



STANFORD UNIVERSITY  
GRADUATE SCHOOL OF BUSINESS

**Global Management Research**

**IMPORTANT:** TWO SHORT READINGS HAVE BEEN ASSIGNED FOR THE FIRST CLASS. PLEASE READ THESE AND BE PREPARED TO DISCUSS THESE IN CLASS.

**FACULTY:**

Nick Bloom: nbloom@stanford.edu, Office: Landau Economics

Faculty Assistant: Malinda Summers, malindas@stanford.edu, Stanford GSB

**DATES:** Tuesdays and Thursdays, 8:00 to 9:45am, February 11<sup>th</sup> to March 10<sup>th</sup>, room E102 (Wollenberg Classroom)

**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 15,000 organizations in manufacturing, retail, healthcare and education across North and South America, Europe, Asia, Africa 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. This will be determined by class attendance (50% of the grading) and quality (rather than quantity) of comments (50% of the grading). To prepare for class you will be assigned class readings. During the class I will both cold-call for answers to questions and also ask for volunteers. I 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 myself. For it to be successful, you must be prepared by having done the reading and considered the questions posed in the assignment. You are also open to disagree constructively with your fellow students and myself – debate is engaging and fun.

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

## **SESSION OVERVIEW AND ASSIGNMENTS:**

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

### **Thursday 11<sup>th</sup> February    Overview of Management research**

The first class will overview the current state of the literature on international management practice research in terms of the current findings and future questions and challenges. I will give a broad overview of the research and use this as a framework to ask a series of questions linked to the reading and future classes.

#### **Required Readings:**

- A) “Does management really work?”, by Nick Bloom, Raffaella Sadun and John Van Reenen, Harvard Business Review, November 2012
- B) Section 3.1 of “What determines productivity” by Chad Syverson (the rest of the article is additional reading)

#### **Additional Readings:**

- A) “The New Empirical Economics of Management”, by Nicholas Bloom, Renata Lemos, Raffaella Sadun, Daniela Scur and John Van Reenen, in the Journal of the European Economic Association, 2014, pp 835-876
- B) “Measuring and Explaining Management Practices across Firms and Countries” Bloom, Nicholas, and John Van Reenen (2007), Quarterly Journal of Economics, 122(4), 1341-1408.
- C) “Exporting sweatshops: evidence from Myanmar” by Mari Tanaka, Stanford mimeo
- D) “Does management matter: evidence from India”, Bloom, Eifert, Mahajan, McKenzie and Roberts, Quarterly Journal of Economics (2013)

## **Tuesday 16<sup>th</sup> February      Monitoring management practices**

This class will dive into the original McKinsey management grid, discussing the monitoring part of the grid (questions 1 to 6). After discussing this we will run through the Danaher case-study, which is an excellent example of a highly successful monitoring focused company.

### **Required Readings:**

- A) Danaher Corporation, HBS case Study
- B) Management scoring grid

The original McKinsey management scoring grid broke management practices down into three sections (monitoring, targets and incentives), 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. We will discuss the monitoring questions, and if time permits may also look at the target questions too.

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?*

## **Thursday 18<sup>th</sup> February      Incentives management practices**

This class will focus on the second and third part of the McKinsey scoring grid which examined targets and incentives. In the first half of class we will discuss the grid – calling on examples from you individually on questions 7 to 18. In the second half we will cover the classic case-study – Lincoln Electric - which is the most popular case-study of all time. Some other classic incentive case-studies have also been listed in the additional reading.

### **Required Readings:**

- A) The Lincoln Electric Company, HBS case study 9-376-028
- B) Management scoring grid (same as for the lecture on monitoring)

### **Additional Readings:**

- A) Performance pay at Safelite Glass, HBR Case A: 9-800-291
- B) RKO Warner case, HBR Case 9-190-067

To prepare for this class take one firm you know well and score it on each of the 18 dimensions, focusing particularly on the incentive questions. 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 electric's 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 Electric's performance incentives – try to relate this to experiences you have had with strong performance incentives*
- 4) *Why is Lincoln Electric the most popular case study of all time?*

### **Tuesday February 23: Management practices in schools and hospitals**

The management scoring grid has been applied to manufacturing, retail, schools, hospitals, universities, drug and alcohol addiction clinics, tax-collection agencies etc. So far we have focused more on manufacturing. Today we will change focus to management practices in schools (and to some extent hospitals) as another key battleground for better management to change lives. The Rubber Room article is lighter reading but pretty horrifying. The Roland Fryer reading is more heavy-weight and research focused, and an important piece of work which won Fryer in 2015 the Bates-Clark Medal and the MacArthur Genius Award:

[https://en.wikipedia.org/wiki/Roland\\_G.\\_Fryer,\\_Jr.](https://en.wikipedia.org/wiki/Roland_G._Fryer,_Jr.)

#### **Required Readings:**

- A) “The Rubber Room” (2009), *New Yorker Article*
- B) “Injecting charter school best practices into traditional public schools: evidence from field experiments”, Roland Fryer, (2014), *Quarterly Journal of Economics*, 1355-1407.

#### **Additional Readings – Schools and Universities:**

- A) “Does management matter in schools”, (2015), Nick Bloom, Renata Lemos, Raffaella Sadun and John Van Reenen, *Economic Journal*
- B) McCormack, J, Propper, C & Smith, SL 2014, ‘Herding cats? Management and university performance’. *The Economic Journal*, vol 124., (summary in your reader)
- C) Book (not in your course reader): “Socrates in the boardroom”, by Amanda Goodall (not covered in the exam, but for background reading if anyone is interested).
- D) Video (not in your course binder): “Waiting for Superman”  
<https://www.youtube.com/watch?v=ZKTfaro96dg>

#### **Additional Readings – Hospitals:**

- A) “Management practices and the quality of care in cardiac units”, John McConnell, Rich Lindrooth, Doug Wholey, Thomas Maddox & Nicholas Bloom, *JAMA IM* (2013)
- B) “Does management matter in healthcare” Nicholas Bloom, Raffaella Sadun and John Van Reenen, Stanford mimeo [http://web.stanford.edu/~nbloom/DMM\\_health.pdf](http://web.stanford.edu/~nbloom/DMM_health.pdf)
- C) Virginia Mason Medical Centre, HBR case study

For class be prepared to discuss the following three 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?

In the second half of class **Kim Diorio, the Principal of Palo Alto High School** (the High School of the other side of El Camino [https://en.wikipedia.org/wiki/Palo\\_Alto\\_High\\_School](https://en.wikipedia.org/wiki/Palo_Alto_High_School)), will kindly come and talk to the class about management practices in public high schools.

### **Thursday 25<sup>th</sup> February: Lean Plug Game, Group A**

As a break from cases and articles, and a fun way to highlight the benefits of basic Lean production processes, we will play the Lean Plug Game.

The Lean Plug Game was something I used at McKinsey for Lean training 101 to demonstrate concepts around layout, push/pull system, one-piece flow, Kanban, training and work balance. Because the game is aimed at 12 people max we will split the class into two groups of 15 (so it will be a squeeze) and have only one group come in for each day (hence the other group gets a reading break – use this to read the Roland Fryer article for the next class which is a long read, but easily doable within the class slot). Attendance in this class is assessed (like all classes).

### **Required Reading:**

- A) None – enjoy the class!

### **Tuesday March 1: Management Differences and Globalization:**

This class will discuss some of the similarities and differences in management practices across countries. In the first half we will cover the follow-up to the classic 1982 Lincoln Electric case, which is the “Lincoln Electric Venturing Abroad” case where we see how LEs very Anglo-Saxon incentive system fares overseas. In the second half of class **Ho Nam, managing director of Altos Ventures** (<http://altos.vc/>) will talk to the class about similarities and differences in management practices in the US and Korea.

### **Main Readings:**

- A) Lincoln Electric: Venturing Abroad 9-398-095

### **Additional Readings**

- A) Gokaldas Exports, Stanford Business School Case
- B) CEMEX: Global Competition in a Local Business, Stanford GSB Case Study IB-17
- C) “Does working from home work? Evidence from a Chinese field experiment” (2013) Bloom, Liang, Roberts and Ying, Quarterly Journal of Economics.

For the Lincoln case prepare to discuss the following issues/questions in class.

1. What made Lincoln's system so unusual in the US context?
2. What problems did Lincoln face in trying to take its system to other countries?
3. Was Lincoln's system a good model for other US manufacturing companies to follow?

### **Thursday 3<sup>rd</sup> March: Lean Plug Game, Group B**

The second group for the lean plug game.

### **Tuesday 8<sup>th</sup> March Power and decentralization**

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?

#### **Main Readings:**

- A) Alibaba Group, HBS case study 9-710-436

#### **Additional Readings:**

- A) "The organization of firms across countries", (2012), Nick Bloom, Raffaella Sadun and John Van Reenen, *Quarterly Journal of Economics*

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 March 10: Management, firms and inequality**

This final lecture will change tack a little and focus on probably the single largest challenge for US (and possibly global) growth, which is the rise in inequality. I will briefly overview the literature on this, and then briefly discuss some of my recent research on inequality that connects this up to firms and ultimately management practices.

In the second half of class **Kim Malone-Scott** will come and talk to the class about her experiences of management practices in hi-tech – having previously worked at senior levels in Google, Facebook and Dropbox – and her advice on management practices in Silicon Valley.

**Required Reading:**

A. None – enjoy the class!

**Additional Reading:**

B. “Skills, education and the rise of earnings inequality among the “other 99 percent”, David Autor, Science May 23, 2014