

Communist Era Managers in Modern Times: A Comparison of Management Skills Across Generations

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Introduction

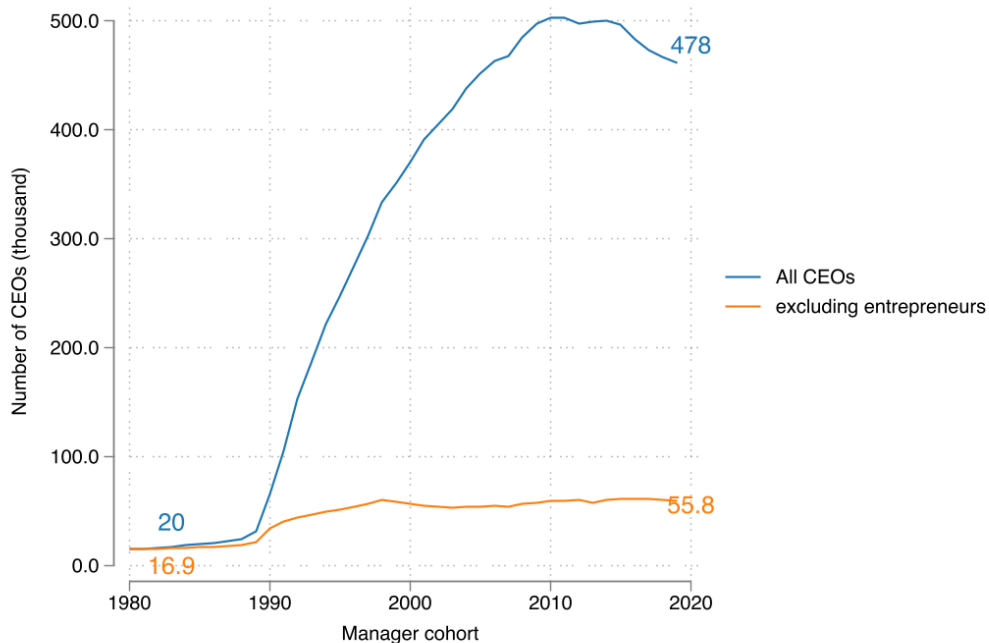
Hungary, 1980 (Fortepan / Szalay Zoltán)



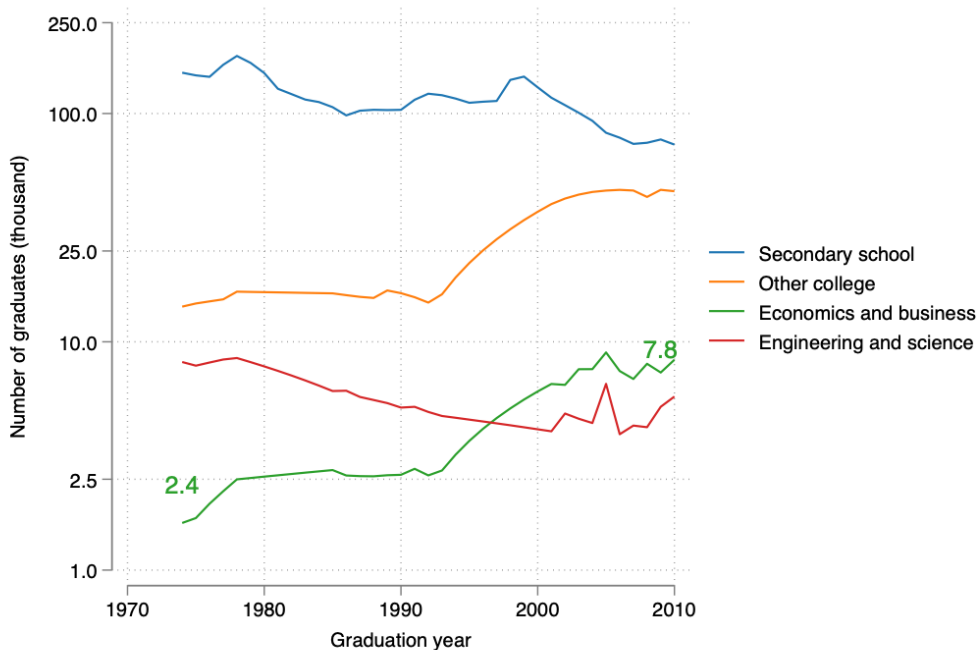
Hungary, 1990 (MTI)



Number of Executive Positions Increased



Business Degrees Became More Prominent



Would you like to be an entrepreneur?

Table 1

Entrepreneurial Inclination 1988–1996 (%)

	1988	1990	1992	1993	1994	1995	1996
Would become an entrepreneur	25	44	27	19	23	20	16
It depends	4	^a	10	12	11	9	11
Would not become an entrepreneur	71	56	63	69	66	71	73
N =	2,941	986	4,073	3,773	3,902	4,093	3,564

^aThe answers had a dichotomous structure.

Figure 1: Lengyel, 1997, Fig 1

We know that...

Management matters

- Firms with better management practices are more productive (Bloom et al 2010).
- Management can be improved by intensive training (Bloom et al 2013, Giorcelli 2019).

Managers matter

- Managers are important for firm performance (Bertrand and Schoar 2003, Bennedsen et al 2007).
- Top CEOs are paid a lot (Gabaix and Landier 2008, Frydman et al 2010).

Literature

- Large-scale management interventions: Italy (Giorcelli 2019), US (Bianchi and Giorcelli 2022, Giorcelli 2023)
- Large-scale education interventions: Italy (Bianchi and Giorcelli 2020), Colombia (Ferreyra et al 2023), Vietnam (Vu 2023)
- Attitudes and histories of entrepreneurs in the transition period: Lengyel György et al (1989...), Laki and Szalai (2004, 2013), Alas and Aarna (2016)
- Long-lasting effects of socialism: Fuchs-Schündeln and Masella (2016), Fuchs-Schündeln and Schündeln (2020)

This paper

- 1 Study Hungarian managers and their management practices
 - administrative data (1985-2019)
 - original survey (2018)
- 2 Explore cohort effects: how old was the manager in 1990?

Data

Administrative Data

Manager Data 1985-2019

Universe of corporations (1m) and their CEOs (1.3m). Firm size (employment) as proxy for manager quality.

Biographies

Full biographies (school, work experience, etc.) for 63k people in 2013. 30k matched to CEO panel.

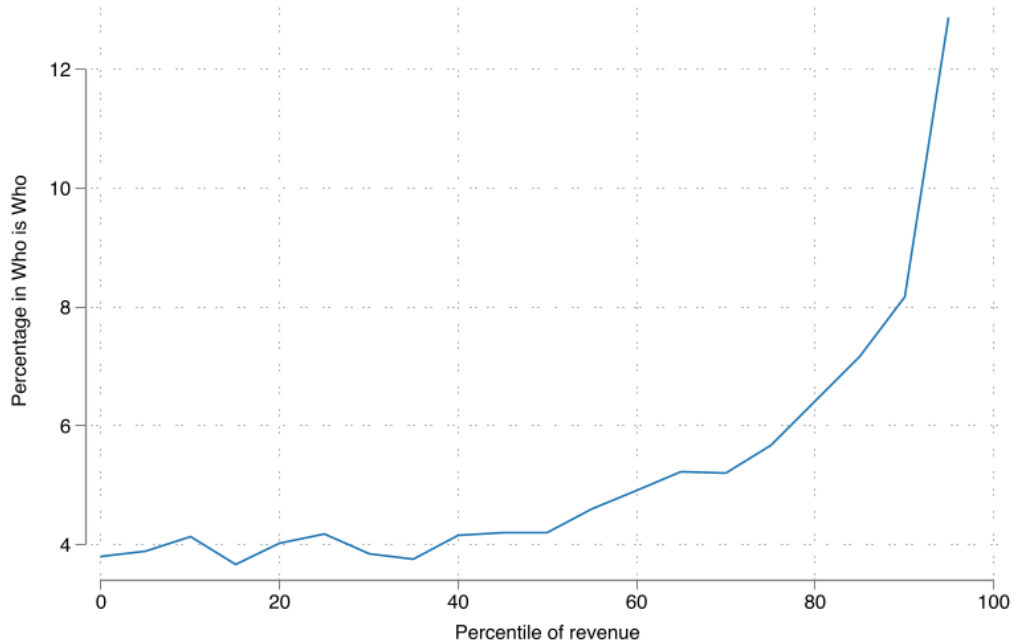
College graduates

Number of graduates by degree and year.

World Management Survey

Survey of Hungarian manufacturing firms, 2018.

Large Firms are Overrepresented in Who is Who



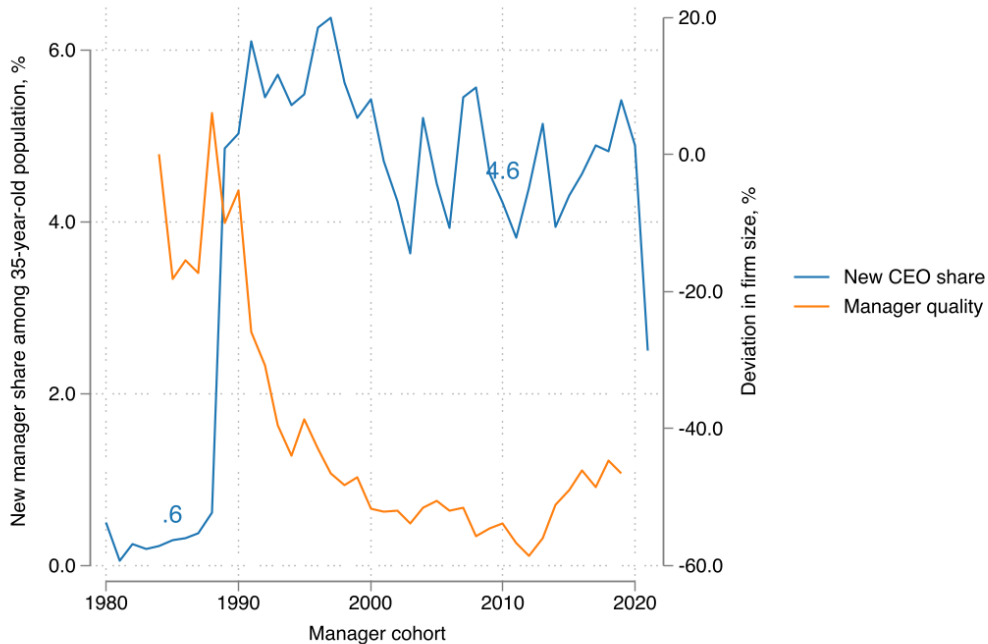
Measuring Manager Quality

Log employment of firm i in year t in industry s , with a manager having entered in cohort c is

$$\ln L_{icst} = \beta_1 \text{manager_age}_{ict} + \beta_2 \text{firm_age}_{ict} + \mu_c + \xi_{st} + \epsilon_{ict}.$$

Quality: μ_c

Quantity Up, Quality Down



World Management Survey

Methodology

Structured phone interview with operations manager or CEO. 40-60 minutes.

“What do you do when there is a production problem?” “How do you motivate your employees?” “What happens if you don’t meet your target?”

Scored on 18 dimensions, 1-5 scale. Higher is better.

Hungarian wave

Spring and Summer of 2018.

Target population: manufacturing firms with 50+ employees.

Sample: 762 firms.

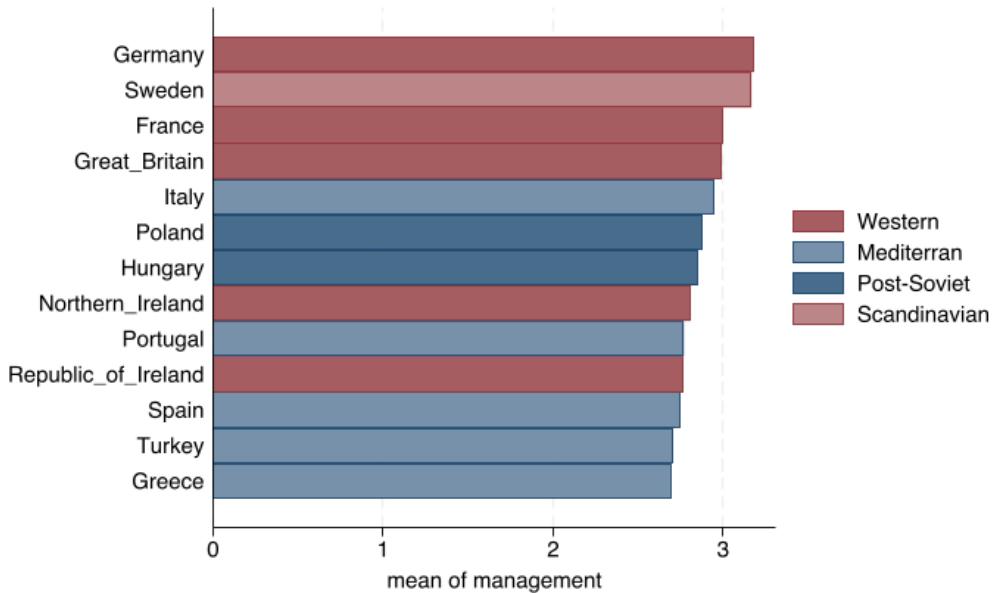
Survey logistics

10 surveyors

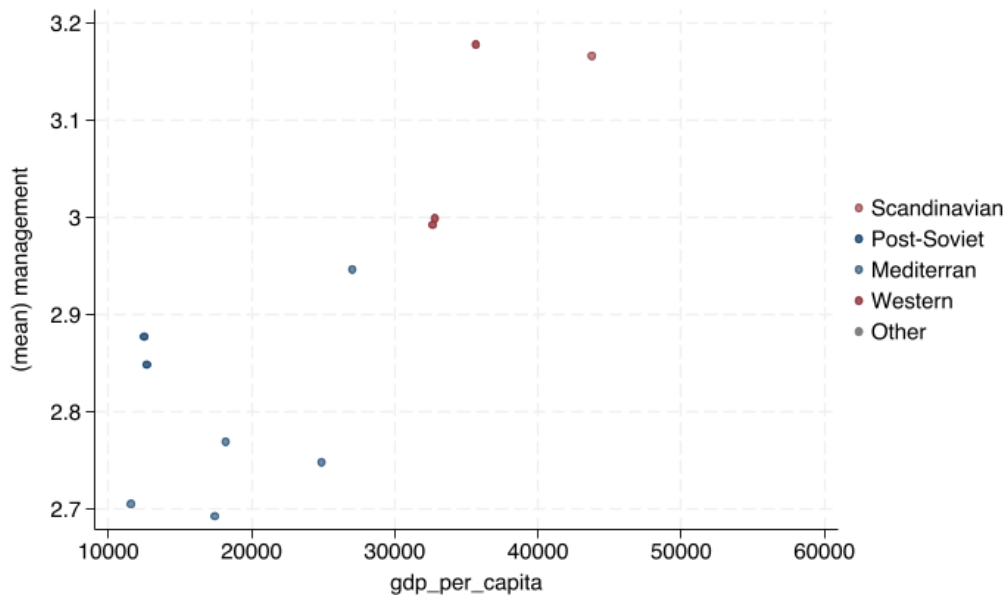
Funnel

- 1 762 firms contacted by phone
- 2 281 (37%) resulted in direct contact to manager
- 3 144 (51%) scheduled an interview
- 4 126 (87%) completed the interview
- 5 118 (94%) usable responses

Where is Hungary?

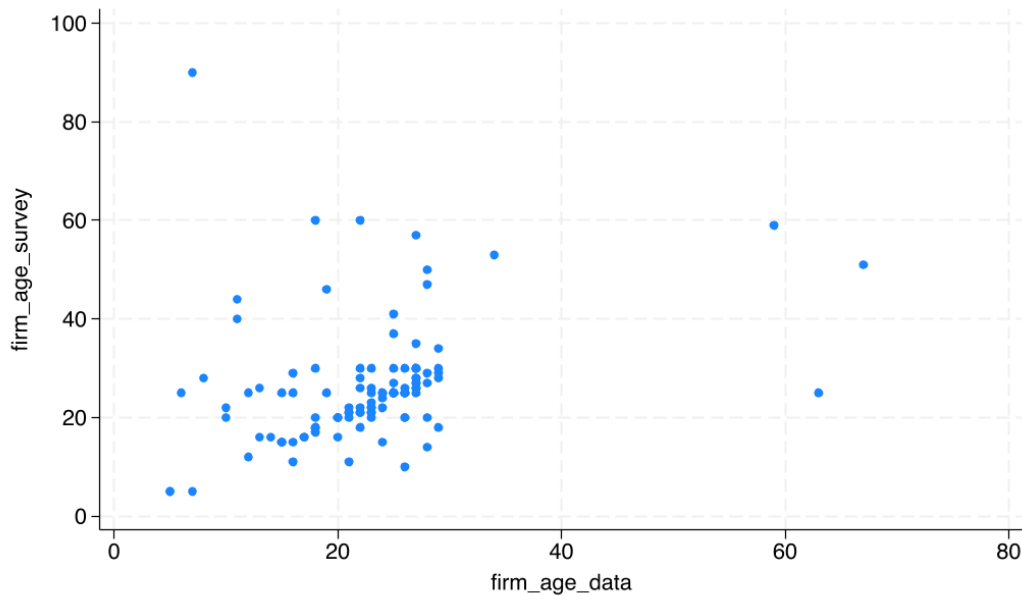


Richer countries have better management

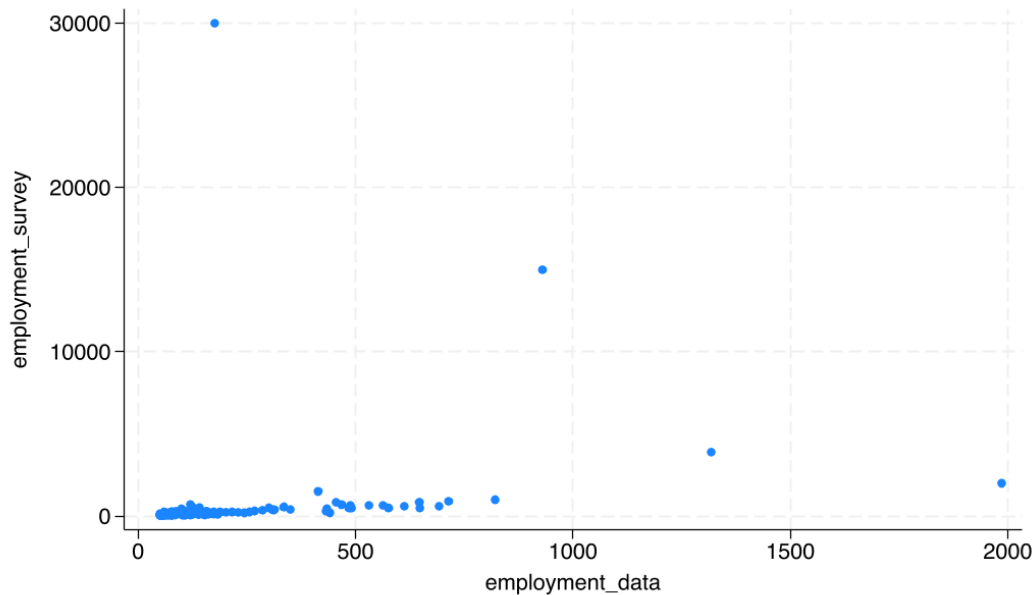


Validation

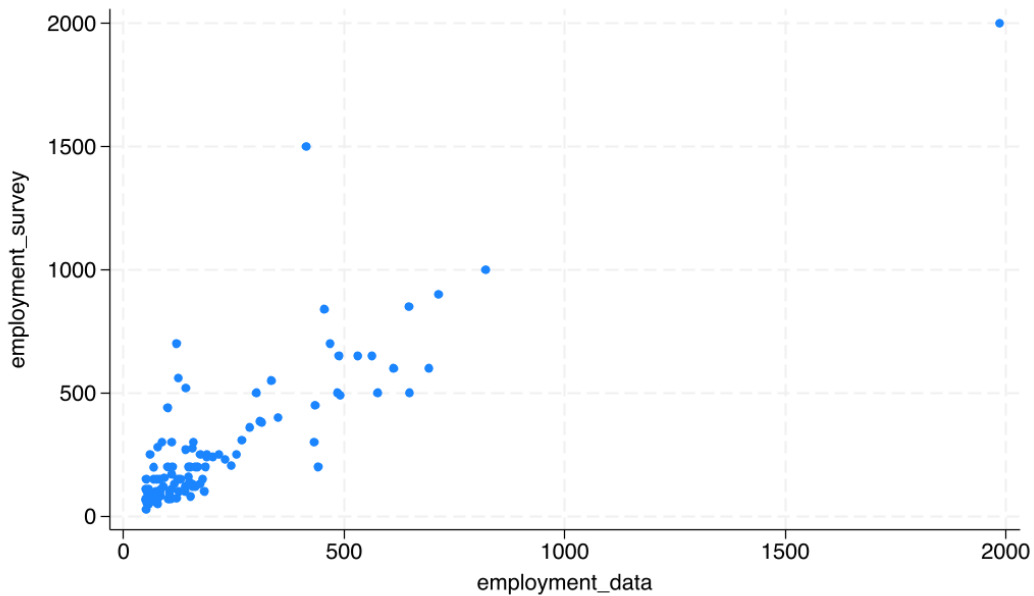
How old is your firm?



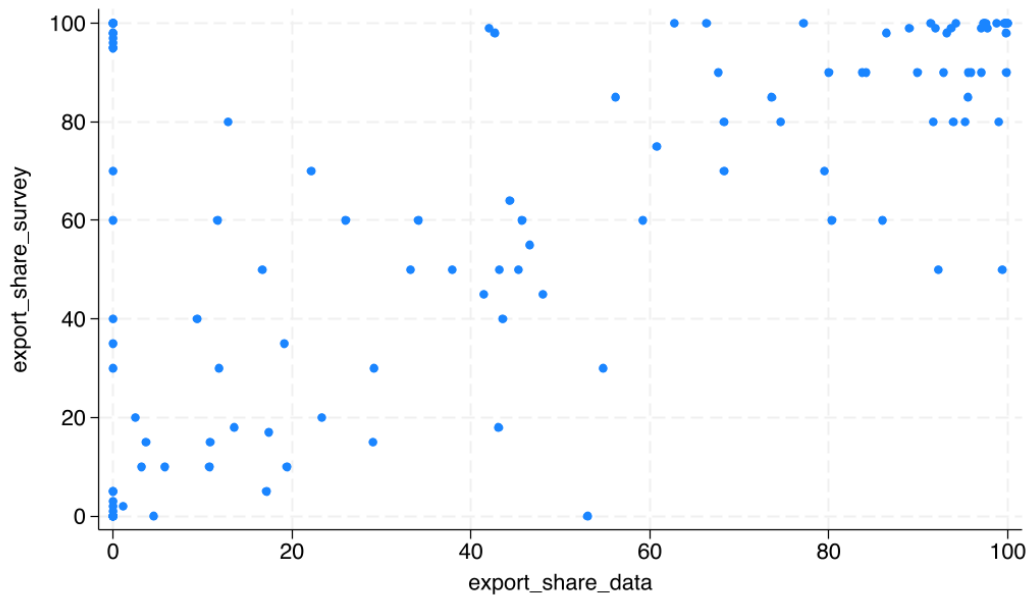
How many employees does your firm have?



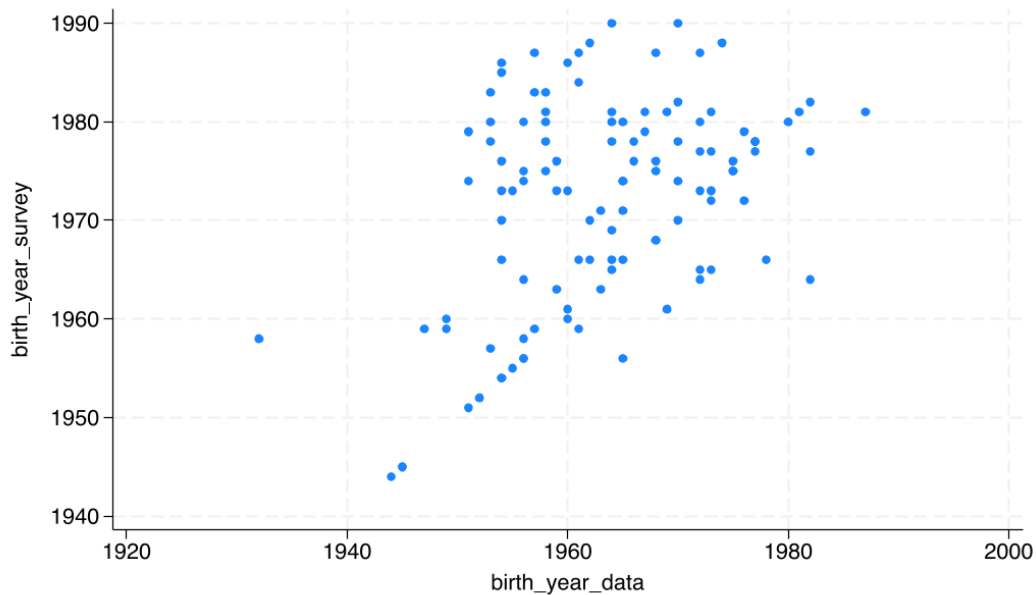
...zooming in



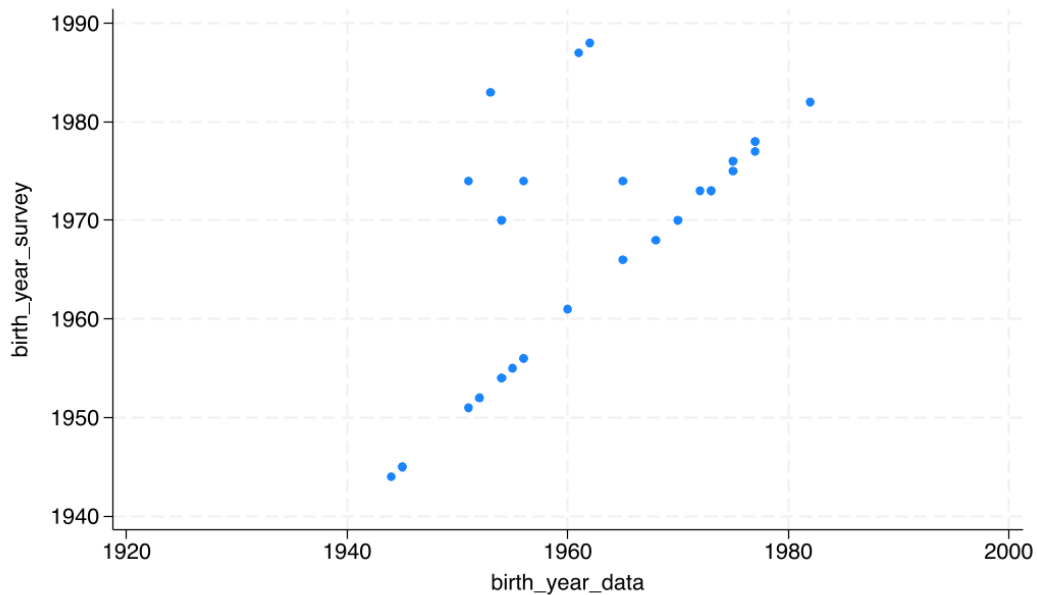
What percentage of your revenue is coming from exports?



Birth year of respondent and the CEO



...if the respondent **is** the CEO



Management Scores

Larger foreign firms are better managed

VARIABLES	(1) management	(2) management	(3) management	(4) management
lnL	0.382*** (0.0615)	0.361*** (0.0589)	0.398*** (0.0679)	0.449*** (0.0600)
entrepreneur	-0.319** (0.128)			
foreign		0.461*** (0.109)		
exporter			0.274 (0.165)	
expat				0.0991 (0.152)
Constant	1.068*** (0.352)	0.856*** (0.302)	0.637** (0.320)	0.578* (0.319)
Observations	118	118	118	118

Management improves labor productivity

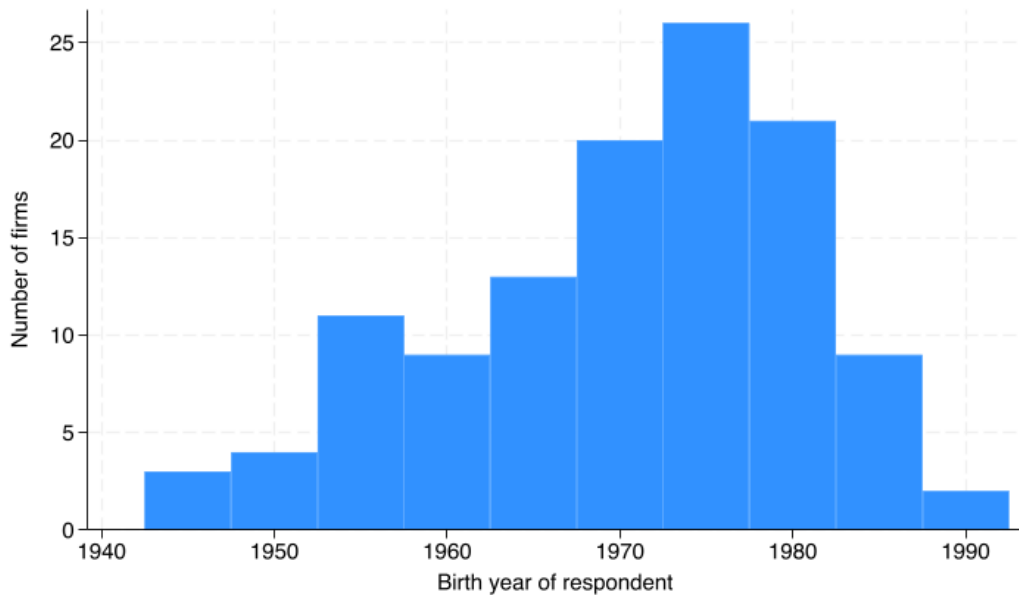
VARIABLES	(1) lnQ	(2) TFP	(3) exporter
management	0.454*** (0.171)	0.0385 (0.0478)	0.0839 (0.0670)
lnL	1.097*** (0.147)	-0.00639 (0.0377)	0.151*** (0.0481)
foreign	0.108 (0.217)	0.0381 (0.0420)	0.0833 (0.0703)
Constant	8.167*** (0.682)	-0.0901 (0.148)	-0.248 (0.235)
Observations	118	114	118
R^2	0.546	0.025	0.206

Robust standard errors in parentheses

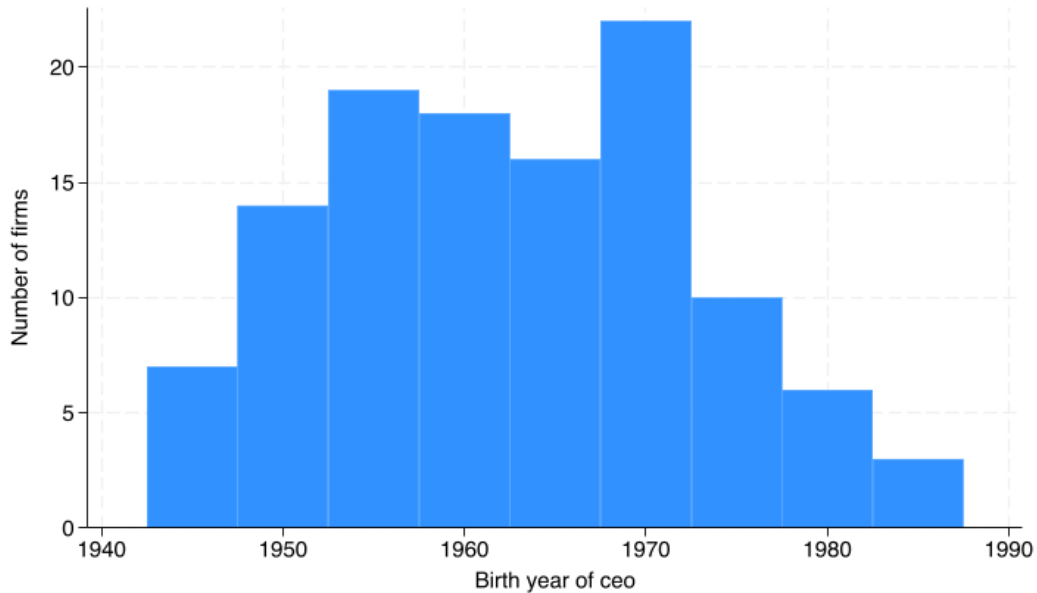
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Cohort Effects

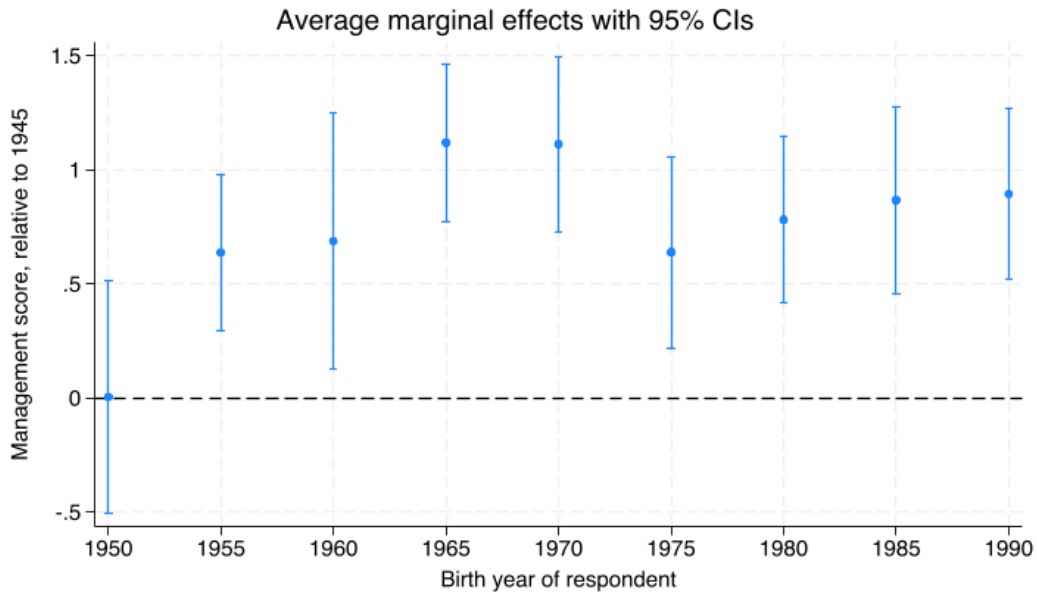
Distribution of birth years of respondents



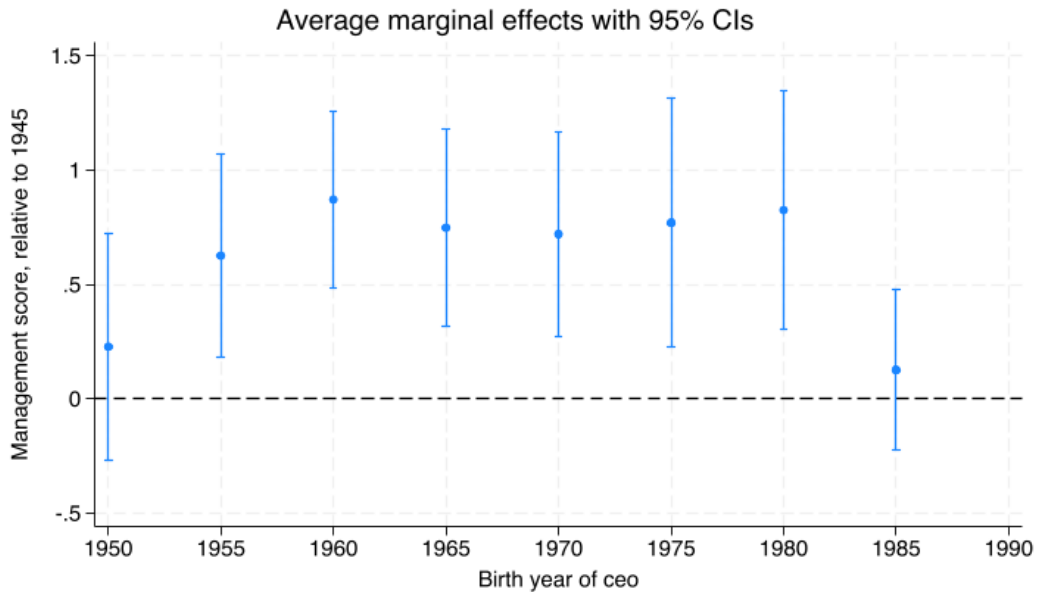
Distribution of birth years of CEOs



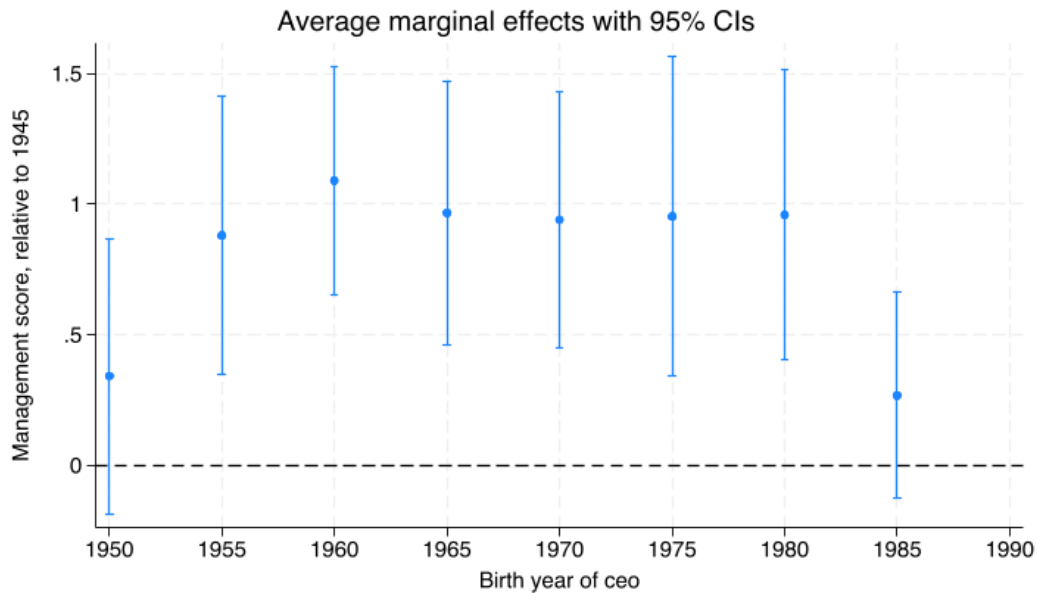
Older respondents are worse managers



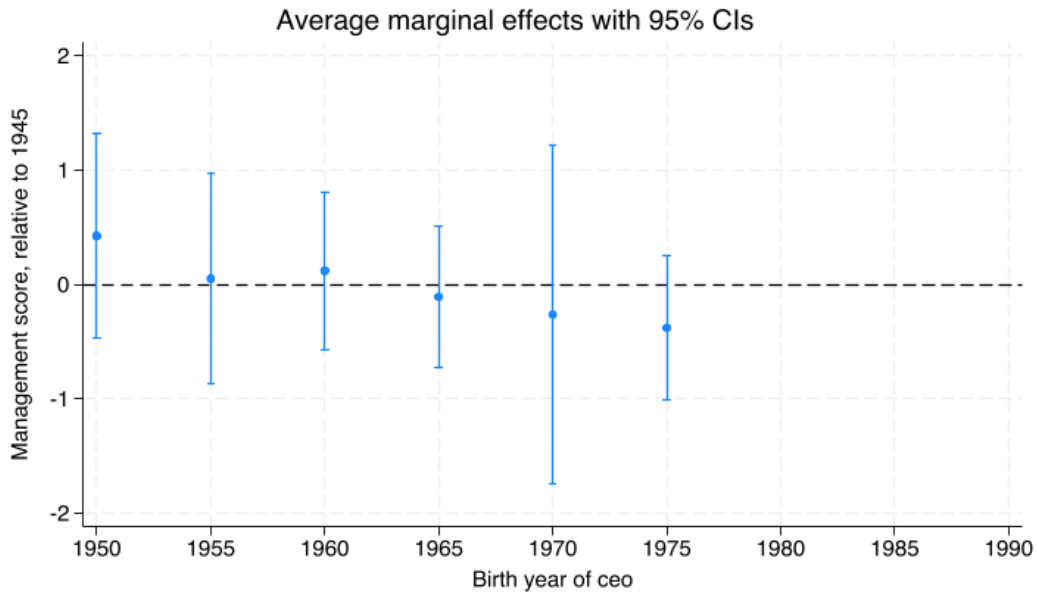
Older CEOs are worse managers



Cohort effects only matter for domestic CEOs



... not for expats



Conclusion

Summary

- 1 Management scores meaningfully correlate with firm outcomes.
- 2 Hungarian managers are worse than in richer countries.
- 3 Especially those born before 1955.

Next Steps

- 1 Collect data from other countries: Germany, Poland.
- 2 Investigate the role of education and training in management quality.