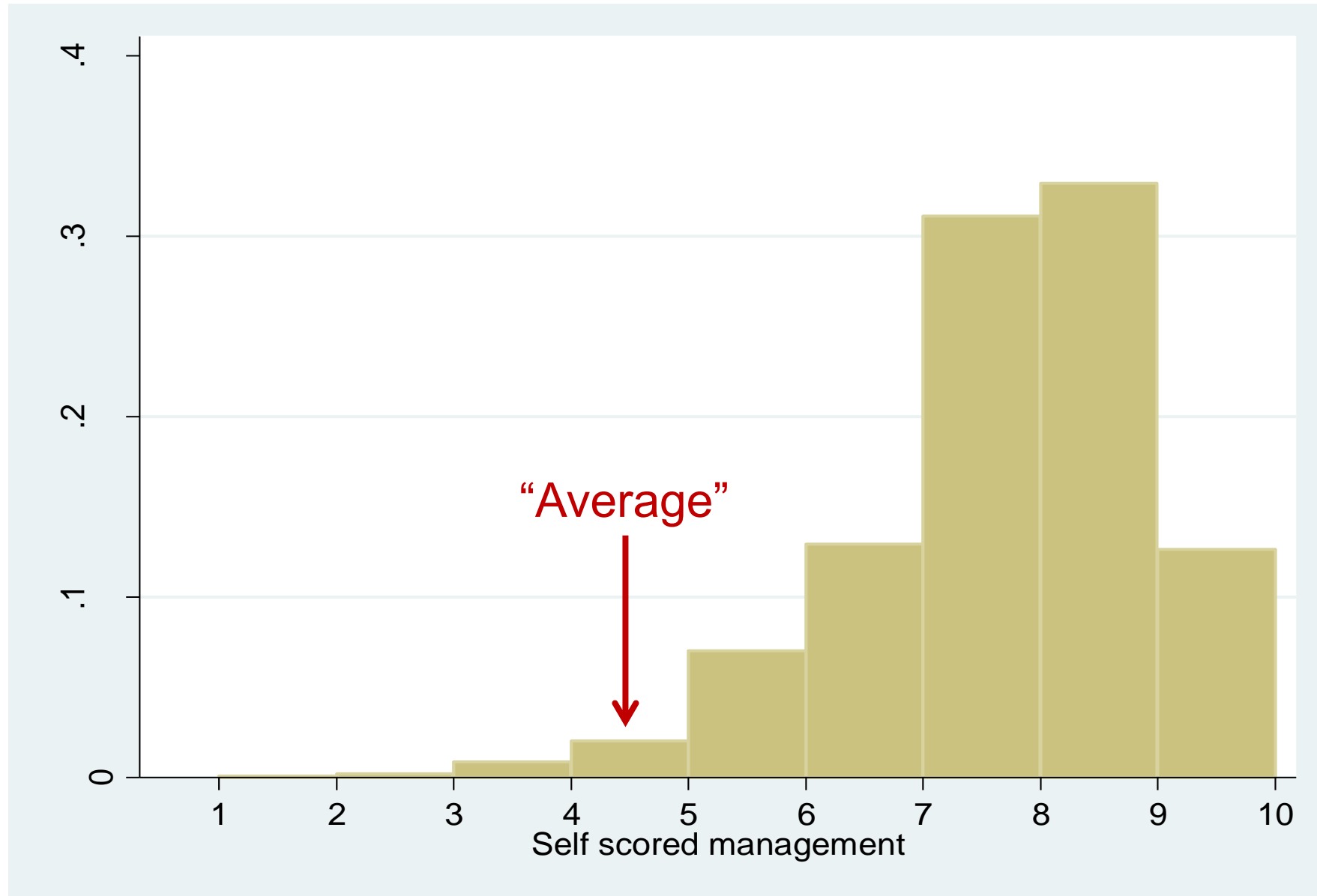
(5): We move poor performers out of the company or to less critical roles as soon as a weakness is identified

So why don't badly managed firms improve – many are not aware

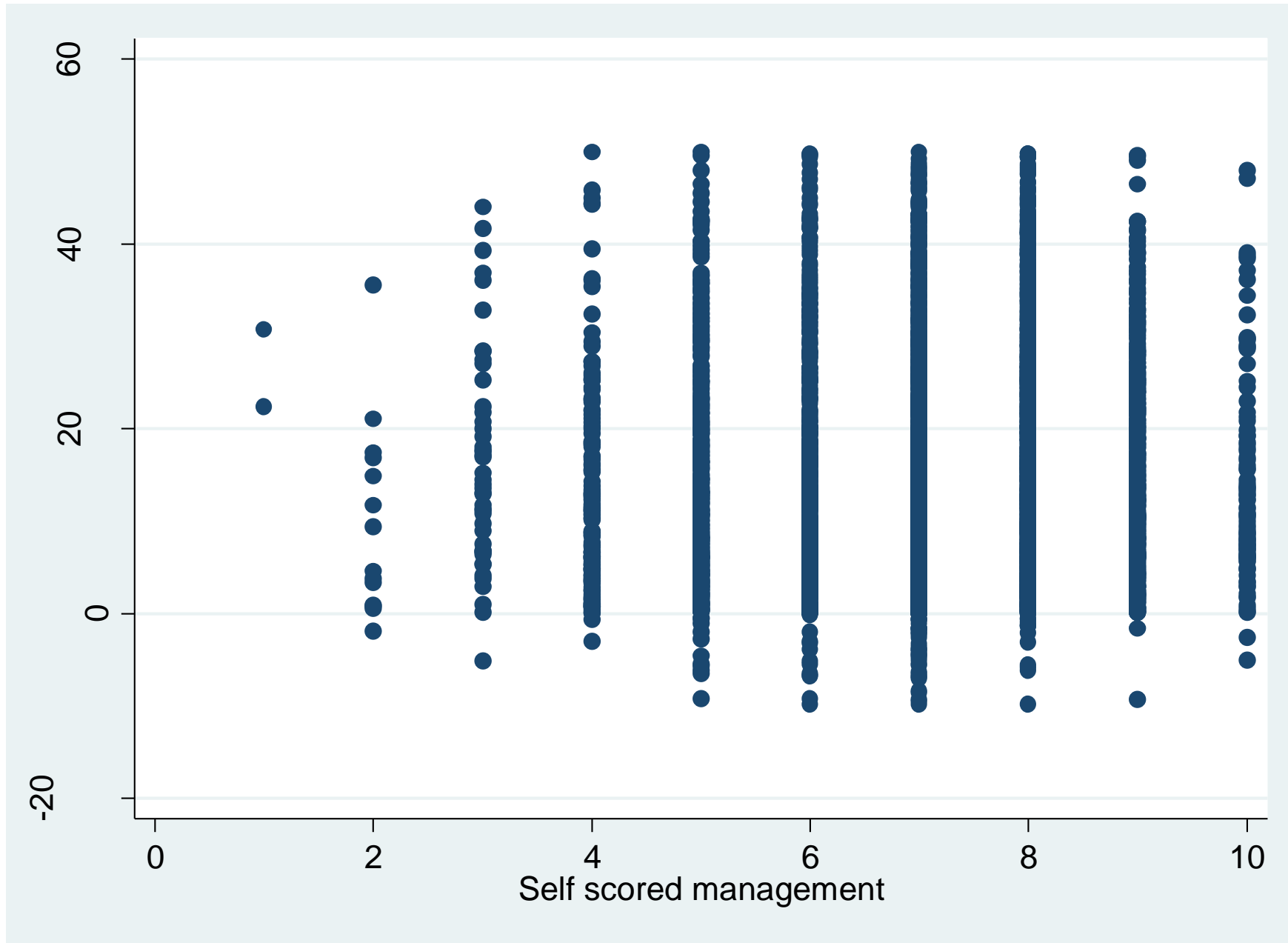
At the end of the survey we asked:

“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 way too optimistic on management

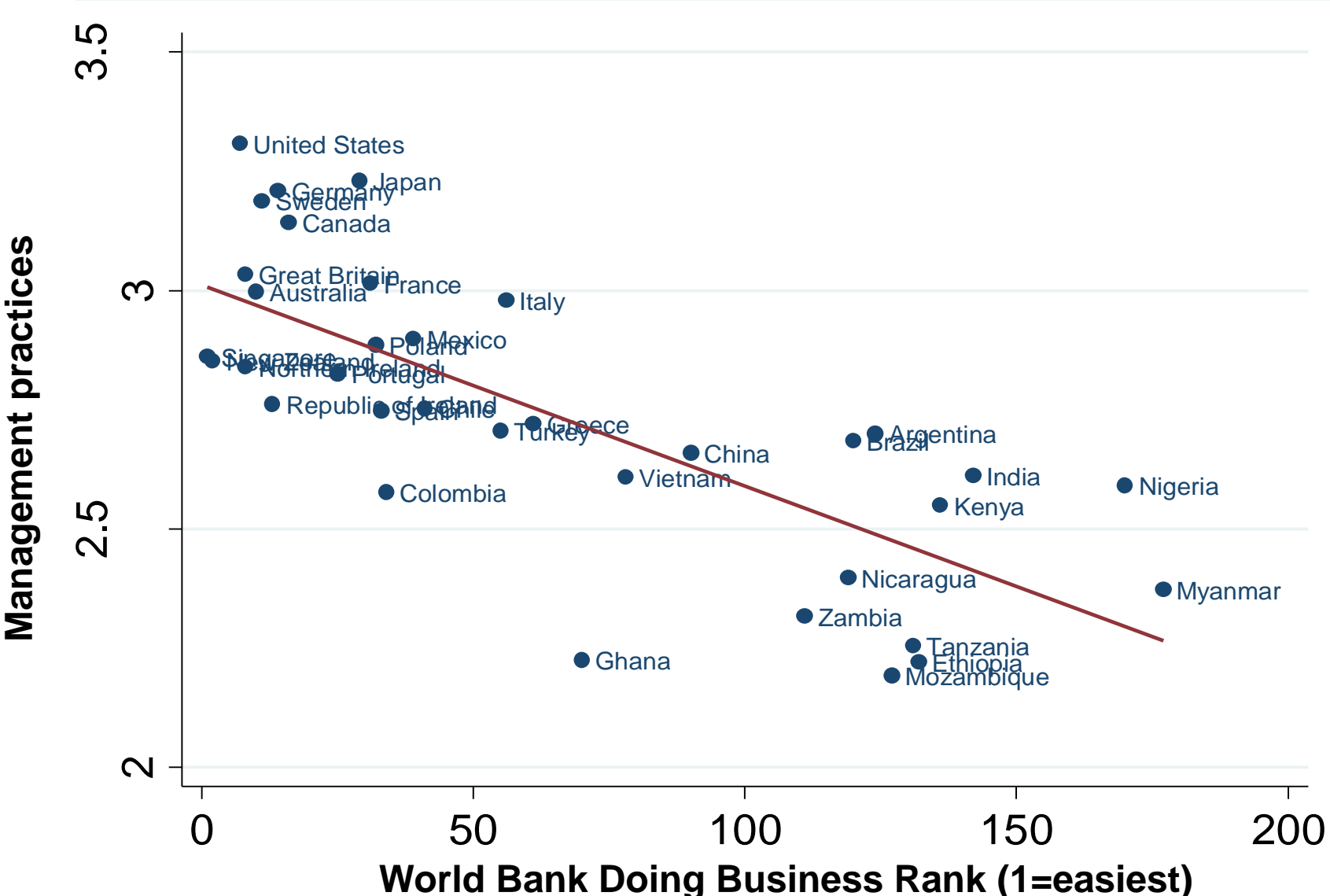


...and self-scores show no link to performance



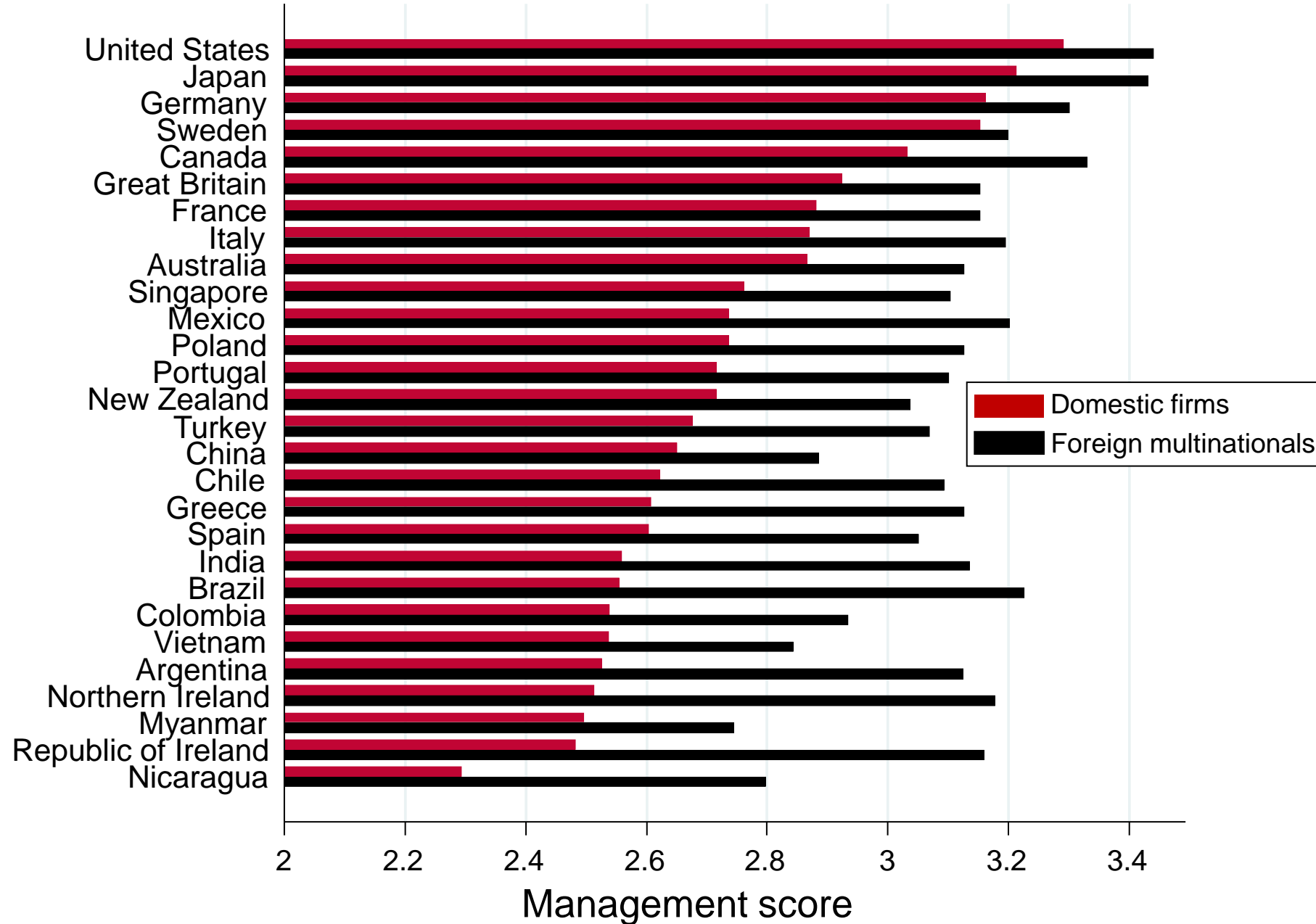
What Policies Could Help Firms to Improve?

1) Light regulations and open competitive markets

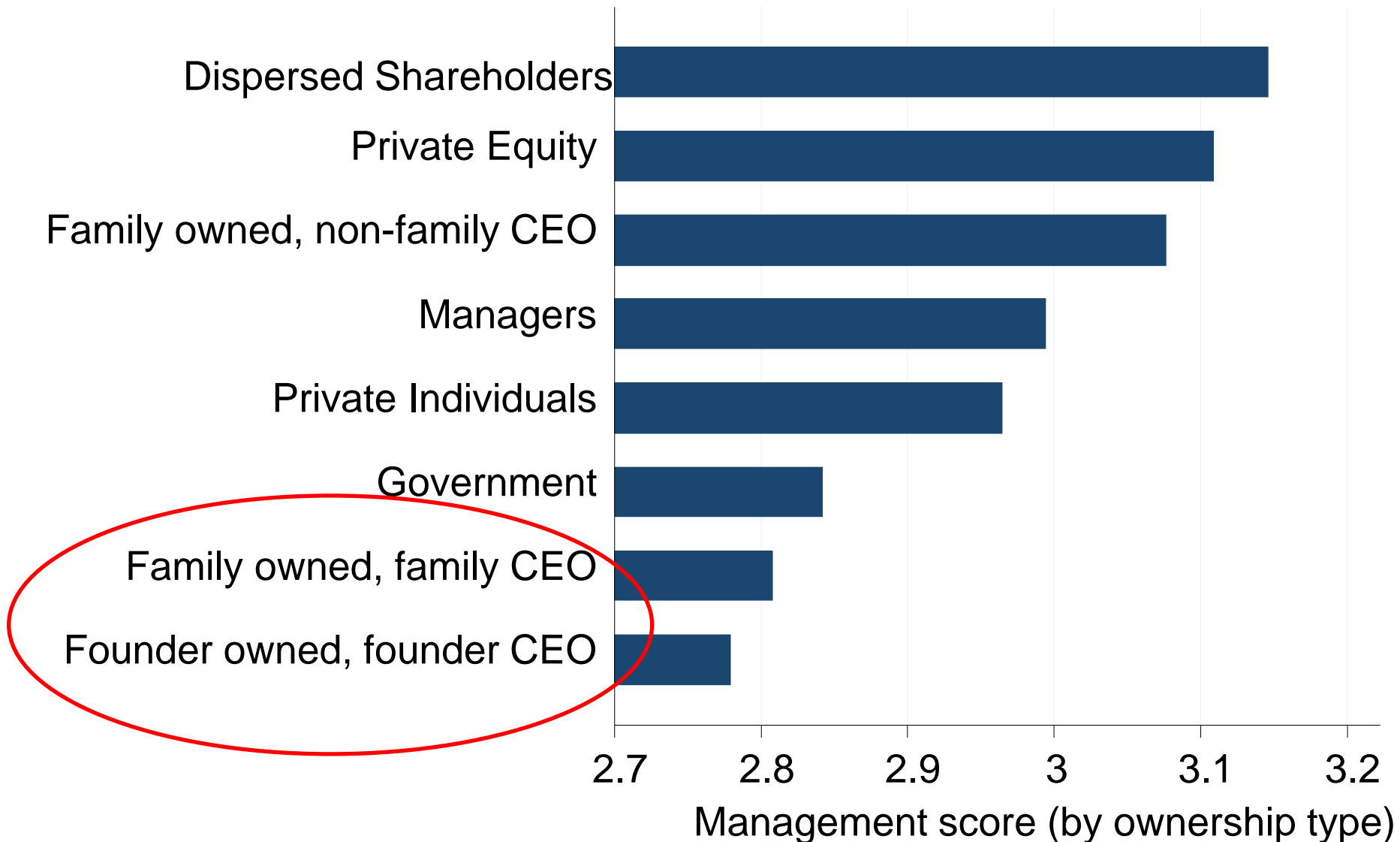


Note: Management scores for the 15,454 interviews in the WMS survey plotted against the World Bank's 2005 doing business "Ease of Doing Business" rank, where 1 is best and 189 is worst. See <http://www.doingbusiness.org/rankings>. Smaller and larger firms in China, Nigeria and Mozambique have been re-stratified in order to balance the sampling frame.

2) Support foreign multinationals

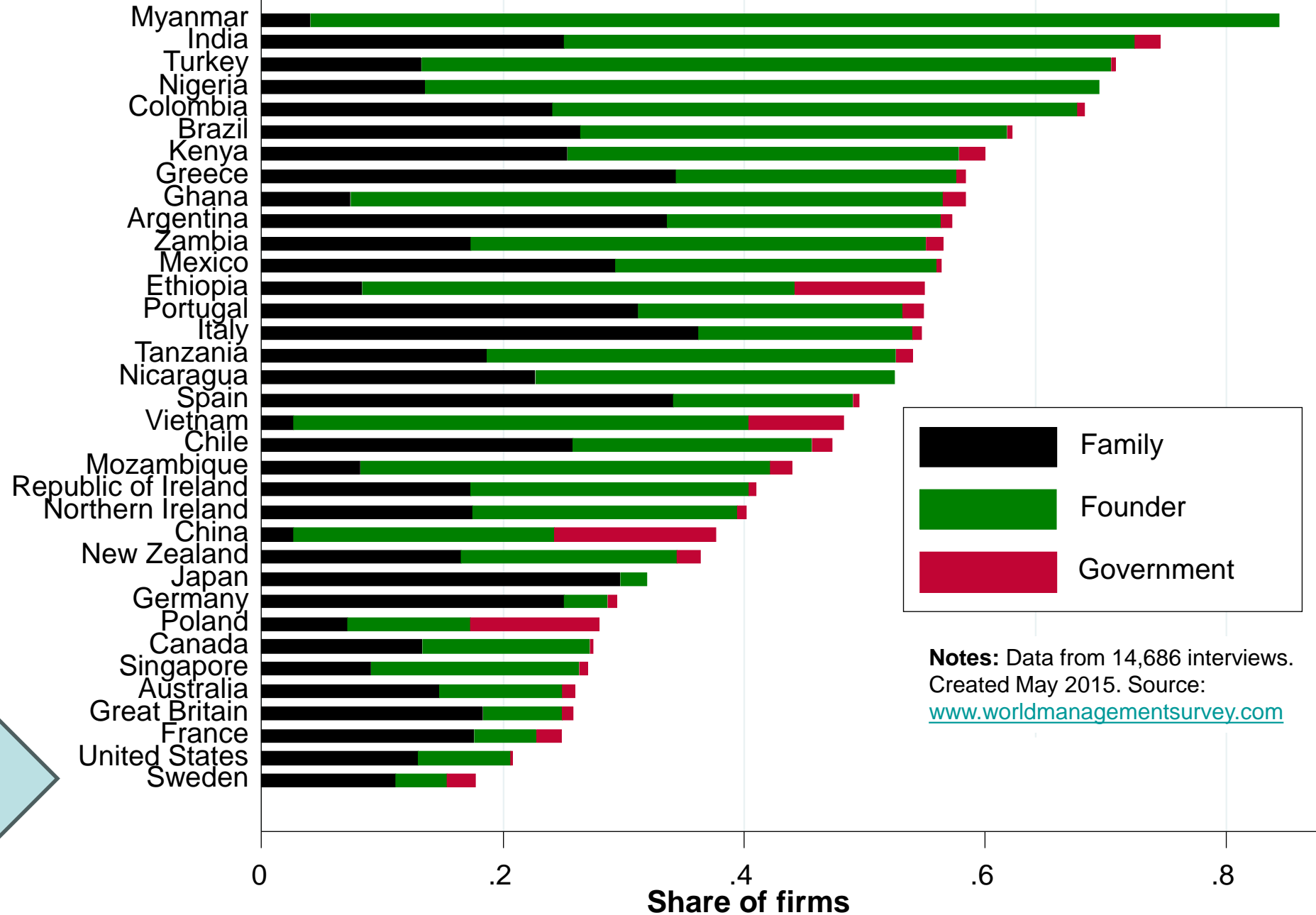


3) Support professional managers (not oldest sons and grandsons)

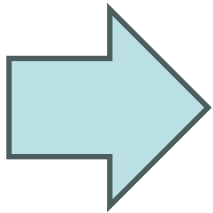


Management scores after controlling for country, industry and number of employees. Data from 9085 manufacturers and 658 retailers. "Founder owned , founder CEO" firms are those still owned and managed by their founders. "Family firms" are those owned by descendants of the founder "Dispersed shareholder"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

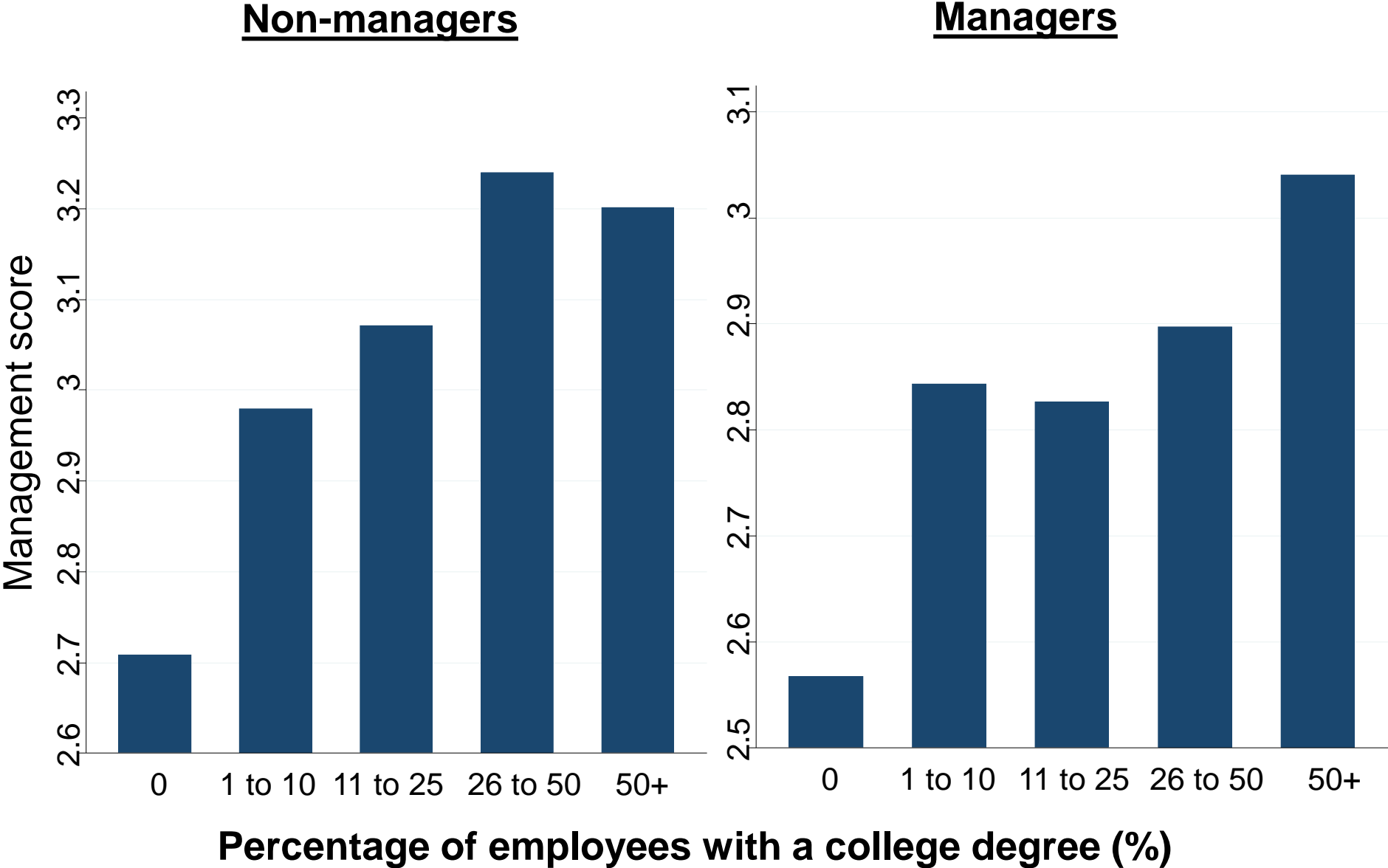
Sweden does not have this family legacy tradition



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



4) Strong education and training system



Sample of 8,032 manufacturing and 647 retail firms.

Raise a toast to good management

- Management is a huge driver of firm and country performance
- Operations, HR and strategy all drive growth and profits
- Help firms by making markets open, competitive and educate employees



A win-win for society: faster growth, lower pollution & happier employees

...quotes

MY FAVOURITE QUOTES:

The challenges of running surveys 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”

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”

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

The screenshot shows the homepage of the World Management Survey (WMS). At the top left is the WMS logo, which includes a globe icon and the text "WMS WORLD MANAGEMENT SURVEY". To the right of the logo is a navigation menu with the following items: "ACADEMIC", "POLICY & BUSINESS", "TEACHING", "SURVEY DATA", "MEDIA", and "ABOUT US". A search icon is located to the right of the navigation menu.

The main content area features a large "RESEARCH" heading in blue. Below this heading is a paragraph: "We have worked with thousands of managers from nearly 40 countries to measure performance in their firms." To the left of this text are four histograms representing the distribution of average management scores for the United States, Brazil, China, and India. Each histogram has a y-axis labeled "DENSITY" ranging from 0 to 1.5 and an x-axis labeled "AVERAGE MANAGEMENT" ranging from 1 to 5. The histograms show that management scores are generally higher in the United States and China, and lower in Brazil and India.

Below the histograms, there are three sections:

- LATEST NEWS**: A section with a calendar icon and the text "DATE FOR YOUR CALENDARS: NEXT EMPIRICAL MANAGEMENT CONFERENCE AT MIT ON DECEMBER 8-9, CALL FOR PAPERS COMING IN JULY."
- Benchmark your organization**: A section with a red bar icon and the text "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." Below this text is a button labeled "BENCHMARK NOW".
- NEW PAPER: INTERNATIONAL DATA ON MEASURING MANAGEMENT PRACTICES**: A section with a gear icon and the text "Survey Data".