

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

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Introduction

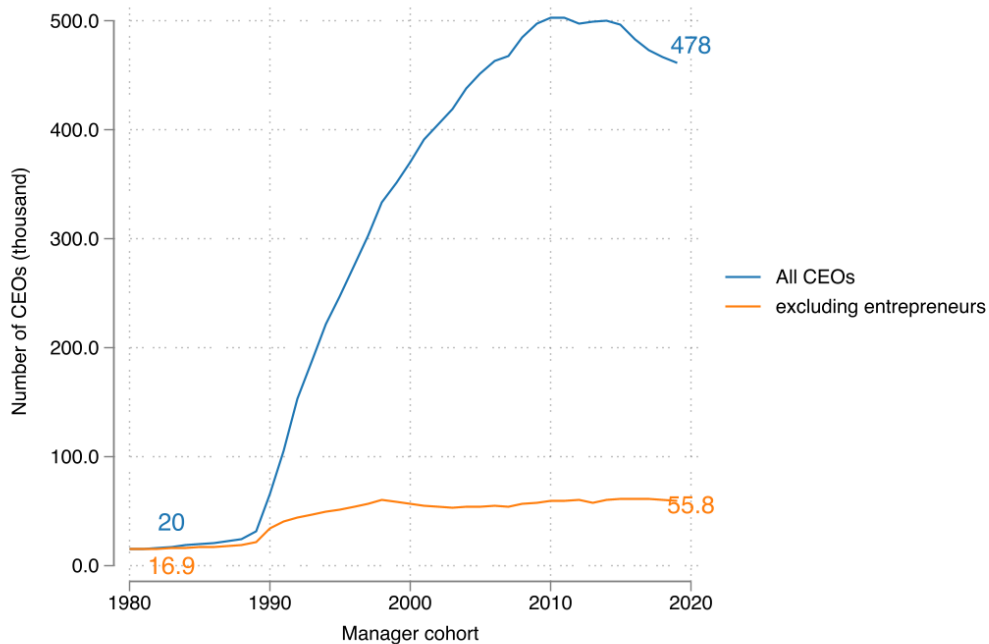
Hungary, 1980 (Fortepan / Szalay Zoltán)



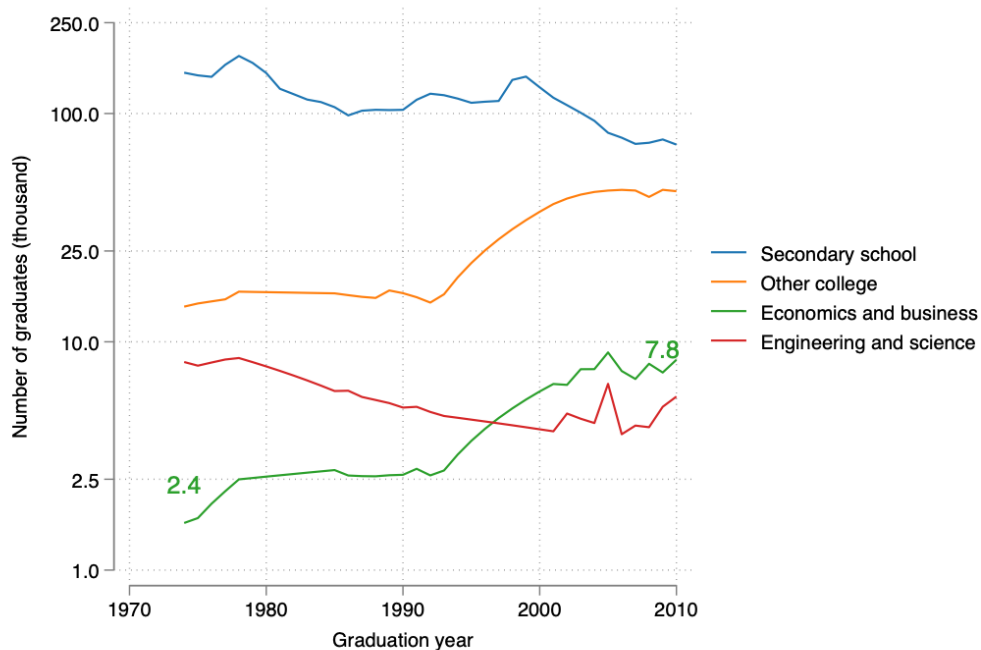
Hungary, 1990 (MTI)



Number of Executive Positions Increased



Business Degrees Became More Prominent



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 (Ferreira et al 2023), Vietnam (Vu 2023)
- Selection by skill: Denmark (Akcigit, Pearce and Prato 2020)
- Calibrated models with education and selection: Guner et al 2008, Bhattacharya et al. 2013, Gomes and Kuehn 2017 and Esfahani 2019.

Setup and Data

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.

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

Degree of Selection

$$\ln \pi_{ic} = \theta \ln \lambda_i - \theta \mu_c + \varepsilon_{ic}.$$

Selectivity: θ

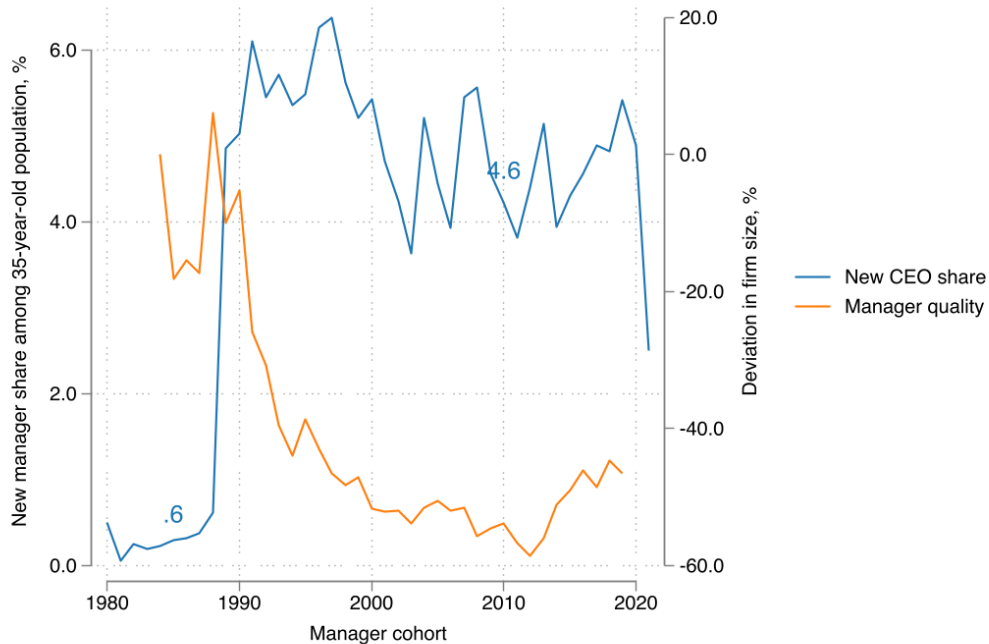
Manager Selection by Degree

VARIABLES	(1) ln_pi
(firstnm) firm_size	-6.872*** (1.982)
(firstnm) degree = 1, economics	4.032*** (0.368)
(firstnm) degree = 2, engineering	3.676*** (0.492)
(firstnm) degree = 3, other	2.041*** (0.455)
Constant	-14.92*** (2.106)
Observations	87
R^2	0.553

Robust standard errors in parentheses

*** p < 0.01 ** p < 0.05 * p < 0.1

Quantity Up, Quality Down



World Management Survey

Methodology

Hungarian wave

Spring and Summer of 2018.

Target population: manufacturing firms with 50+ employees.

Sample: 762 firms.

Survey logistics

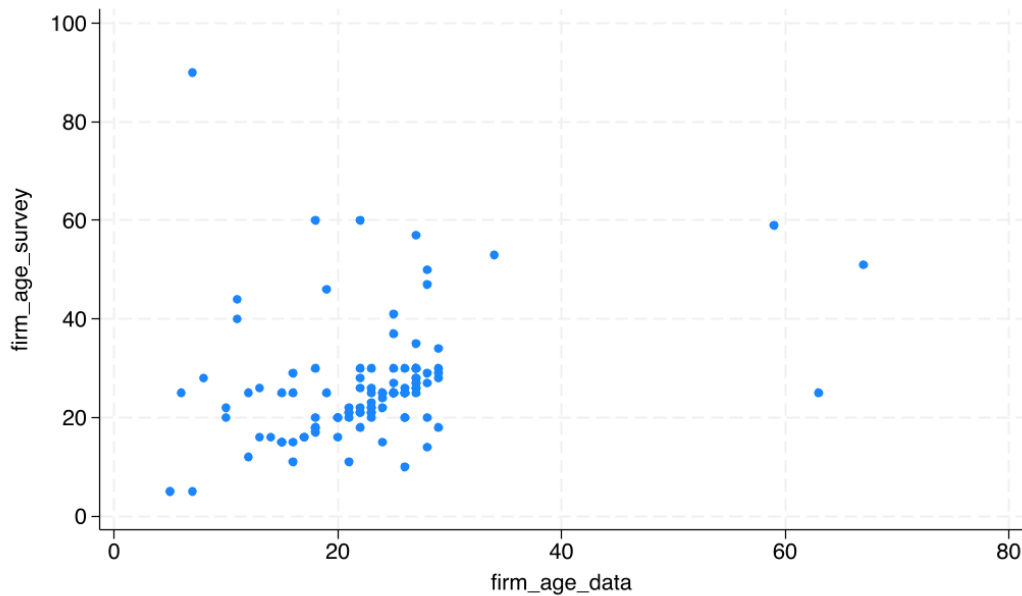
10 surveyors

Funnel

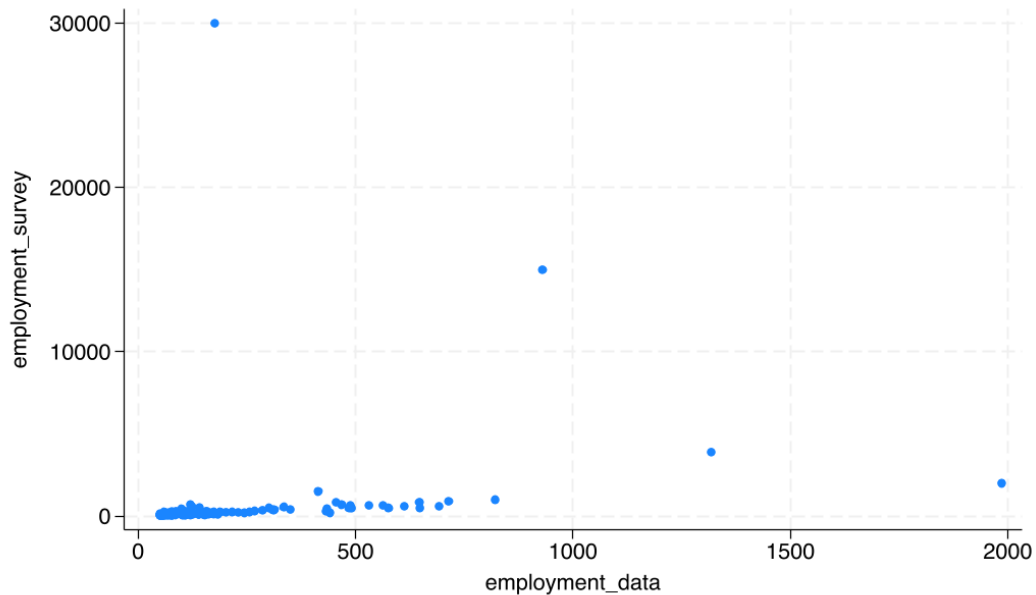
- 1 762 firms contacted by phone
- 2 281 (37%) resulted in direct contact to manager
- 3 144 (51%) scheduled an interview
- 4 126 (87%) completed the interview
- 5 118 (94%) usable responses

Validation

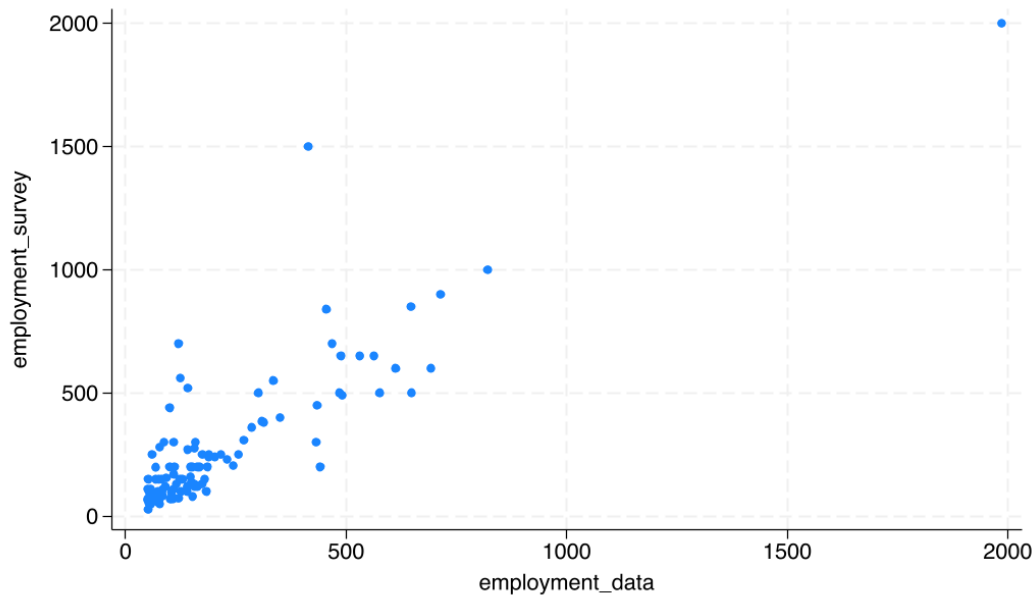
How old is your firm?



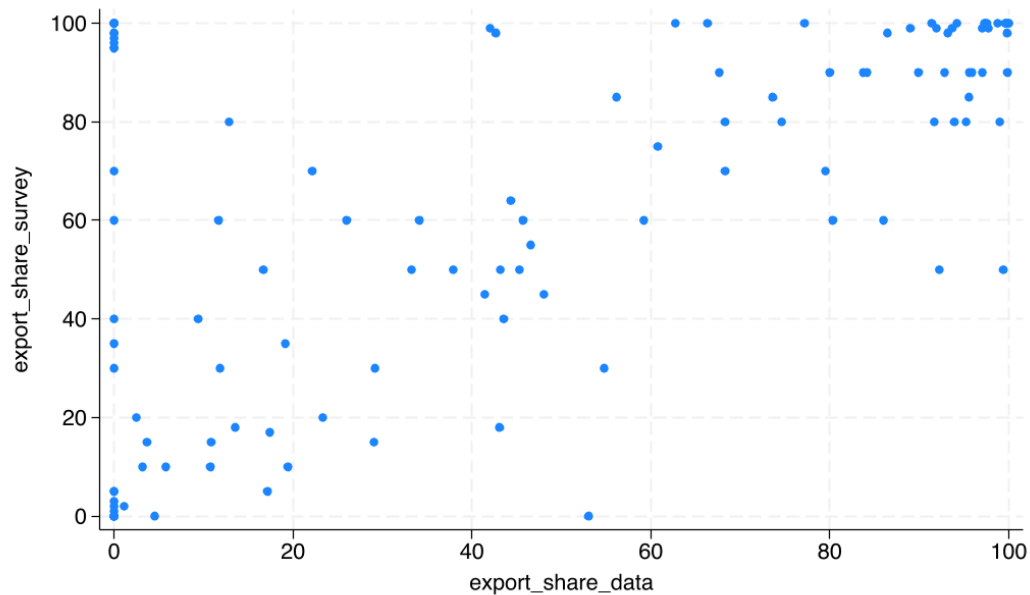
How many employees does your firm have?



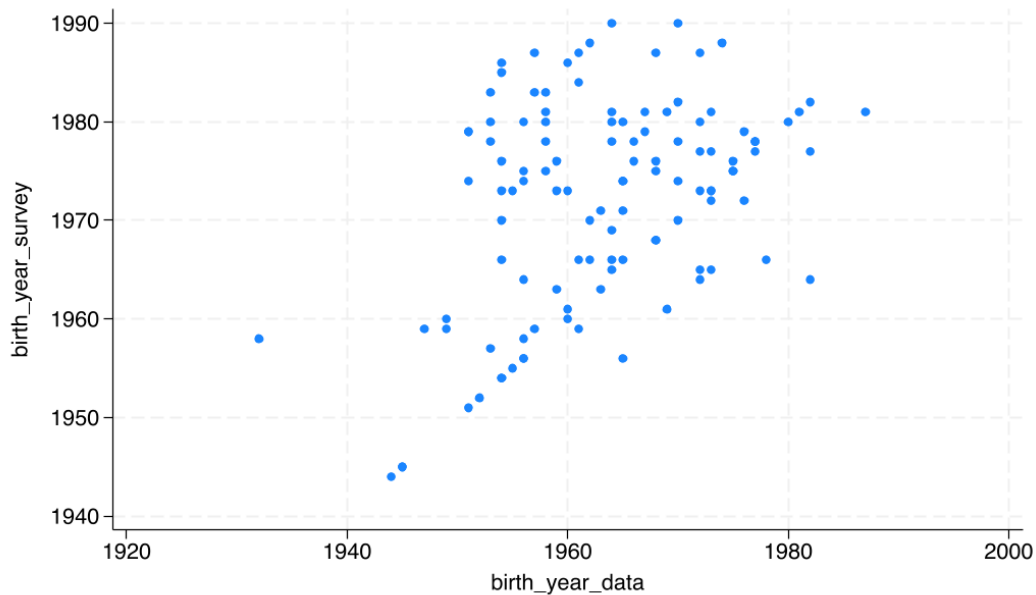
...zooming in



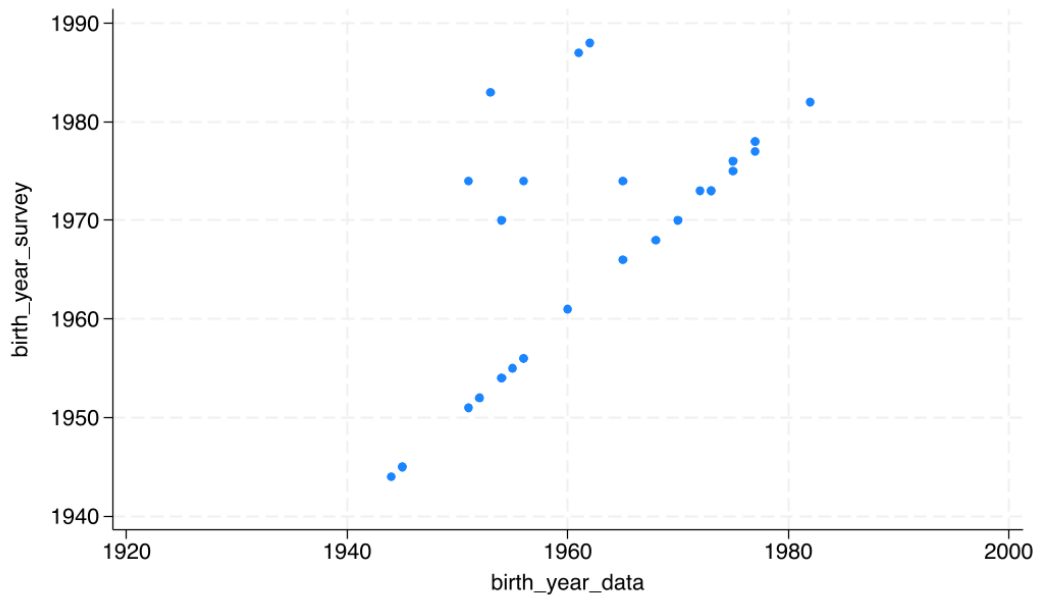
What percentage of your revenue is coming from exports?



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

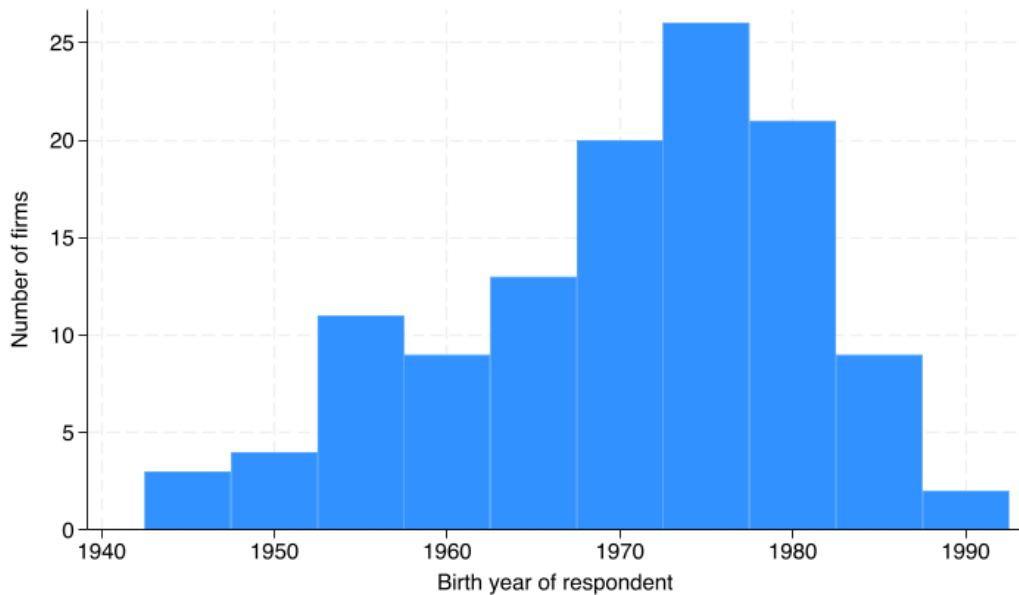
VARIABLES	(1) lnQ	(2) TFP	(3) exporter
management	0.454*** (0.171)	0.0385 (0.0478)	0.0839 (0.0670)
lnL	1.097*** (0.147)	-0.00639 (0.0377)	0.151*** (0.0481)
foreign	0.108 (0.217)	0.0381 (0.0420)	0.0833 (0.0703)
Constant	8.167*** (0.682)	-0.0901 (0.148)	-0.248 (0.235)
Observations	118	114	118
R^2	0.546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

Robust standard errors in parentheses

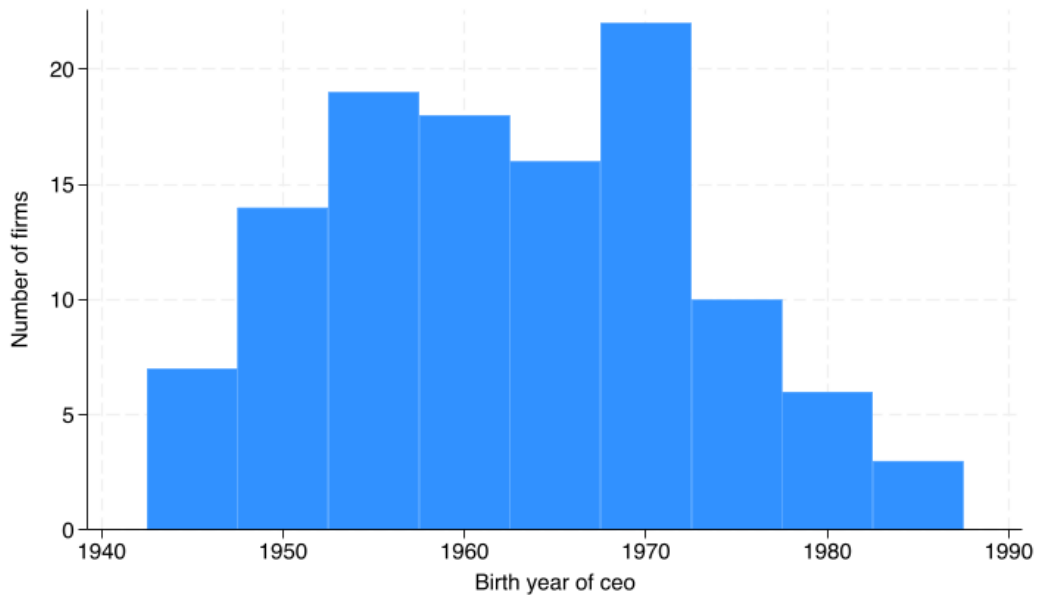
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Cohort Effects

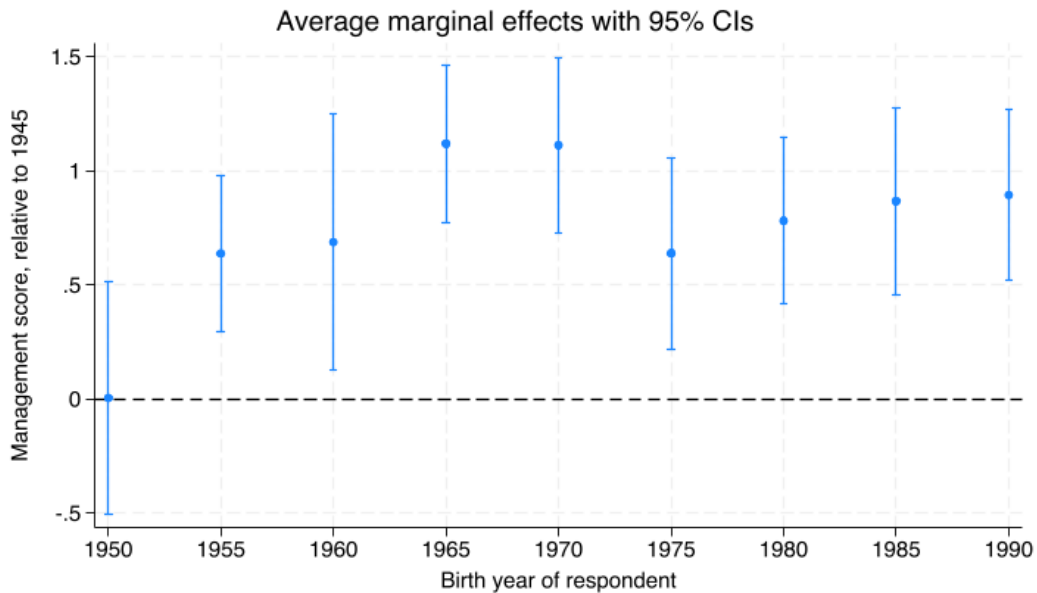
Distribution of birth years of respondents



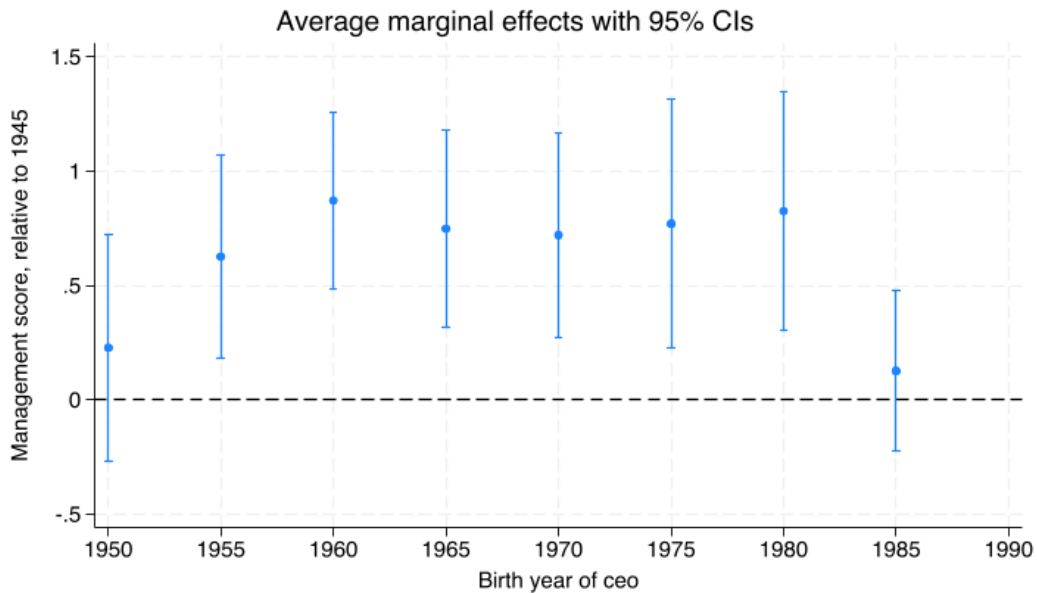
Distribution of birth years of CEOs



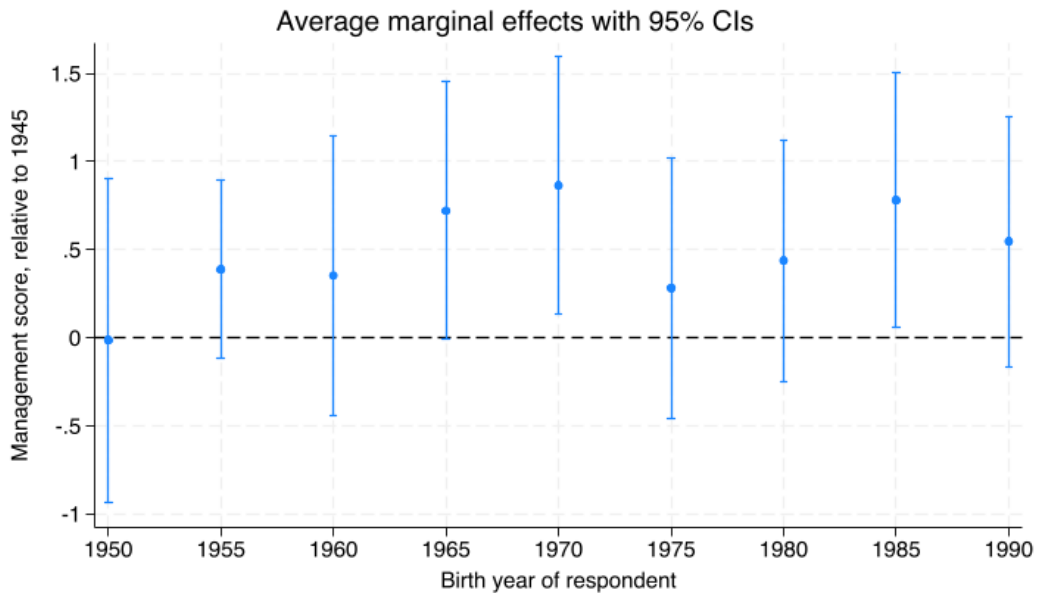
Older cohorts are worse managers



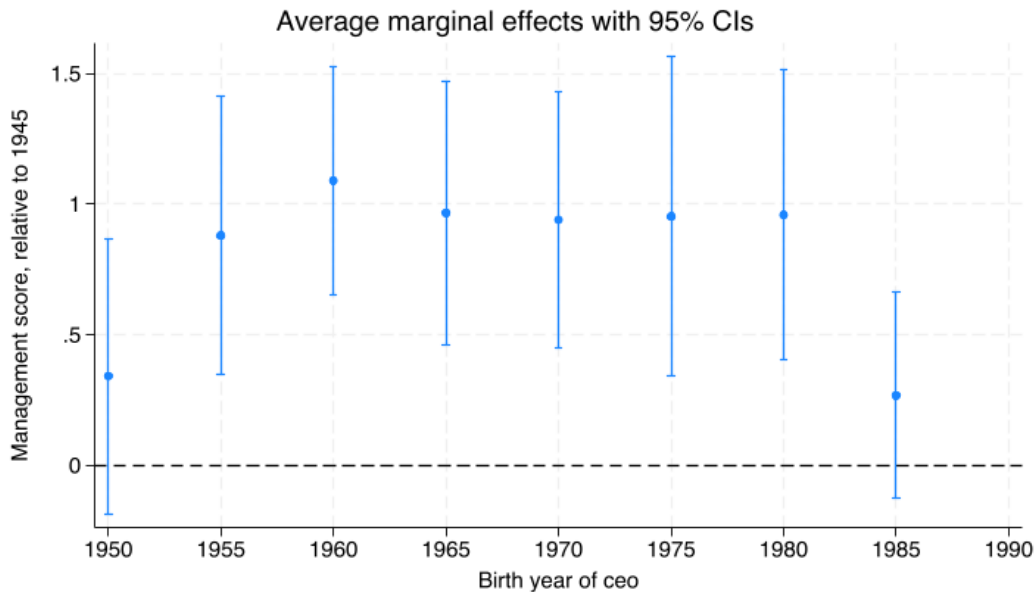
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Cohort effects only matter for domestic CEOs



... not for expats

