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Census Bureau Offers First-Ever Large Scale Look at American Management Practices

Release Number: CB13-03

The U.S. Census Bureau today released findings from the Management and Organizational Practices Survey, funded in part by the National Science Foundation and jointly developed with researchers from Stanford University, the Massachusetts Institute of Technology (MIT) and the London School of Economics.

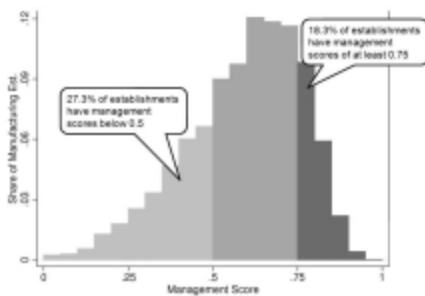
The survey, a supplement to the Annual Survey of Manufactures, is the first ever from the Census Bureau on management practices. It is based on reported data from more than 30,000 of the approximately 50,000 manufacturing plants that were surveyed in the 2010 Annual Survey of Manufactures.

The Management and Organizational Practices Survey includes 16 multiple choice questions about management practices at manufacturing establishments. The questions pertain to subjects such as how managers were promoted, the time frame for production targets and how frequently performance indicators were tracked. Drawing upon the survey responses, the research team constructed a management score that summarizes plants' intensity of use of 16 structured management practices, which are those that are more specific, formal, frequent or explicit.

Today, at the annual American Economic Association meeting in San Diego, a member of the research team will present *Management in America* [PDF - <1.0 MB], a research paper that links the survey results to other data sources in order to focus on differences in management practices and how these are related to variations in plant performance. The research team includes Census Bureau staff and researchers from the institutions mentioned earlier in the news release.

According to the survey:

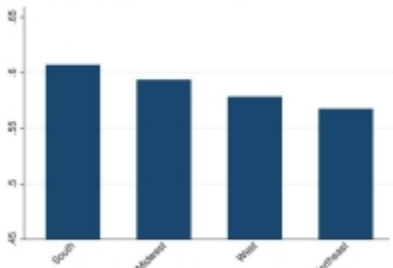
Figure 1: There is a wide spread of management scores across establishments



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- Use of structured management practices varies across U.S. manufacturing establishments: 18.3 percent (± 0.4 percent) of establishments adopt at least 75 percent of structured management practices related to performance monitoring, targets and incentives, while 27.3 percent (± 0.7 percent) of establishments adopt less than 50 percent of these practices. (See [Figure 1](#).) "My conclusion based on the survey is that while America has a group of plants that have low management scores it also has a group of plants that adopt almost all structured management practices," said Nick Bloom, a team member and professor at Stanford. "These plants are continuously improving their production processes, setting challenging targets and motivating employees with rapid promotions and performance rewards."

Figure 2: Average Management Scores are Highest in the South and Midwest



Note: The differences between the South and the Midwest regions and between the Midwest and the West regions are statistically significant at the 1% significance level. The difference between the West and Northeast regions is not statistically significant at the 1% level.

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- Plants in the South and Midwest utilize more structured management practices measured in the survey than do their counterparts in the Northeast and West. On a scale ranging from 0 (least structured) to 1 (most structured), establishments in the South had a score of .607 (± 0.005), those in the Midwest .594 (± 0.005), those in the West .579 (± 0.006) and plants in the Northeast .568 (± 0.007). (See [Figure 2](#).) "The regional differences in management practices across the U.S. are notable. Intriguingly these differences persist even when we take into account differences in industry mix, plant size and worker skills in our research paper," said John Van Reenen, a professor from the London School of Economics.

Figure 3: Average management scores have increased between 2005 and 2010, especially for data driven performance monitoring



* Based on recall. When surveyed in 2010, respondents were asked about 2005.
Note: The differences between 2005 and 2010 are statistically significant at the 1% significance level for all figures.

[Download Figure 3 \[JPG - <1.0 MB\]](#)

- U.S. management appears to have become more structured in the previous half-decade, particularly for practices involving data collection and analysis. (See [Figure 3](#).) Professor Erik Brynjolfsson from MIT said, "I believe this sharp rise in management practice scores for data collection and processing reflects the rapid spread of computerization which makes it much easier to collect, analyze and act on performance data."

The Management and Organizational Practices Survey research team is developing a tool that will allow manufacturing establishments to benchmark their use of structured management practices against their peers. "This supplement to the Annual Survey of Manufactures is part of a major new effort to understand which business practices are adopted by American manufacturers," noted Ron Jarmin, the Census Bureau's assistant director of research and methodology. "The estimates could be used to understand how these practices affect productivity and performance."

More on the Management and Organizational Practices Survey is available at www.census.gov/mcd/mops. During the embargo, *Management in America* is available at <http://www2.census.gov/ces/wp/2013/CES-WP-13-01.pdf> [PDF - <1.0 MB]. This paper is not a Census Bureau product and has not undergone the review and editorial process generally accorded official Census Bureau publications. It reflects an initial investigation into management practices at manufacturing establishments and the researchers are continuing to work with the data to try to understand in more detail the factors accounting for differences in management practices across establishments, firms, industries and regions. Any views expressed are those of the authors and not necessarily those of the U.S. Census Bureau.