

Authors

Nick Bloom
Stanford University

Benn Eifert
University of California, Berkeley

Aprajit Mahajan
University of California, Berkeley

David McKenzie
World Bank

John Roberts
Stanford University

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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 those 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 those profitable practices previously? Our results suggest that informational barriers were the primary factor explaining this lack of

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Does Management Matter? Evidence from India

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