

Managerial quality and worker productivity in developing countries

Business consulting and supervisory skills training can improve firm productivity and labor relations

Keywords: managerial quality, worker productivity, labor relations

ELEVATOR PITCH

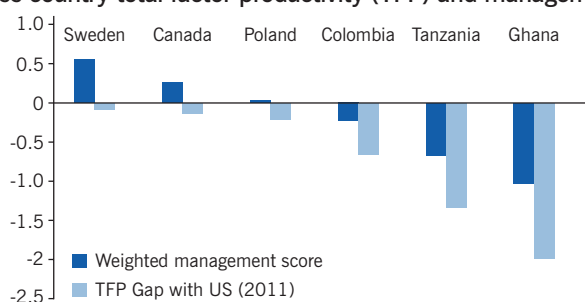
Productivity differences across firms and countries are surprisingly large and persistent. Recent research reveals that the country-level distributions of productivity and quality of management are strikingly similar, suggesting that management practices may play a key role in the determination of worker and firm productivity. Understanding the causal impacts of these practices on productivity and the effectiveness of various management interventions is thus of primary policy interest.

KEY FINDINGS

Pros

- + Adoption of management practices may improve quality and efficiency as well as encourage organization learning, thus leading to higher productivity.
- + Adoption of management practices enables firms to delegate more and achieve higher long-term expansion rates.
- + Managers who are more highly skilled are better able to deal with shocks to worker productivity and allocate human resources more efficiently.
- + Supervisory skills training may improve supervisor-worker relations and raise the well-being of workers.
- + Specific training programs may help correct the misallocation of managerial talent and reduce the gender gap in managerial leadership.

Cross country total factor productivity (TFP) and management



Source: [1].

IZA
World of Labor

Cons

- Most business training programs for micro and small firms have only modest effects on managerial quality and firm performance.
- The take-up of training programs can be very low due to information barriers, distrust, time constraints, and attrition concerns.
- Changing practices may result in adjustments in team dynamics and lower productivity in the short term.
- Managers may not be able to implement the required changes due to misalignment of firm incentives and worker resistance.

AUTHOR'S MAIN MESSAGE

Emerging evidence demonstrates that improving managerial quality can generate considerable increases in productivity. Some supervisory skills training programs have improved labor relations and narrowed the gender gap in managerial leadership. However, changing practices may face resistance from workers and result in adverse short-term effects on productivity. Potential benefits may outweigh temporary costs, and policymakers should therefore promote managerial training programs by providing both financial and organizational support.