

The background of the slide features a large, faint watermark of the University of Cologne seal. The seal is circular and depicts a religious scene with three figures on the left, a kneeling figure in the center, and a seated figure on the right. The text 'Coloniensis' is visible on the left side of the seal, and '1181' is on the right. The seal is rendered in a light blue-grey color.

The Evaluation of Management Practices

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Contents

1. Introduction
2. Regression Essentials
3. Statistical Tests
4. Predictions and Machine Learning
5. Regression and Causality
6. Using Panel Data
7. Statistical Power

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

- 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)

Laboratory experiment

- 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

Field experiment

- 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
<ul style="list-style-type: none">• Essentially data from surveys• Perceptions and Attitudes• Examples: Employee satisfaction, Customer satisfaction,...	<ul style="list-style-type: none">• Data from IT systems on operational processes• Examples: Quit rates, bonuses, salaries, sales, profits, hiring durations