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THE  
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 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

\*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 Key Adams, James Benton, and Brook Marshall; the dedicated work of the unmaking team of Ajeet Abha, Sarabhi Bhatnagar, Shaken Chavla, Rohan Dhote, Kari Ghosewala, Kasha Goyal, Manish Mithija, Abhishek Mandlikar, Shresti 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 Susanto Basu, Francesco Caselli, Ray Fisman, Nandini Forbes, Casey Idunowski, Vojislav Maksimovic, Ramada Naidu, Paul Romer, and Shrawan Tadhvi; as well as a large number of seminar audiences.

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The Quarterly Journal of Economics (2013), 1-51. doi:10.1093/qje/qjz044  
Advance Access publication on November 15, 2012.

# Does Management Matter? Evidence from India

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February 03, 2013