The Evaluation of Management Practices

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Contents

1. Introduction

Key questions addressed in this lecture:

- How can we evaluate the effect of management practices on outcomes variables such as profit, turnover, or job satisfaction?
- Why and when are regressions useful?
- How can we identify causal effects?
- What is the underlying idea of these methods?
- How do we work with the data?
- How do we analyze cross-sectional and longitudinal data sets?
- How can a field experiment be set up?

Useful literature:

- Angrist and Pischke (2008) Chapters 2 and 3 (Important)
- Angrist and Pischke (2014)
- Wooldridge (2003) (Background reading)
- Andrea Ichino's lecture slides (for some links to standard econometrics courses): http://www.andreaichino.it/teaching_material.html

Starting point:

- Examples for empirical papers that assess management practice
- Show key regressions
- Throughout the course:

  Build a better understanding of what we can (or cannot) learn from these regressions?

Key distinction for study designs:

Study based on *observational* data	Laboratory experiment	Field experiment
• Data creation process not affected by the researcher • Example data: Data from surveys, balance sheets, personnel records,… • Typically no *exogenous variation* in management practices (i.e. differences in use of practices may be related to unobserved variables)	• Data generated by the researcher in the lab • Typically students are hired to make certain decisions/work • Exogenous treatment variation allows to study causal effects	• Also: RCT (Randomized Controlled Trial), or in practice A/B test • Data generated in the field (for instance in a firm) • Exogenous treatment variation allows to study causal effects

Types of Data

- When evaluating management practices it is often useful to combine different types of data
- Qualtrix/SAP for instance distinguish X- and O-data

"X-data" Experience data	"O-data" Operational data
• Essentially data from surveys • Perceptions and Attitudes • Examples: Employee satisfaction, Customer satisfaction,…	• Data from IT systems on operational processes • Examples: Quit rates, bonuses, salaries, sales, profits, hiring durations