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Can Better Management Sustain Growth in China and India?

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The **Anglo-German Foundation** has funded this research as part of its policy initiative 'creating sustainable growth in europe'. The initiative addresses the emerging economic, social and political challenges confronting governments not only in Germany and the UK, but across Europe and the industrialised world. More information at www.agf.org.uk

Figure 3:
Foreign multinationals are well managed in China and India, but foreign joint-ventures are not

Average score on the 18 management practice questions (1=worst practice, 5=best practice) by country

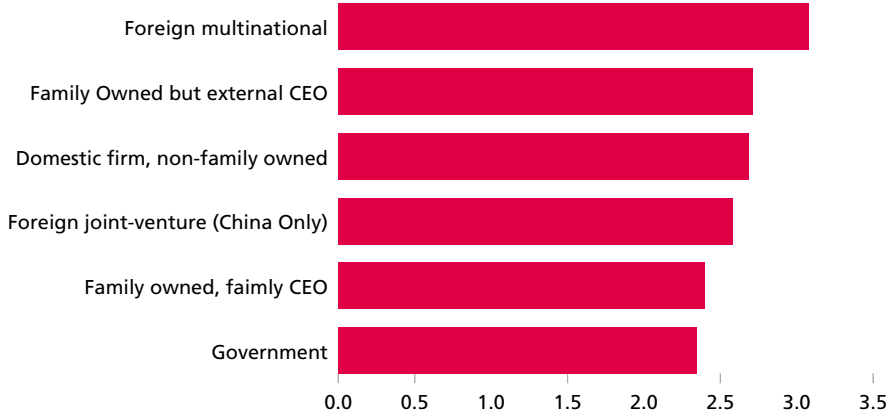
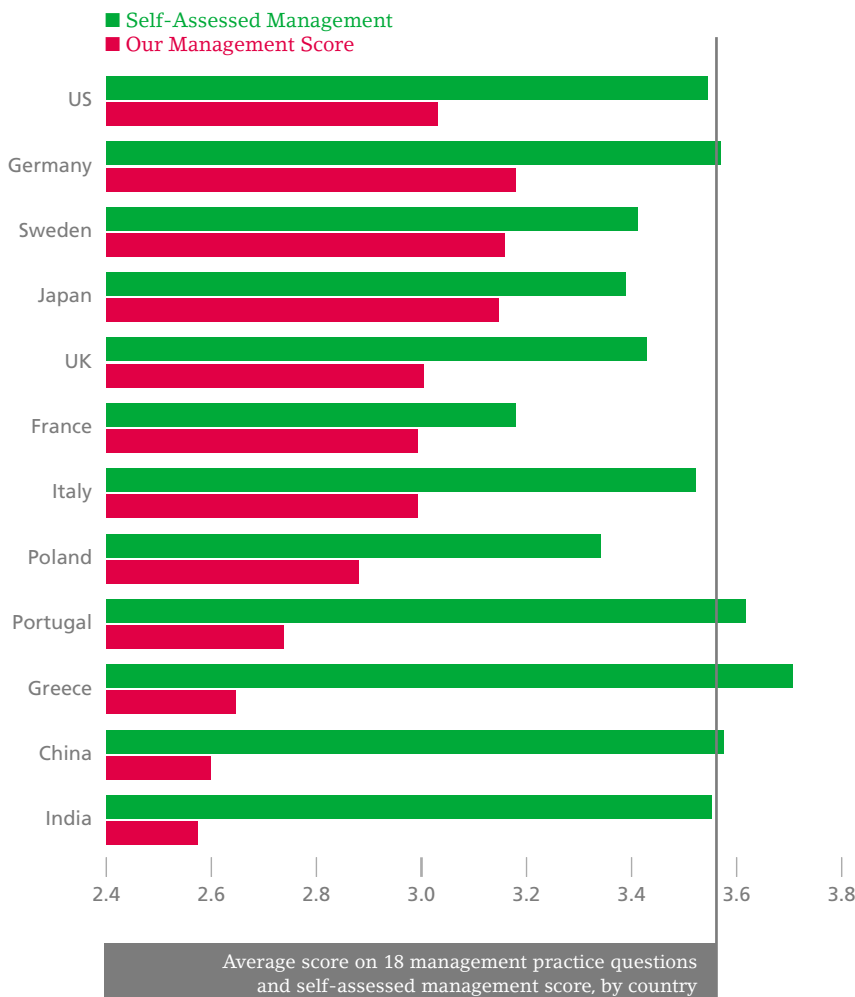


Figure 4:
Chinese and India managers were more over-confident than European, US and Japanese managers



Note: Self-assessed management the response to the question “Excluding yourself, how well managed is your firm on a scale of 1 to 10, where 1 is worst practices, 10 is best practice and 5 is average”. Scores are divided by 2 to put them on the same scale as our management scores

Government firms are also extremely badly run in both countries (and indeed across all the countries in the sample), with particularly weak management of workers and a lack of modern manufacturing techniques.

In recent years, there has been a strong push in former Chinese state-owned firms towards dispersing ownership among their workers. With reforms to India’s legal system, government and family-run firms may diminish in importance there as well. This may pave the way to a brighter future for their manufacturing sectors if firms can adapt their practices to match those of their competitors.

Managerial over-optimism is not equated with strong management practices

Since good management is strongly linked with good performance, why is it that not all firms make a priority of improving their practices? To examine the possible causes of this disconnect, we asked managers as a final question in the interview to assess the overall management performance of their firm. To avoid false modesty, they were asked to exclude their personal performance from the calculation.

The answers indicate that Chinese and Indian managers are particularly over-optimistic about their management practices. The average Chinese and Indian firm’s self-assessment is that its management is better than the average French, Italian, Japanese, Polish, Swedish, UK and US firm.

This is particularly striking given how poorly managed the average Chinese and Indian firms are in comparison with their European, Japanese and US counterparts. In fact, the only country with distinctly more optimistic managers is Greece, which has the third-worst managed firms in the sample.

Chinese and Indian firms tend to be highly centralised

More than management practices, the degree of management autonomy within a firm can affect its productivity, especially in terms of its ability to implement processes and make timely decisions. We find huge variations in the extent to which power is centralised within firms’ corporate headquarters rather than delegated to individual plant managers.

