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## QUARTERLY JOURNAL OF ECONOMICS

Vol. 128

February 2013

Issue 1

DOES MANAGEMENT MATTER? EVIDENCE FROM INDIA\*

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A long-standing question is whether differences in management practices seems firms can explain differences in productivity, especially in developing sountries where those spreads appear particularly large. To investigate this, we ran a management field experiment on large Indian tootile firms. We reprovided 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 productively by 17% in the first year through improved quality and efficiency and reduced inventory, and within three years led to the opening of mere productive plants. Why had the firms not adopted those profitable practices previously? Our results suggest that informational barriers were the primary factor explaining this lack of

"Financial support was provided by the Alfred Shan Foundation, the Froeman Spegli Institute, the International Initiative, the Graduate School of Business at Stanfierd, the International Growth Costre, the Institute for Business at Stanfierd, the International Growth Costre, the Institute for Busearch in the Social Sciences, the Kurdfinan Foundation, the Murthy Family, the Knowledge for Change Trust Fand, the National Science Foundation, the Teukouse Notwork for Information Technology, and the World Bank. This research would not have been possible without our partnership with Kny Adoms, James Benton, and Brock Manhalt the dedicated work of the consulting toam of AsifAbbas, Saurabh Bhatangar, Shaken Chevda, Roban Dhote, Kar Ghowan Ia, Kasha Geyal, Manish Makhija, Abhishik Mandrikar, Shruti Bangamjan, Standen Schutz, Stroyen Sarkar, Ashatoch Tyagi, and Revindra Vasant; and the research support of Tsey Smith. We thank the editor, Larry Katt; six ancory mean reference our Firmal Garusanuts Bank, Prancesco Casolii, Ray Fisman, Naushad Forbes, Cascy Ichniowski, Vojislov Maksimovic, Ramada Nada, Paul Romer, and Steve Tacklis; as well as a large number of seminar sudences.

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permi asimusthus proses. The Quester ly Jen read of Recommics (2013), 1-51. doi:10.1003/igalqis044. Advance Across publication on Neventher 35, 2012.

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## Does Management Matter? Evidence from India

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 adoption. Also, because reallocation across firms appeared to be constrained by limits on managerial time, competition had not forced badly managed firms to exit.

February 03, 2013