

MANAGEMENT PRACTICES AND GROWTH

LSE GROWTH COMMISSION EVIDENCE

Ian Davis' Supporting Charts

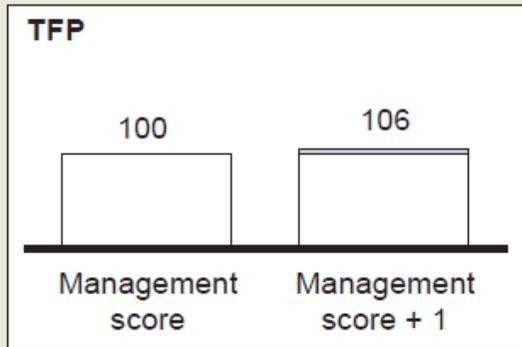
May 28, 2012

The research has consistently found a link between management practices and performance

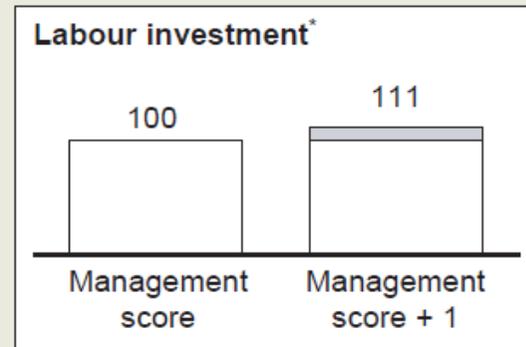
EXHIBIT 3

Impact of improving management practice on output

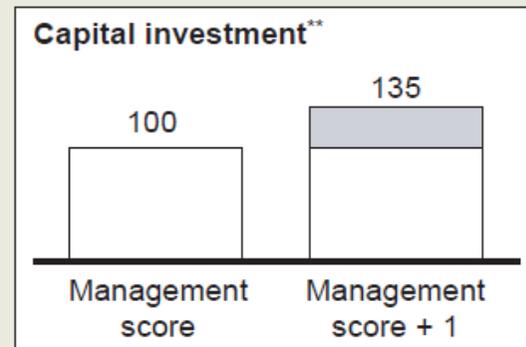
Index



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OR



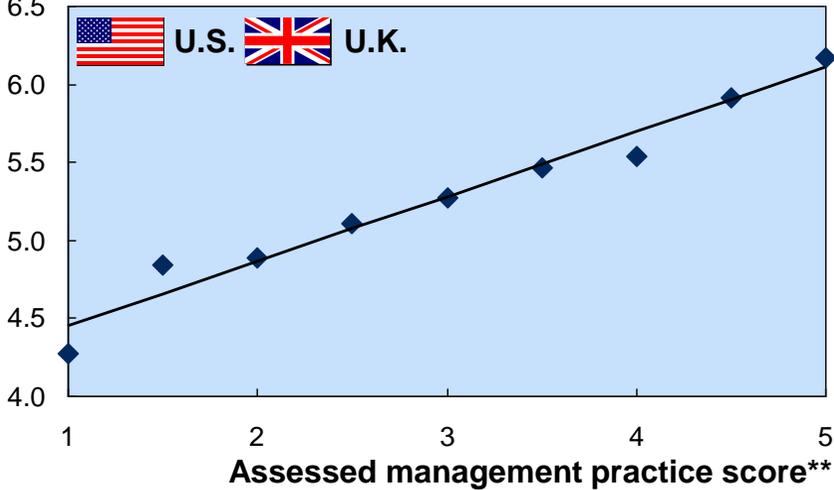
* Number of employees

** Book value of capital

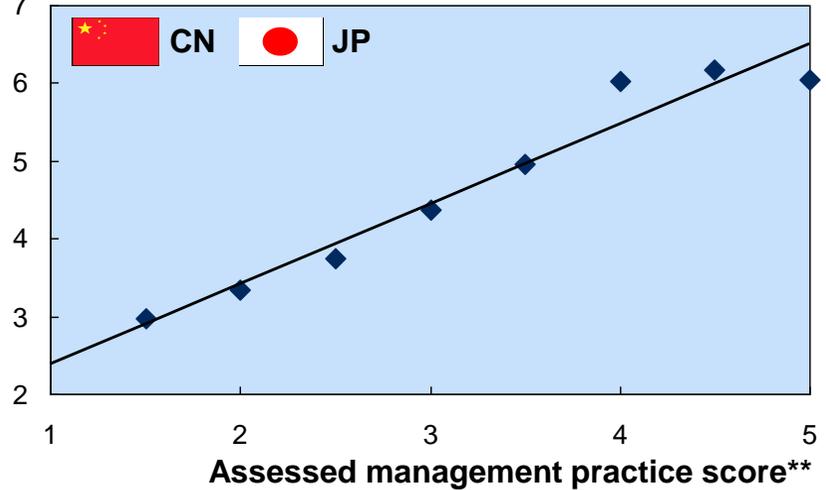
Source: McKinsey/LSE analysis

The link between management practice and performance holds true across countries and cultures

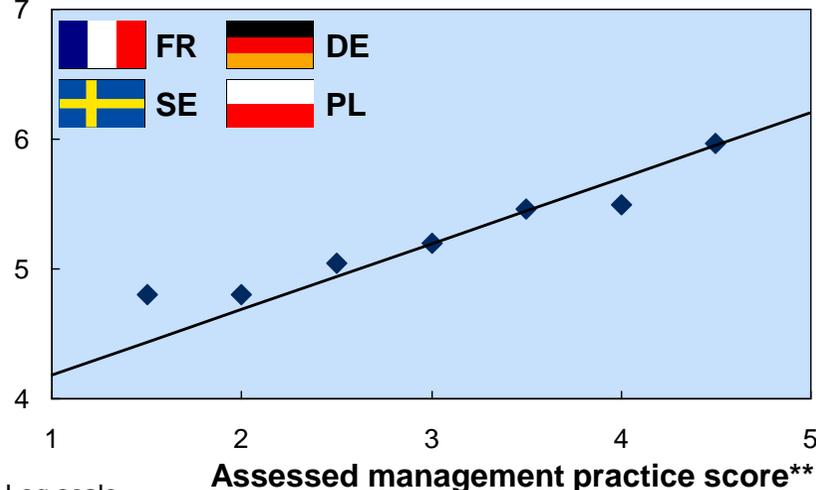
Labour productivity*



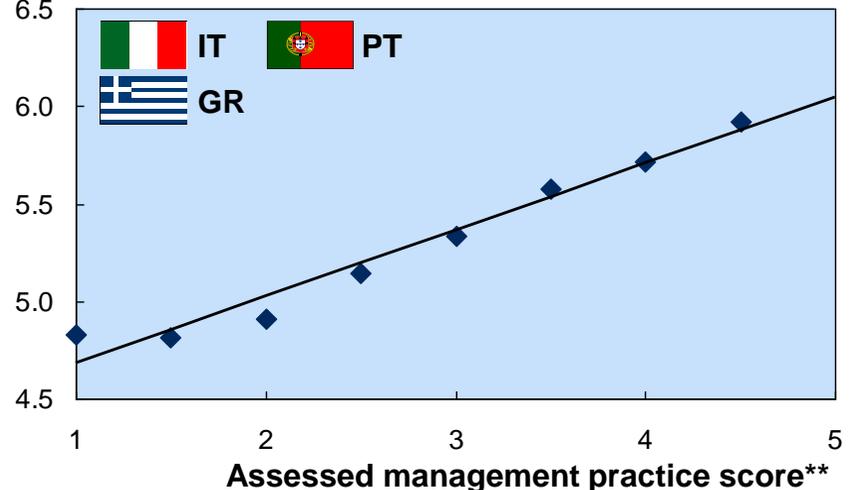
Labour productivity*



Labour productivity*



Labour productivity*



* Log scale

** Firms are grouped in 0.5 increments of assessed management score

We see a similar relationship in between management practices and outcomes in services organisations such as hospitals

A one point increase in management practice quality is associated with

UK Hospitals

- 6.5% reduction in risk adjusted 30 days AMI mortality rates
- 33% increase in income per bed
- 20% increase in the probability that the hospital is above average in terms of patients satisfaction

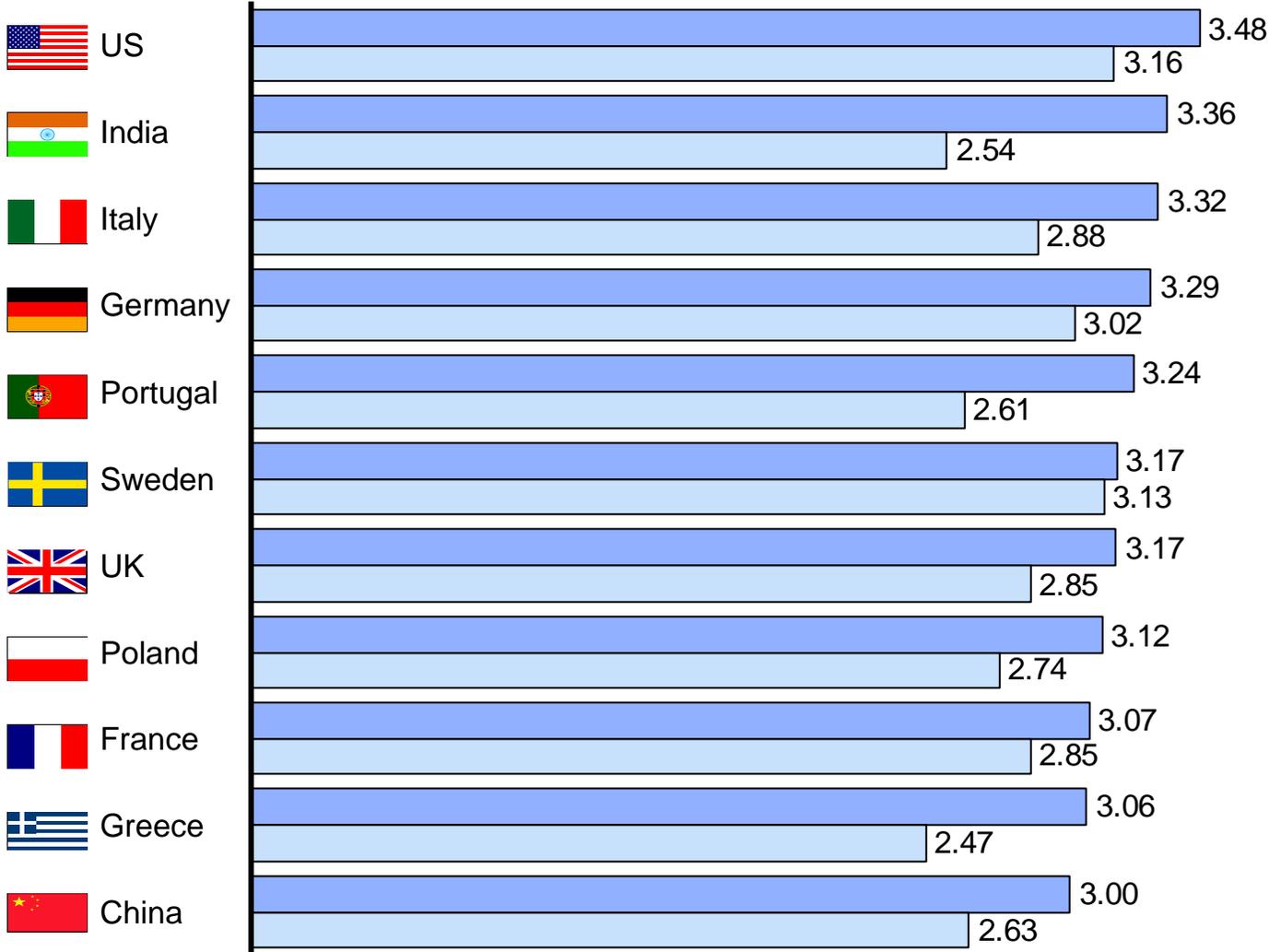
US Hospitals

- 7% reduction in risk adjusted 30 days AMI mortality rates¹
- 14% increase in EBITDA per bed
- 0.8 increase in the percentage of people that would recommend the hospital

The management practices of multinationals are better than those of domestic firms

Management practice score – by country*

Multinationals
Domestic firms

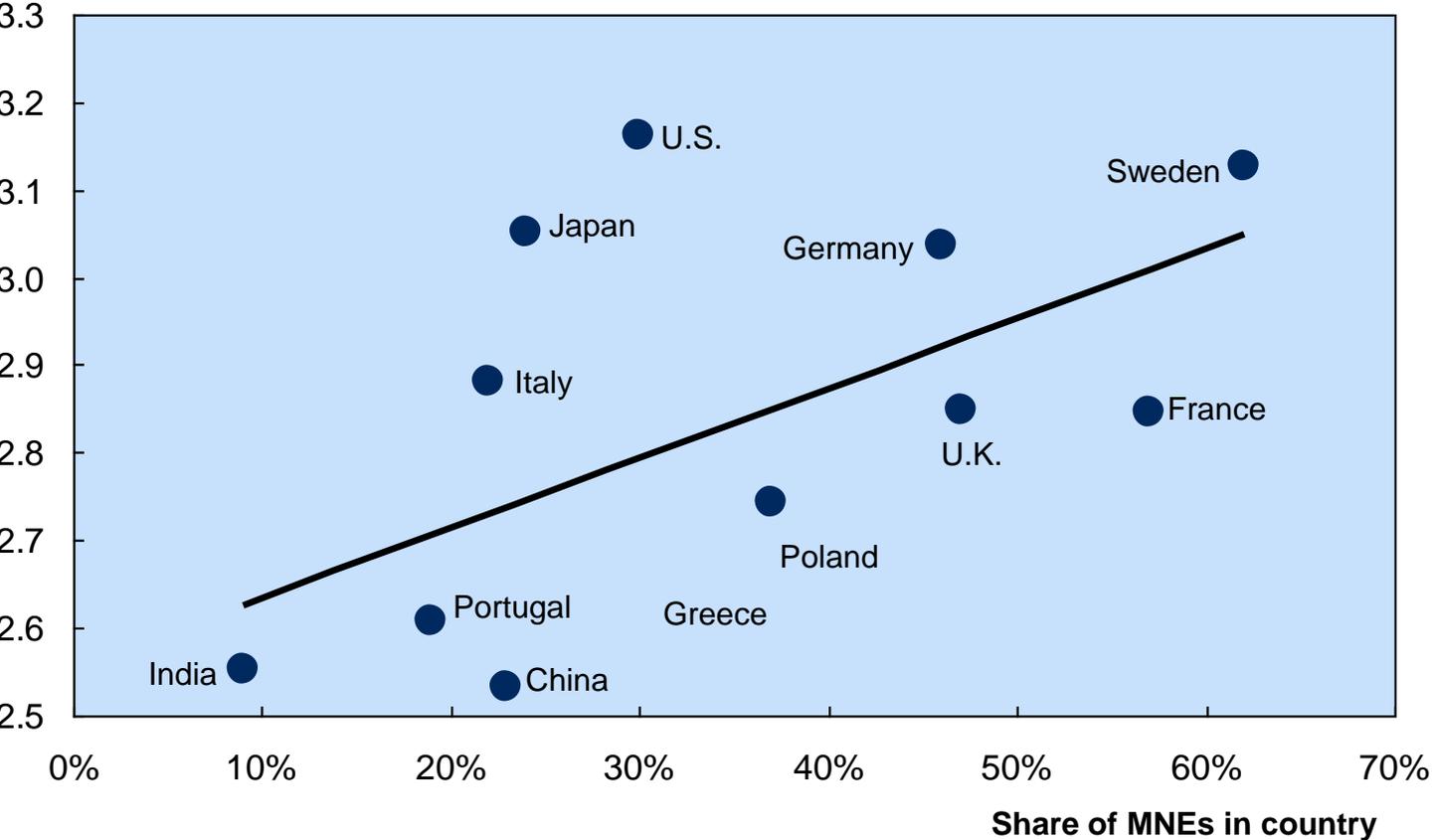


* Japan excluded due to low multinational sample size

Greater MNE presence in a country is associated with improved management practice in domestic firms

Management practice country score – domestic firms

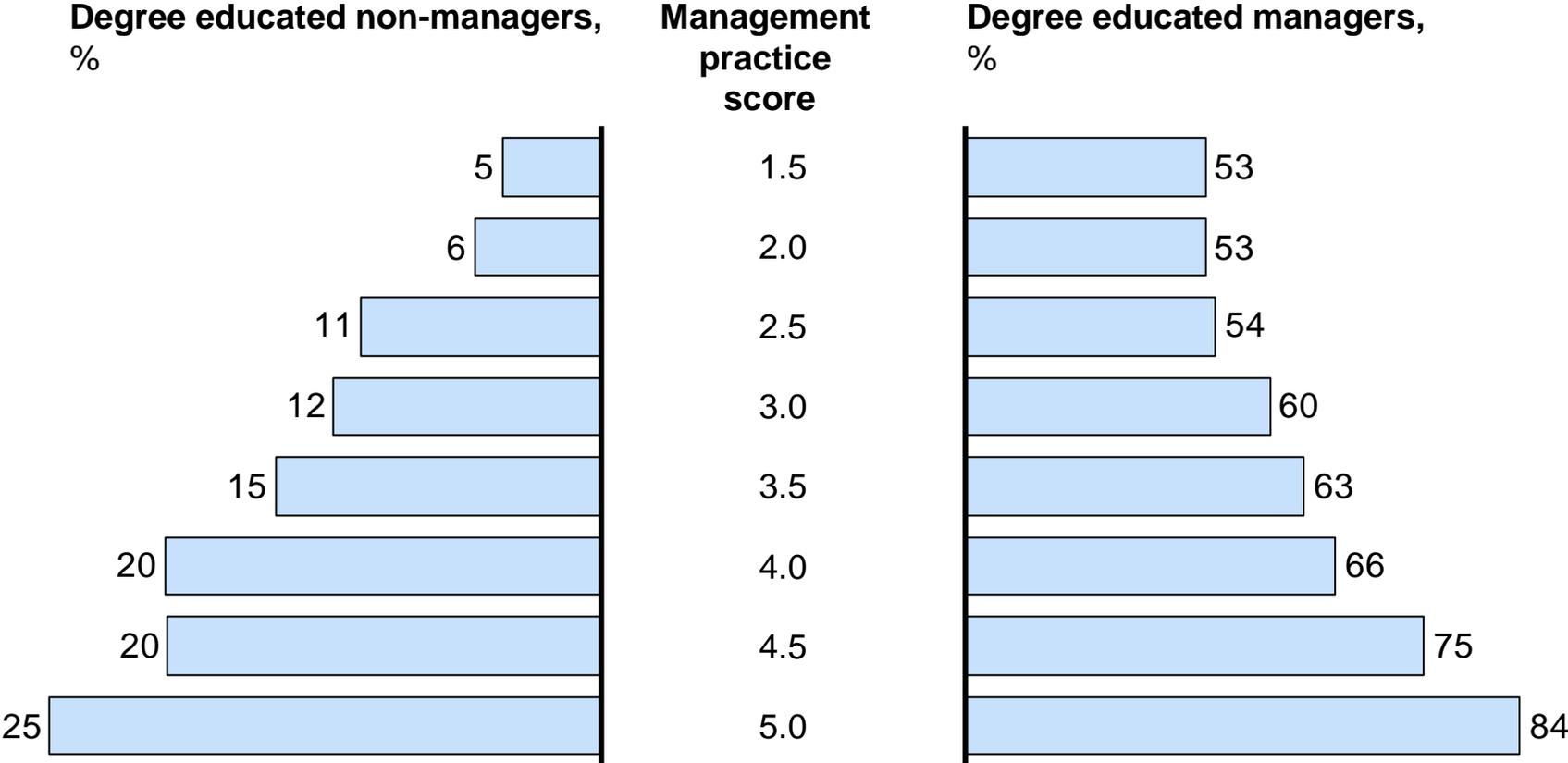
Correlation of 0.545



Source: Data collected from interviews as of Jan 15, 2007

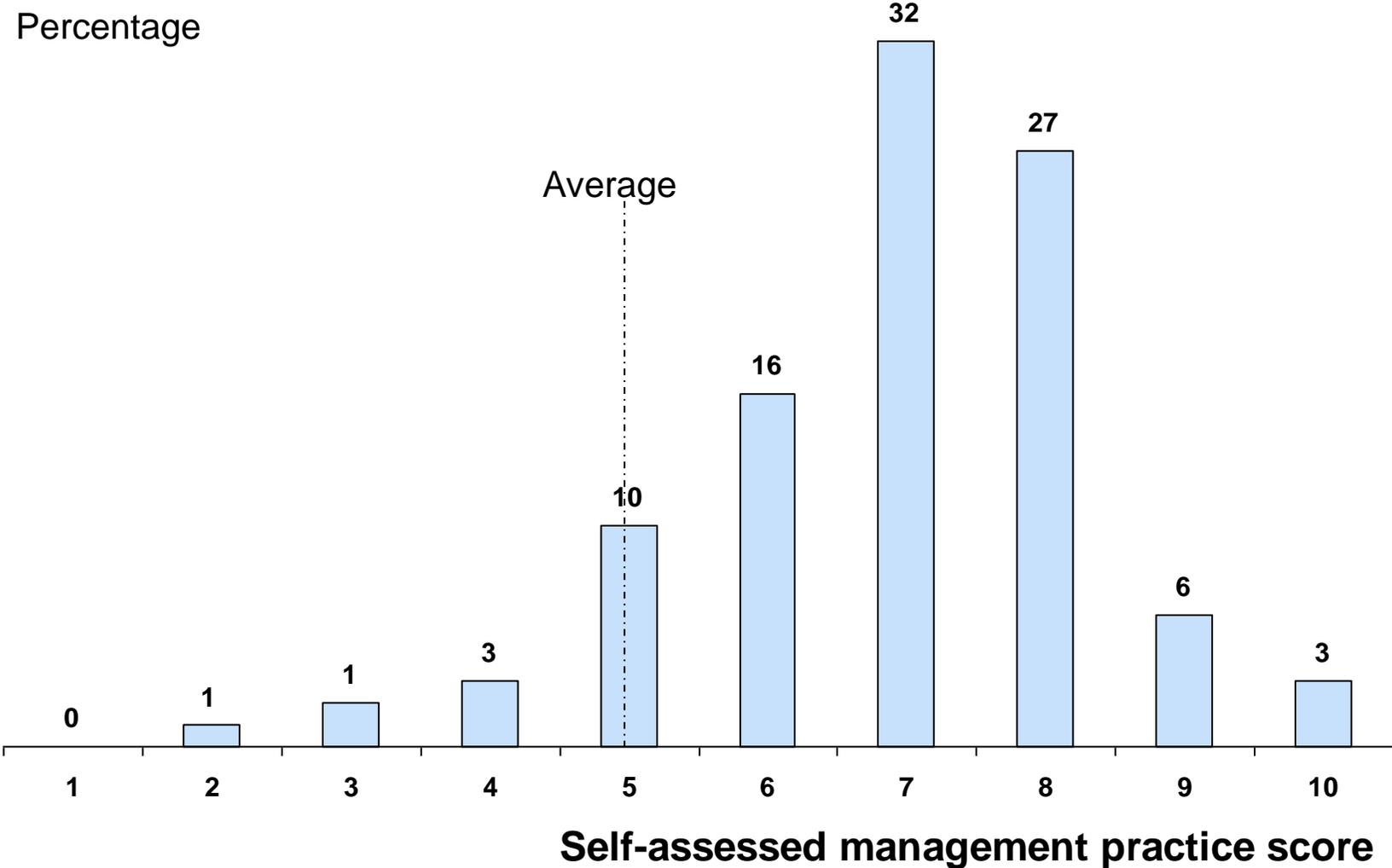
Better management is linked with higher skills

INCLUDES ALL DEGREES



The average manager believes their company has above-average management practice

Percentage



*controlled for ownership type, sector, country, competition and interviewer bias

Source: Interviews as of Jan 15, 2007; team analysis