

What affects firm productivity?

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Motivation

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- ▶ Why are some firms more productive than others?
- ▶ Even within narrowly defined industries, good firms can produce twice as much output per input as bad firms (Syverson 2004, 2011).
- ▶ Productivity differences are persistent over time and affect many aspects of a firm's life (e.g., exporting, wages).
- ▶ Robust finding across countries and over time.

What interventions can improve firm productivity?

1. Access to capital and technology:

- ▶ Access to imported materials (**Halpern, Koren** and **Szeidl** 2015) and imported technology (**Halpern, Hornok, Koren** and **Szeidl** 2018) improves firm productivity. (Hungary, manufacturing)

2. Worker training:

- ▶ Worker training works even in large state-owned enterprises (Das, Krishna, **Lychagin** and Somanathan 2013). (India, steel)

3. Management intervention:

- ▶ Management training improves productivity (Bloom et al 2011). (India, textile)
- ▶ Manager meetings increase sales (Cai and **Szeidl** 2017). (China, trade)

Network effects in firm performance

1. Spatial proximity matters for export/import behavior (**Bisztray, Koren** and **Szeidl** 2017, Hungary) and innovation (**Lychagin** 2016, USA, software).
 - ▶ Targeted interventions work better.
2. Business meetings (Cai and **Szeidl** 2017) increase firm revenue (China, trade).
 - ▶ Aim to facilitate meetings and interactions.
3. How do firms find clients and suppliers? (**Békés, Koren, Muraközy** and **Telegdy** 2018) (Hungary, Romania, Slovakia, manufacturing)

Training improves performance

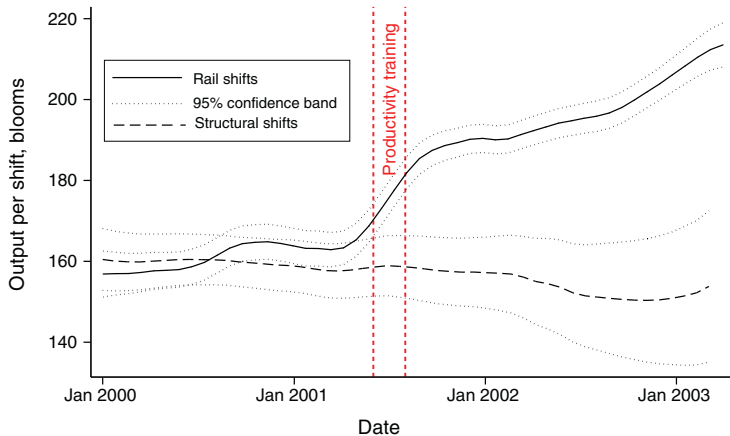


FIGURE 1. EFFECT OF PRODUCTIVITY TRAINING ON OUTPUT PER SHIFT

Management improves performance

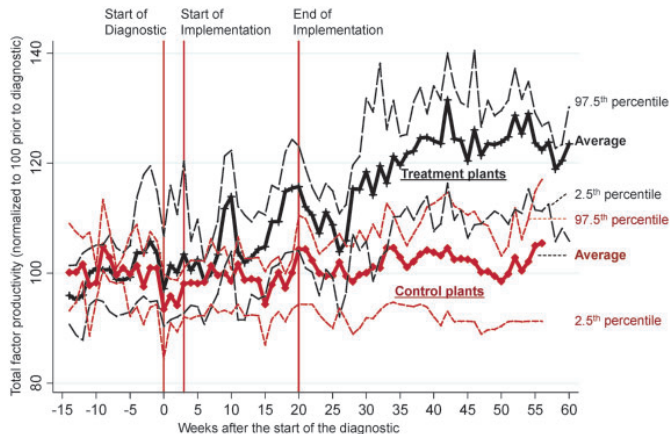
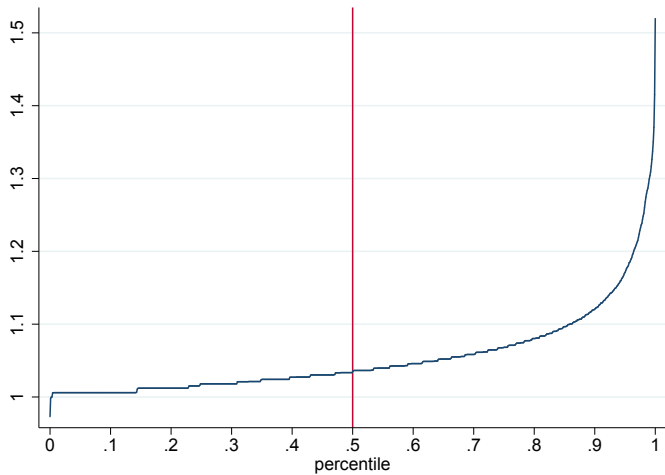


FIGURE VIII

Total Factor Productivity for the Treatment and Control Plants

Social multiplier of intervention



Summary

1. Training interventions raise productivity.
2. Interventions should be targeted at dense nodes in networks.
3. If possible, aim to increase interactions.