

STANFORD UNIVERSITY

GRADUATE SCHOOL OF BUSINESS

**Management practices in Europe, the US and Emerging Markets**

**IMPORTANT:** A SHORT READING HAS BEEN ASSIGNED FOR THE FIRST CLASS. PLEASE READ THIS AND BE PREPARED TO DISCUSS THE FIRST DURING CLASS.

**FACULTY:**

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**INTRODUCTION**

The course will review the results from a large management practices project involving Cambridge, Harvard, the London School of Economics, McKinsey & Company and Stanford. McKinsey have developed a basic management practice evaluation tool – detailing about 20 key practices – which has been used to evaluate about 10,000 organizations in manufacturing, retail, healthcare and education across North and South America, Europe, Asia and Australasia. These data provide a global insight into the basic management practices around monitoring, targets and talent management that firms adopt around the world. We will examine the link between management and performance, and the reasons for differences in management across firms, industries and countries. This will be supplemented with the results from more recent research with Accenture and the World Bank in India on change management interventions in a developing country context.

The course will focus on making students familiar with this research and in particular the scoring grid so that they can easily performance an initial overview of the management practices of any organization. For example, this would be ideal for an initial evaluation of the management practices in a target company for private equity investment or a preliminary evaluation (“diagnostic”) of a potential client by a consulting firm. Interested students can look at some of the academic, business and media focused output from the research on: <http://www.worldmanagementsurvey.com>, including over 20 articles in the New York Times, Economist, Wall Street Journal, Business Week, Newsweek, Washington Post and the Financial Times.

**COURSE REQUIREMENTS**

The basis for grading will be 100% on class participation.

As part of this you will be expected to complete all the assigned readings. During the class we will ask you to make substantial contributions to the analysis. Most classes will require reading a short text. The instructor will guide the class discussion, provide a framework and ask probing questions, but it is your job to contribute constructively to the discussion with the purpose of drawing useful lessons from each session. This course involves a joint process of discovery between you, your fellow students and the instructor. For it to be successful, you must be prepared by having done the reading and considered the questions posed in the assignment. The instructor will encourage you to contribute regularly and succinctly to the discussion, including cold calling students on the readings. You will be encouraged to disagree constructively with your fellow students and the instructor, and to master the course framework.

Because your contribution to the class is essential, your attendance at every class is expected. We realize that personal issues necessitating an absence can occasionally intervene, so if you find it unavoidable to miss a class, please notify your instructor ahead of time if at all possible. If you miss a class due to illness or some emergency, and cannot give notice beforehand, please let your instructor know as soon as possible. More than one explained but unexcused absences can negatively affect your grade. Whether an absence is excused is solely at the discretion of the instructor, but you can assume that giving birth will be accepted as an excuse, but going to a wedding is unlikely to be. If you are absent under any circumstances it is your responsibility to obtain whatever materials were handed out at the session.

**STUDENT PRESENTATIONS**

As certain point in the course we will also be asking a few students to present 15 to 20 minute overviews of the management practices in firms they have worked for in later sessions. These presentations are typically about 6 PowerPoint slides and are based around the management scoring grid. In the past student presentations have covered a wide range of employees – for example banks, consulting firms, IT firms, manufacturers, schools, architects, and the civil service. These presentations can be confidential - you do not need to name the employer if you do not wish to – and are for this class only.

**ADDITIONAL READINGS:**

Anyone interested in further reading beyond the class may want to read the following papers and book. These are not required for class and we suggest reading these after the end of the course to avoid replication, but they provide additional information beyond the course:

1. “*Management practices across firms and countries*”, by Nicholas Bloom, Christos Genakos, Raffaella Sadun and John Van Reenen, forthcoming February 2012 in the *Academy of Management Perspectives*
2. *“What determines productivity at the micro level?”, by Chad Syversson, Journal of Economic Literature 2011.*
3. “The Halo Effect and the Eight Other Business Delusions that Deceive Managers”, by Phil Rosenzweig, Free Press, 2007.

**SESSION OVERVIEW AND ASSIGNMENTS:**

**All classes will run from 8:00am-9:45am**

**Tuesday 10th January Management and productivity across firms and countries:**

**Readings: (1) The Talent Myth, New Yorker Article**

Recent research has shown the incredible spread of productivity across countries, industries firms and establishments. Even in the US some plants in the same industry are producing twice as much output as other plants. The obvious question is why, and recent research has begun to highlight the importance of management practices. In this session we will review this literature and start to discuss differences in management practices across previous employers.

We also want to highlight why we believe it is important to combine case-studies with rigorous large sample research. Read the Talent Myth and prepare to discuss the following questions:

1. *What are the pros and cons of case-studies for management teaching and research?*
2. *Evaluate the strengths and weaknesses of McKinsey’s research approach in the War for Talent*
3. *Do you think there are any general truths on what defines good and bad management, and how would you test these?*

**Thursday 12th January Monitoring management practices**

**Readings: (1) Management scoring grid**

**(2) Danaher Corporation, HBS case Study**

The original McKinsey management scoring grid broke management practices down into three sections, and we will focus on the first block of monitoring management practices. This covers the way firms collect, process and act on data in their organizations.

To prepare for this class take one firm you know well and score it on each of the 18 dimensions. Bring those scores to class as we will use individuals scoring as the basis of class discussion.

In the second part of class we will cover the Danaher Case Study. Read the case study carefully and prepare to discuss the following questions:

1. *Why has Danaher been successful as a multi-business conglomerate over the past two decades? What do you see as the core attributes of its corporate strategy that have allowed it to sustain superior performance during this period?*
2. *Are there any salient tradeoffs that the DBS system creates for the organization?*
3. *How easy or difficult is it for other companies to mimic or emulate what Danaher does? Why?*
4. *How far can Danaher’s advantage travel? Specifically, what types of businesses are best suited to leveraging DBS? And what types of businesses are not well suited to this model?*
5. *What do you consider to be the biggest challenges that Danaher is likely to confront during the next 10-15 years? What can Larry Culp do to prepare the organization for these challenges?*

**Tuesday 17th January Incentives management practices**

**Readings: (1) The Lincoln Electric Company, HBS case study 9-376-028**

The third section of the management scoring grid focused on incentive management practices, which is a subset of Human Resource management practices. This will focus on how firms pay, promote, hire and fire their employees.

In the first part of class we will discuss incentives management and the scores you gave your firms. To prepare for this class take one firm you know well and score it on each of the 18 dimensions. Bring those scores to class as we will use individuals scoring as the basis of class discussion.

In the second part of the lecture we will discuss the Lincoln Electric Company. Read the case and prepare to answer the following questions:

1. What types of performance incentives does Lincoln Electric provide, and how have these helped to drive performance
2. Do you think Lincoln electrics incentive systems would work outside the US? Prepare to discuss their success/failure in another country you know.
3. What are the downsides of Lincoln Electrics performance incentives – try to relate this to experiences you have had with strong performance incentives

**Thursday 19th January Targets management practices**

**Readings: None**

The second section of the management scoring grid focuses on target management practices. This covers the way firms set targets, the time horizon of these targets, how tough these targets are and how comprehensive these are.

In the first part of class we will discuss targets management and the scores you gave your firms. To prepare for this class take one firm you know well and score it on each of the 18 dimensions. Bring those scores to class as we will use individuals scoring as the basis of class discussion.

In the second part of the lecture we will organize two student presentations evaluating the management practices of firms they have worked in. We will select two students based on prior work experiences and class involvement to date. Unless you are presenting this is no prep for this.

**Tuesday 24th January Power and decentralization**

**Readings: (1) Alibaba Group, HBS case study 9-710-436**

This class will focus on where power resides in firms. That is who gets to make decisions over things like hiring, investment, products and marketing. Is it the CEO, or the business unit manager?

In the first part of the class we will discuss the Alibaba case, which highlights the trade-offs CEOs have to make in various organizational decisions in fast growing companies. Prepare to discuss the following questions from the case-study:

1. *Is the current degree of competition among the business units appropriate? Do you think that Jack Ma should encourage more cooperation? If so, how?*
2. *As Alibaba develops new businesses, how should the firm incorporate them into the organizational structure? What are the benefits and costs of having new businesses report directly to Jack Ma?*
3. *What should Jack Ma and his C-Suite be concerned about? Should Jack Ma centralize more functions at the corporate level? If so, which ones? Should Jack Ma create a Chief Operating Office position?*
4. *Where should the new business initiatives (mobile platforms and financing small businesses) reside organizationally? At corporate or within the individual business units?*
5. *What does the Talent Myth tell us about the risks of decentralization?*

In the second half of the class we will present data on organizational structures of companies across firms and countries.

**Thursday 26th January Management practices in hospitals**

**Readings: (1) Virginia Mason Medical Centre, HBR case study**

This class will focus on management practices in hospitals, both in the US and across Europe. We will see that on average they appear worse managed then similar sized firms in manufacturing and retail, and discuss why this this.

In the first part of the class we will cover the VM case-study. Read the case carefully and prepare to discuss the following questions in the second part of the class:

1. *What is Gary Kaplan trying to achieve at Virginia Mason?*
2. *How does the Toyota Production System fit into his strategy?*
3. *What is your view of the “people are not cars” debate?*
4. *Is Kaplan’s approach transferable to other U.S. hospitals?*

In the second part of the class we will discuss our findings on hospital management across organizations and countries.

**Tuesday 31st January Management practices in schools**

**Readings: (1) “The Rubber Room” New Yorker Article**

**(2) Waiting for Superman (part of this to be shown in class)**

This class will focus on management practices in schools. We will compare US schools to schools abroad and discuss the reasons for the poor management practices in US schools and some recent reform efforts. We will discuss the Rubber Room article and watch part of the Waiting for Superman video.

Prepare to discuss the following questions:

1. *How do you think management practices in New York schools will impact pupil performance?*
2. *How would you chance the practices in the New York school district?*
3. *Can you provide examples from your own experiences of management practices in schools in other countries?*

**Thursday 2nd February Management practices in developing countries**

**Readings: None**

This class will focus on management practices in developing countries, focusing in particular on some recent research on management practices in India. We will compare this to practices in other countries like China and Brazil, and highlight the opportunities for improvement.

Prepare to discuss the following questions, drawing on personal experience as much as possible:

1. *Do you think management practices in developing countries are usually worse than those in developed countries?*
2. *Do you think the same types of management practices are always appropriate in developed and developing countries?*
3. *What factors may lead to differences in management practices between firms in developing and developing countries?*

In the second part of the lecture we will organize two students to present evaluations of the management practices of firms in developing countries they have worked in, asking them to focus on similarities and differences with US and European management practices.