

KNOWLEDGE & RESEARCH



WORLD BANK GROUP
Global Knowledge & Research Hub
in Malaysia

SOCIAL PROTECTION AND JOBS
GLOBAL PRACTICE

JUNE 2020

THE MALAYSIA DEVELOPMENT EXPERIENCE SERIES

Management Practices in Malaysia

The Good, the Bad, and the Ugly



Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

CONNECT WITH US



wbg.org/Malaysia



[@WorldBankMalaysia](https://www.facebook.com/WorldBankMalaysia)



[@WB_AsiaPacific](https://twitter.com/WB_AsiaPacific)



http://bit.ly/WB_blogsMY

KNOWLEDGE & RESEARCH

JUNE 2020

THE MALAYSIA DEVELOPMENT EXPERIENCE SERIES

Management Practices in Malaysia

The Good, the Bad, and the Ugly



WORLD BANK GROUP
Global Knowledge & Research Hub
in Malaysia

SOCIAL PROTECTION AND JOBS
GLOBAL PRACTICE

About KNOWLEDGE & RESEARCH

The World Bank Group's current partnership with Malaysia is focused on knowledge-sharing. In March 2016, the World Bank Group officially launched its Global Knowledge and Research Hub in Malaysia. The new Hub is the first of its kind, serving both as a field presence in Malaysia and as a global knowledge and research hub. It focuses on sharing Malaysia's people-centered development expertise and creating new innovative policy research on local, regional and global issues.

Knowledge & Research reports are flagship work emanating from the teams based in the Malaysia Hub.

The Malaysia Development Experience Series captures key lessons from Malaysia relevant for emerging economies in Asia, Africa and elsewhere that are transitioning out of poverty and into shared prosperity.

Cover Photo attribution: © JohnnyGreig/iStock

The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Please contact Achim Schmillen at aschmillen@worldbank.org if you have questions or comments with respect to the content of this report.

Table of Contents

Acknowledgements.....	4
List of Figures.....	5
List of Boxes.....	5
List of Acronyms.....	5
Chapter 1: Overview.....	6
Chapter 2: Management Practices and Productivity.....	8
Chapter 3: The World Management Survey.....	12
Chapter 4: Management Practices in Malaysia.....	16
Overview of Management Practices.....	17
Drivers of Management Practices.....	25
Chapter 5: Policy Implications.....	30
References.....	35

Acknowledgements

Management Practices in Malaysia – The Good, the Bad, and the Ugly was prepared by a team in the Social Protection and Jobs Global Practice of the World Bank consisting of Achim Schmillen and Mauro Testaverde. The team received guidance and support from Firas Raad and Philip O’Keefe, and helpful comments and suggestions from Amanina Abdur Rahman, Smita Kuriakose, Mohamed Rozani Mohamed Osman, Mei Ling Tan, and Wei Zhang. Li Shen Liew provided first-rate administrative support. Kane Chong and Gregory Kong provided excellent layout and editorial assistance.

The report draws on a World Bank study on the effectiveness of Malaysia’s Human Resource Development Fund (World Bank 2017). Thanks are due to Harry Moroz, Valeria Perotti, Marcos Todeschini, and Daniela Scur for their relevant inputs and contributions. The team is indebted to the Human Resource Development Fund for its leadership in implementing the World Management Survey in Malaysia and valuable collaboration with the World Bank.

List of Figures

Figure 1.	Labor productivity in Malaysia by sector	10
Figure 2.	Employment in Malaysia by sector	10
Figure 3.	Overall management scores in Malaysia and comparator countries	17
Figure 4.	Overall management scores in Malaysia and comparator countries versus GDP per capita	19
Figure 5.	Distribution of overall management scores in Malaysia, China and Singapore	19
Figure 6.	Overall management scores in Malaysia by firm size	21
Figure 7.	Overall management scores in Malaysia by subsector	21
Figure 8.	Overall management scores in Malaysia by firm age	21
Figure 9.	Overall management scores in Malaysia by region	21
Figure 10.	Scores for dimensions of management quality in Malaysia	23
Figure 11.	Scores for individual management practices of the talent management dimension in Malaysia	23
Figure 12.	Scores for dimensions of management quality in Malaysia, China, Singapore, and Japan	24
Figure 13.	Overall management scores in Malaysia by number of competitors	26
Figure 14.	Overall management scores in Malaysia by ownership	26
Figure 15.	Overall management scores in Malaysia and world regions in multinational and non-multinational firms	27
Figure 16.	Overall management scores in Malaysia by manager education	27
Figure 17.	Self-assessment gap in Malaysia and comparator countries	28
Figure 18.	Self-assessment gap in Malaysia by firm size	29
Figure 19.	Self-assessment gap in Malaysia by subsector	29
Figure 20.	Self-assessment gap in Malaysia by firm age	29
Figure 21.	Self-assessment gap in Malaysia by region	29

List of Boxes

Box 1.	Business Management Advisory Support in Bosnia and Herzegovina	34
--------	--	----

List of Acronyms

CEO	Chief Executive Officer	OECD	Organisation for Economic Co-operation and Development
FDI	Foreign Direct Investment	RP-T	Residence Pass-Talent
GDP	Gross Domestic Product	SAR	Special Administrative Region
HRDF	Human Resource Development Fund	SME	Small and Medium-sized Enterprise
ILMIA	Institute of Labour Market Information and Analysis	TFP	Total Factor Productivity
NER	National Economic Returns	WMS	World Management Survey



CHAPTER 1

Overview

The objective of this report is to use data from the World Management Survey (WMS) to benchmark the quality of management practices in Malaysia against comparator countries, investigate the drivers of management practices, and draw actionable policy implications to improve the country's management practices as a key driver of firm-level productivity growth. The WMS is an internationally standardized quantitative instrument to measure the quality of firms' management practices across countries and industries. It permits not only the investigation of "good management" overall, but also of good management practices in four specific management dimensions: operations management, performance monitoring, target setting, and talent management. Data collection is done using in-depth interviews with senior managers. This report relies on new data from the first implementation of the WMS in Malaysia. Findings from this survey are internationally comparable and representative for all manufacturing firms in the country with more than 50 employees.

The report documents that with an overall score of 2.84 (on a scale of 1-5), management practices in Malaysia's manufacturing sector are in line with the country's level of development but lag far beyond those in advanced countries like the United States, Japan, or Germany. While Malaysia's overall management score is in line with the country's level of development and close to the median across countries, there is significant room for further improvements. A back-of-the-envelope calculation suggests that if management practices among larger manufacturing firms in Malaysia were to catch up with those of the United States, labor productivity among these firms would increase by 13%. Malaysia performs particularly poorly in terms of operations management, but relatively well regarding performance monitoring. Important drivers of the quality of management practices include the intensity of competition, the ownership structure of firms, access to foreign direct investment (FDI), and the supply of skilled and well-educated managers and workers.

Raising Malaysia's productivity growth through better management practices will require a systematic, comprehensive policy approach that fosters the different drivers of management practices in a systematic and mutually reinforcing way. Realizing productivity gains through improved management practices will necessitate increases in the intensity of competition, reforms of the ownership structure of firms, and investments in the access to talent and quality of education and training. Promoting FDI is another vital tool to disseminate good management practices. According to World Bank (2016), the more effective promotion of FDI would necessitate improved access to national and international skills and talents, more liberal investment policies, and better access for smaller firms to new technology. Finally, policies aimed at diffusing information and providing hand-on support regarding good management practices are also likely to contribute to determining whether more and better competition, ownership, FDI, and education will actually lead to better management quality.



CHAPTER 2

Management Practices and Productivity

While significant, Malaysia's productivity growth over the past 25 years has been below that in several global and regional comparators; it has also declined since the 2008 global financial crisis.

World Bank (2016) shows that while Malaysia, the Republic of Korea, and Singapore have experienced similar rates of factor accumulation over the past 25 years, total factor productivity (TFP) growth in Malaysia averaged only 1.8%, compared to 2.2% in the Republic of Korea and Singapore. Similarly, while labor productivity growth in Malaysia has been fairly stable and more robust than in other emerging economies, its growth rate has failed to keep pace with those in Hong Kong SAR (China), the Republic of Korea, and Singapore. Moreover, robust employment creation in the wake of the 2008 crisis has not been sufficient to return labor productivity growth to its pre-crisis levels. World Bank Enterprise Surveys show that large firms have led the slowdown in labor productivity growth. Given the large proportion of exporting and manufacturing firms among large firms, this trend seems to reflect a substantial post-crisis decline in global demand for manufactured goods, a risk to which the Malaysian economy is particularly exposed.

Structural shifts in Malaysia's economy might result in premature deindustrialization and a predominance of low-productivity, low-wage manufacturing.

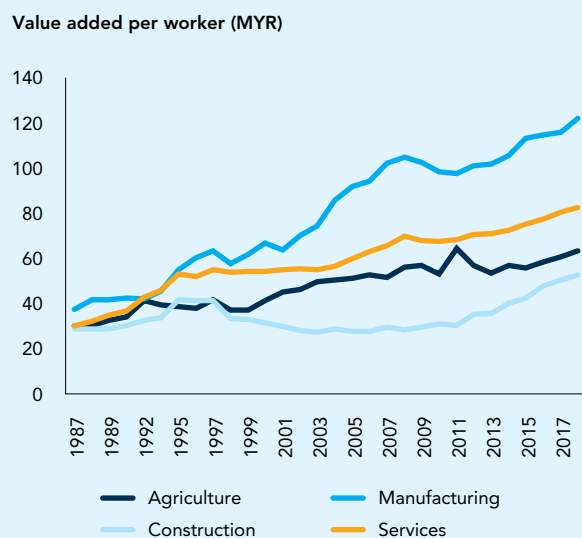
In spite of the apparent decline in global demand for manufactured goods, labor productivity growth in Malaysia's construction, agriculture, and services sectors has been even more disappointing than in manufacturing. Manufacturing also remains relatively more productive than other sectors. In 2017, the value added per manufacturing worker was MYR122,000; in the construction sector it was MYR56,000 (Figure 1).¹ Nevertheless, as the employment share of the manufacturing sector has fallen from 23% in 1995 to 17% in 2017, there have been concerns that structural shifts in Malaysia's economy are leading the country toward premature deindustrialization and a predominance of low-productivity, low-wage manufacturing (Figure 2). Menon and Ng (2015) lament that Malaysia is moving from high-value-added manufacturing towards the processing of natural resources, while Asyraf et al. (2019) argue that Malaysia has deindustrialized prematurely due to the falling competitiveness of its manufacturing sector. Asyraf et al. (2019) also find that the comparatively positive overall productivity growth in the manufacturing sector hides substantial heterogeneities, and that in all subsectors other than electrical and electronic products the rate of productivity growth has slowed since 2010.

As factor accumulation is expected to slow, re-energizing productivity growth in manufacturing and other sectors is the main path for Malaysia to achieve convergence with high-income economies.

With headwinds inhibiting capital accumulation and an aging population slowing the growth of the labor force, accelerating productivity growth will become increasingly important. World Bank (2016) argues that overcoming skills gaps, maintaining high quality of infrastructure, building innovation capacity, and addressing distortions in output markets are all important policies that could serve to accelerate productivity growth. In addition, Hussein (2018, p. 168) contends that beyond implementing strategies that are largely about the quality of factors of production such as capital, land, and labor, raising productivity growth will necessitate a look at the way these factors "are put together and organized; rather than looking at each input separately. In a word, Malaysia should look at improving management practices."

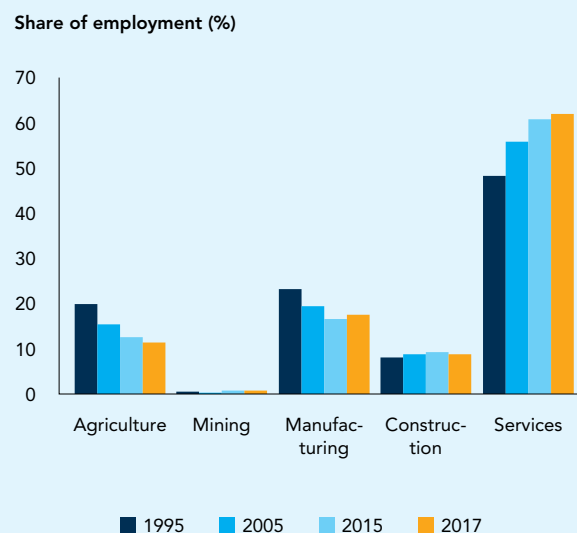
¹ Labor productivity in Malaysia's mining sector – not depicted in Figure 1 – has been very cyclical.

FIGURE 1: Labor productivity in Malaysia by sector



Source: World Bank staff calculations based on Department of Statistics Malaysia data.
Note: Mining sector omitted.

FIGURE 2: Employment in Malaysia by sector



Source: World Bank staff calculations based on Department of Statistics Malaysia data.

Over the last 20 years, a substantial body of research has documented a significant relationship between firms’ management practices and their productivity and performance. Differences in management practices as one of the main causes of productivity differences across firms and countries has been the subject of research for at least two decades. Ichniowski et al. (1997) document that higher levels of productivity are associated with firms using sets of modern or innovative management practices instead of traditional practices. The research also finds that clusters of complementary human resource management practices have large and positive effects on productivity, while individual work practices show little to no effect on productivity. Black and Lynch (2001) find similar results when estimating a standard production function with cross-sectional data for the United States. More importantly, they find that the manner in which a management practice is implemented is more important for the productivity effect than whether the practice is used or not. In addition, Bertrand and Schoar (2003) use a panel of manager-firm matched data to isolate manager-specific effects on firm performance. They find that there are significant patterns that indicate that management style is related to the performance of individual managers. In turn, higher-performing managers are consistently more likely to be in better managed firms.

Research using internationally comparable WMS data confirms that management practices are related to productivity and firm performance. The WMS as the first internationally comparable survey of management practices was introduced by Bloom and Van Reenen (2007). According to Maloney and Sarrias (2017, p. 284), the WMS has given the study of the relationship between management quality and productivity “a quantum push.” Using WMS data for 3,000 manufacturing firms across a broad range of countries, Bloom et al. (2012) quantitatively measure how the quality of management practices is associated with various measures of firm performance. They find that a one-point increase in a firm’s management score according to the WMS is associated with an increase of 26% in labor productivity, a 2% increase in

profitability, a 7% increase in sales, and a 1% reduction in bankruptcy or liquidation (a substantial impact given that the average bankruptcy rate in the relevant sample is 2.4%). Other studies show that better managed retail stores have higher sales per employee, better managed hospitals have lower mortality rates, and better managed schools have higher standardized test scores. In fact, research finds that about a quarter of gaps in TFP across and within countries can be accounted for by differences in management practices (Bloom et al. 2014).

More recent studies have gone beyond describing patterns and started to identify causal impacts of management practices on productivity. In a noteworthy field experiment involving 20 plants owned by 17 large Indian textile factories, free management consulting services were provided to a set of randomly selected treatment plants to help them adopt modern management practices. The performance of these plants was then compared to another randomly chosen set of control firms (Bloom et al. 2013). The experiment revealed that the adoption of modern management practices regarding monitoring, targets, and incentives was economically and statistically highly significant: productivity in plants that had received the consulting services increased by 18% and profits also increased by about USD350,000 per year. Among the information collected by Bloom et al. (2013) was a measure of quality defects. According to this measure, quality improved significantly in plants that had received consulting services compared to control plants.

Conversely, there is evidence that poor management practices lead firms not to utilize strategies that could increase productivity, such as investing in workers' education and training. Better managed firms are better able to assess their training needs, which likely results in investment in more relevant training and greater returns to investment. Research also suggests that better managed firms provide more training overall. Several mechanisms associated with the quality of management have been suggested to explain this finding. Well-managed firms tend to have standardized management processes while those at less well-managed peers are more *ad hoc*. Accordingly, core functions like medium- to long-term planning, and review and revision of processes across business functions like human resources, tend to be more structured and routine in well-managed firms. Such conditions make the accurate assessments of the cost and benefits of training and the planning and budgeting needed to provide it more likely. For instance, using a dataset that provides information on firm performance and human resource practices for a representative sample of large public and private employers across 26 European and OECD countries, Hansson (2007) finds that firms that have undertaken a training needs assessment or have put in place a training plan provide training to 10%-15% more employees and spend slightly more on training overall, all other things being equal. These practices may also improve information flow across managerial hierarchies, and reduce the chance that workers face disincentives to train relating to factors such as poor prospects for advancement, or wage or performance incentive structures that penalize time away from primary job duties.



CHAPTER 3

The World Management Survey

The WMS is an internationally standardized quantitative instrument to measure the quality of firms' management practices across countries and industries. As mentioned above, the causes and consequences of productivity differences across firms and countries has long been the subject of intense research efforts. One factor that has always been acknowledged as important is the quality of firms' management practices. However, lack of good data, especially in low- and middle-income economies, until recently prevented researchers from empirically studying these patterns. The WMS fills this gap by systematically measuring the quality of firm's management practices across sectors and countries. It was developed by a team of researchers at Stanford University and the Massachusetts Institute of Technology, among other institutions, and relies on a tool for evaluating management practices based on interviews with senior managers. This survey tool was developed from a scorecard used by McKinsey & Company, a leading international management consulting company. As detailed in Bloom and Van Reenen (2007), the tool was first used in mid-2004 to measure management practices in about 700 mid-sized firms in United States, France, Germany, and the United Kingdom. Since then, it has been used in 35 countries to collect data on management practices for over 15,000 manufacturing firms, nearly 900 retail firms, about 1,700 hospitals, and about 3,000 schools.

Data collection for the WMS is done using an interview-based approach. To systematically measure management practices, Bloom and Van Reenen (2007) developed a new survey methodology that uses the interview-based evaluation tool developed from McKinsey & Company's scorecard. The tool defines and evaluates a set of 18 individual management practices on a scoring grid. Scores range from one ("worst practice") to five ("best practice"). A high score for an individual management practice represents a best practice in the sense that a firm that adopts the practice will, on average, improve its performance. The combination of many good individual management practices reflects "good management" as is commonly understood. Therefore, the WMS' main summary measure of overall management practices is the average of the various individual scores. Individual scores are assigned as follows:

1. Practically no structured management practices implemented;
2. Some informal practices implemented;
3. Formal process implemented, but with some weakness;
4. Good, formal process in place though not yet often/consistent enough; and
5. Best practice in the industry.

The WMS permits not only the investigation of "good management" overall but also of good management practices in specific management dimensions. The survey considers four dimensions of management that can help identify individual directions for improvement and also illuminate differences in management styles across firms and countries (Bloom and Van Reenen 2010):

- **Operations management:** This dimension covers how well modern management techniques have been introduced by firms, what the motivations were behind changes, and whether processes and attitudes towards continual improvement exist.
- **Performance monitoring:** This dimension evaluates whether data and information are collected to monitor performance and performance indicators are used and revised as appropriate.

- **Target setting:** This dimension tests whether firms' targets cover a sufficiently broad set of metrics, including short and long-term financial and non-financial targets, and whether these targets are based on a solid rationale, are appropriately difficult to achieve, are tied to the firms' objectives, are well cascaded down the organization, are easily understandable, and are openly communicated to staff.
- **Talent management:** This dimension measures the emphasis that is put on overall talent management within the firm, whether there is a systematic approach to identifying good and bad performers and rewarding them proportionately, and how the firm deals with underperforming staff while developing, promoting, and retaining good performers.

This report relies on new data from the first implementation of the WMS in Malaysia. When implementing the WMS in Malaysia, great care was taken to assure that data collection was of high quality and rigor so that results for Malaysia would be comparable to those from other countries. Bloom and Van Reenen (2007) developed a robust in-depth survey methodology; this methodology was closely adhered to when implementing the WMS in Malaysia. As described in Bloom and Van Reenen (2007), the methodology relies on telephone interviews of 60- to 90-minute duration with senior managers. Important elements for achieving a high response rate and high-quality and accurate responses are the close monitoring of interviewers' performance in contacting firms and scheduling interviews, presenting the study as a "piece of work" (as opposed to a "survey" or "research") and the interview as a professional conversation about management experiences, and starting with non-controversial questions, among others. In addition, the survey follows a "blind" technique by not informing the managers that their answers will be evaluated against a scoring grid.² This makes it more likely to gather information about actual management practices as opposed to manager's aspirations or perceptions. In addition, interviewers ask open-ended questions until an accurate assessment of the actual management practices can be made. Finally, there is "double-scoring." That is, for a selected number of interviews a second interviewer silently listens in, scores the manager's responses, and discusses his or her scores with the primary interviewer once the interview has concluded. At all stages of project implementation, great care was taken to protect the confidentiality of establishments and individuals participating in the survey.

Findings from the WMS survey in Malaysia are internationally comparable and representative for all manufacturing firms in the country with more than 50 employees. The frame of contacts used for sampling of the WMS in Malaysia came from two main sources. First, a list of 313 contacts from interviews with senior managers that had been conducted for the World Bank's 2015 Enterprise Survey (World Bank 2015b). Second, a list of 5,995 contacts from the National Economic Returns (NER) survey implemented by the Institute of Labour Market Information and Analysis (ILMIA). The contacts from the NER frame were used as a replacement whenever the targeted number of interviews within a specific cell – defined by firm size, location, and subsector – could not be solely achieved with contacts from the Enterprise Survey. Altogether, 185 interviews with senior managers were completed in 2017, and appropriate statistical weights were used to ensure that results were representative for all larger manufacturing firms in Malaysia, i.e. all manufacturing firms with more than 50 employees.³

2 This WMS survey tool was approved by Stanford University's Human Subjects Committee. As detailed in Bloom and Van Reenen (2007) presenting the survey as a "piece of work" was deemed acceptable by the committee.

3 The estimated universe of manufacturing firms with more than 50 employees in Malaysia according to the 2015 Enterprise Survey was 8,547 firms. For the purposes of calculating weights, it was assumed that this figure represented the true universe of firms. Therefore, the completed interviews from the Enterprise Survey frame were assigned the same weights as in the 2015 Enterprise Survey. Completed interviews from the NER frame were assigned weights corresponding to firms within the same sector, location, and size cell in the 2015 Enterprise Survey. Since 185 interviews were completed in the WMS in Malaysia, an adjustment factor had to be applied to scale up the weights so that these interviews were representative of the 8,547 firms. Therefore, once the Enterprise Survey weights had been applied to the NER contacts, the following adjustment factor was applied to all weights: $\lambda = N_{313}/N_{185}$. Thereby, the relative weights among firms were preserved.





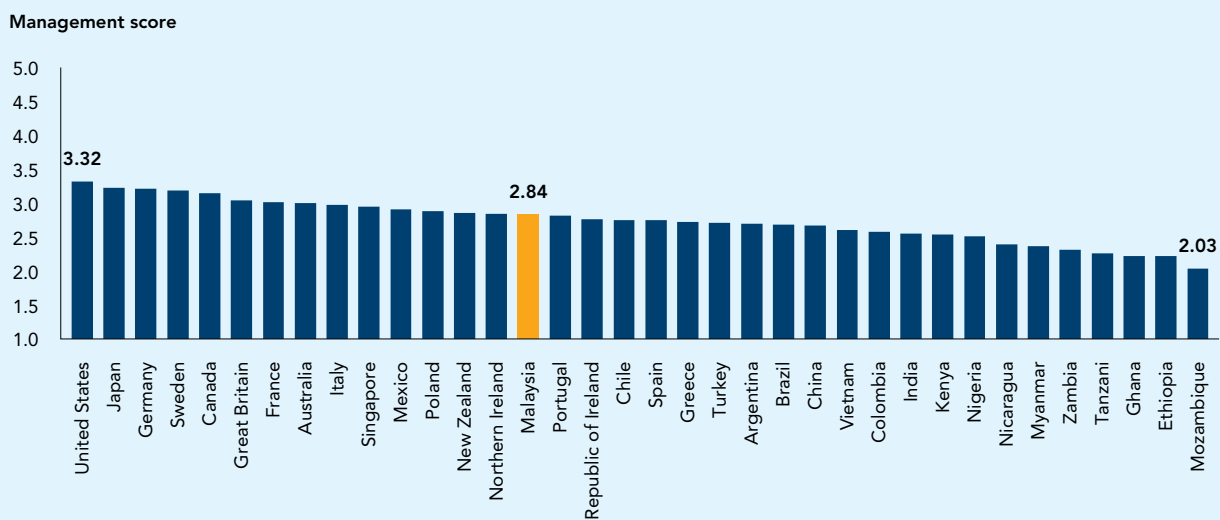
CHAPTER 4

Management Practices in Malaysia

Overview of Management Practices

Malaysia's overall management score is close to the median across countries. Malaysia's overall management score is 2.84 (on a scale from one to five). This score provides an overall impression of how well firms perform in operations management, target setting, performance monitoring, and talent management. Malaysia's overall score is higher than the score of several high-income countries including Chile and Spain, which both have an overall score of 2.75. Malaysia's overall score is also higher than that of many developing and emerging economies including Turkey (2.71), Vietnam (2.61), and India (2.55). However, Malaysia's overall management score is considerably lower than that of top-scoring countries such as the United States, Japan, and Germany – which achieve overall scores of 3.32, 3.23, and 3.22, respectively – and also below that of Singapore with a score of 2.95. This suggests that while Malaysia's overall management score is close to the median across countries, there is significant room for further improvements in the country's management quality (Figure 3).

FIGURE 3: Overall management scores in Malaysia and comparator countries



Source: World Bank staff calculations based on World Management Survey.

A back-of-the-envelope calculation suggests that if management practices among larger manufacturing firms in Malaysia were to catch up with those of the United States, labor productivity among these firms would increase by 13%. While the existing evidence based on the WMS data does not allow direct causal statements about the relationship between management practices and firm performance in Malaysia, back-of-the-envelope calculations can nevertheless show that productivity gains from improved management practices could be far from trivial. As mentioned above, Bloom et al. (2012) show that across a wide cross-section of countries, a single-point increase in the manufacturing sector's management score according to the WMS is associated with an increase of 26% in labor productivity. Transferring this finding to Malaysia, if the overall management score among the country's larger manufacturing firms were to increase from its current level of 2.84 to 3.32 as in the United States (a 0.48-point increase), one might expect this to go hand in hand with an increase in labor productivity among these firms of about 13%.

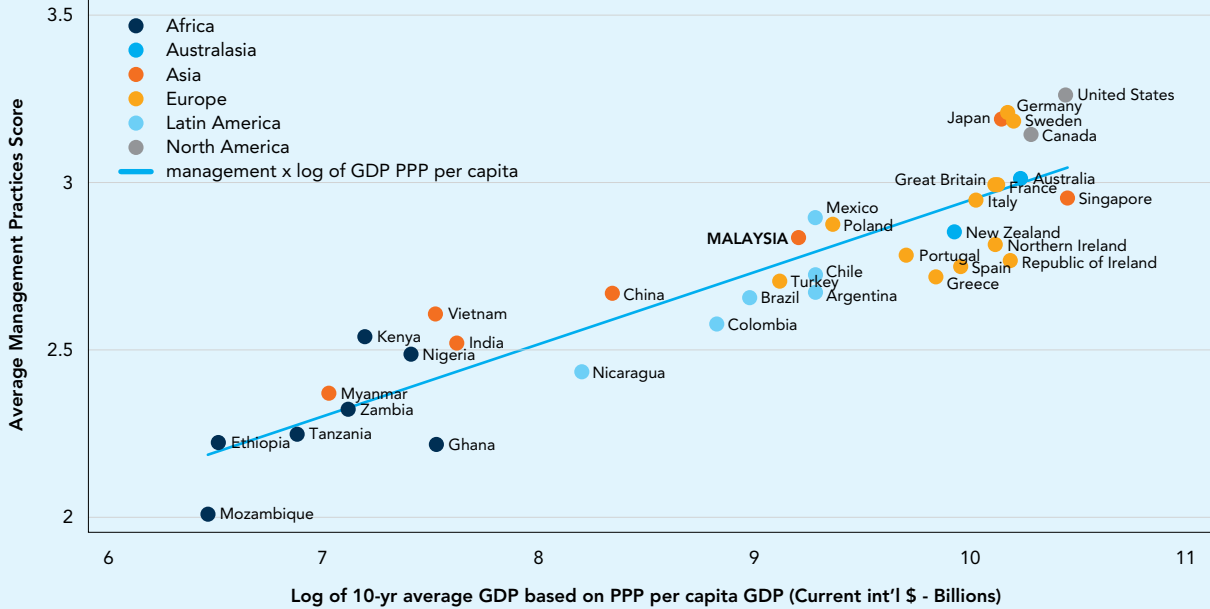


Malaysia’s overall management score is approximately in line with the country’s level of development.

Overall management scores across countries are strongly and significantly positively correlated with gross domestic product (GDP) per capita (Figure 4). Malaysia fits neatly into this pattern with an overall management score that is approximately in line – though perhaps slightly higher – than would be predicted by its GDP per capita. This suggests that Malaysia’s management quality is about average for its income level. Most other Asian countries for which WMS data are available also have management scores that are in line or higher than would be predicted by GDP per capita. The only exception is Singapore. While its overall management score is relatively high, it is in fact the only Asian country with a score lower than would be expected given its level of economic development.

An important minority of firms in Malaysia are very poorly managed. Studies using the WMS have pointed out that management practices do not only differ between countries but that there is also a wide variation in the quality of management practices within countries (Bloom and Van Reenen 2010, and Maloney and Sarrias 2017). This is true in Malaysia as well, where a graph of the distribution of overall firm-level management scores shows that there is a considerable “left tail” of very poorly managed firms with overall management scores of about 2.00 or less (Figure 5). What is noteworthy, though, is that this “left tail” of very poorly managed firms is smaller in Malaysia than in China and similar to that of Singapore (which however has a much larger “right tail” of very well managed firms with overall management scores of about 3.50 or more). Nevertheless, the evidence from the WMS suggests that there is significant room for improving very basic management practices among those Malaysian firms that are in the “left” tail of the distribution. In this regard, even relatively simple policy interventions – such as the provision of information regarding what are considered good management practices – might be useful to help very low-performing firms to achieve at least a minimum level of management quality.

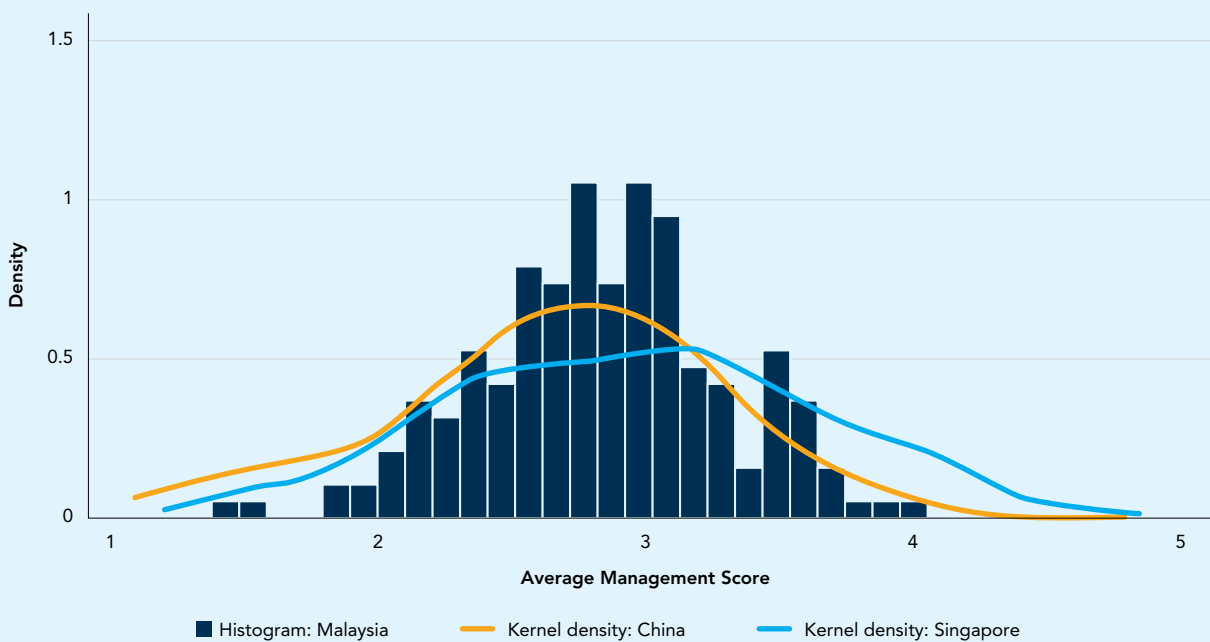
FIGURE 4: Overall management scores in Malaysia and comparator countries versus GDP per capita



Note: April 2013, World Economic Outlook (IMF) indicator
Firms between 50 and 5,000, raw data

Source: World Bank staff calculations based on World Management Survey and IMF.

FIGURE 5: Distribution of overall management scores in Malaysia, China and Singapore



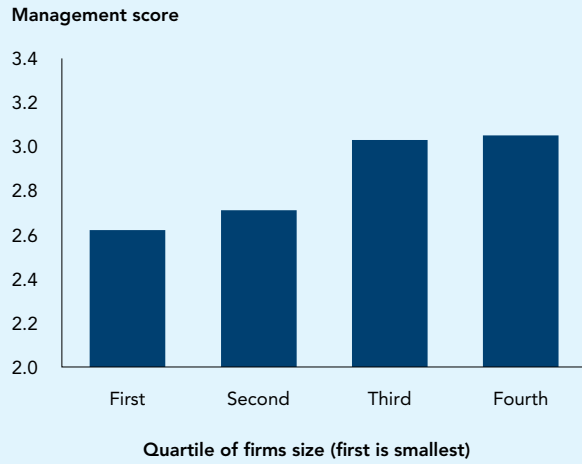
Source: World Bank staff calculations based on World Management Survey data.

In Malaysia, overall management scores vary substantially across firms with different characteristics. In addition to data on management practices, the WMS also collects information on various firm characteristics. This makes it possible to analyze differences in overall management scores according to various such characteristics, such as in particular firm size, sector, age, and region:

- **Firm size:** In Malaysia, overall management scores are generally higher for larger firms. Firms with between 50 and 200 workers (the first two quartiles of the firm size distribution) tend to have significantly lower management scores than firms with more than 200 workers (the second and third quartiles of the distribution). While firms in the first quartile of the distribution have an average overall management score of 2.62, for those in the fourth quartile the average score is 3.05 (Figure 6).
- **Sector:** Within the broader manufacturing sector, there are some subsectors that on average tend to be better or worse managed. Internationally, more high-tech subsectors such as transport equipment, electronics, and computers tend to be better managed, while more low-tech subsectors such as furniture and textiles tend to cluster at the lower end of the management score distribution. Bloom et al. (2019a) speculate that this might be because management practices matter not only for production but also for research and development. Alternatively, high-tech subsectors might potentially be exposed to tougher competition or more FDI. Irrespective of the underlying reason, the basic pattern also holds in Malaysia. The overall management score is lower in the relatively low-tech subsector of wearing apparel manufacturing than in all other sectors covered in the WMS. While the average score for this sector is 2.25, it is 2.87 for the computer and electrical subsector and 2.92 for chemicals and pharma (Figure 7).
- **Age:** Overall management scores are generally higher in older firms. The youngest quarter of firms have an average overall management score of 2.62, while for the oldest quarter the average is 3.05. This divergence is likely caused by firms learning how to perform better over time, including how to improve their managerial structures and practices. In addition, it might also be the case that badly-performing firms that are unable to learn are forced to exit the market, leaving surviving older firms with higher overall management scores (Figure 8).
- **Region:** There are notable regional differences in average overall management scores. Management scores tend to be highest in the most central and developed parts of Malaysia and lowest in more remote and less developed areas. At 3.09, the overall management score for the central part of Peninsular Malaysia – which includes the Federal Territory of Kuala Lumpur as well as the State of Selangor, among other areas – is close to the score of Canada or the United Kingdom. At the same time, at 2.57 and 2.55, respectively, the overall scores for East Malaysia (Sabah, Sarawak, and Labuan) and the East Coast are similar to the scores for Cambodia, India, and Kenya (Figure 9).⁴ The finding that management scores tend to be highest in the most central and developed parts of Malaysia is consistent with results by Bloom et al. (2019b) that management scores in Mexico are highest in the largest municipalities, such as Mexico City, in addition to municipalities close to the United States.

⁴ Though various differences are apparent in Figure 9, only the average management scores in the Central and East Coast regions are statistically significantly different.

FIGURE 6: Overall management scores in Malaysia by firm size



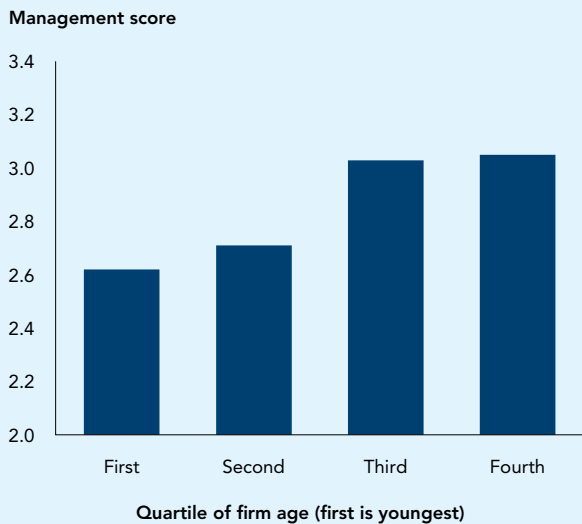
Source: World Bank staff calculations based on World Management Survey data.

FIGURE 7: Overall management scores in Malaysia by subsector



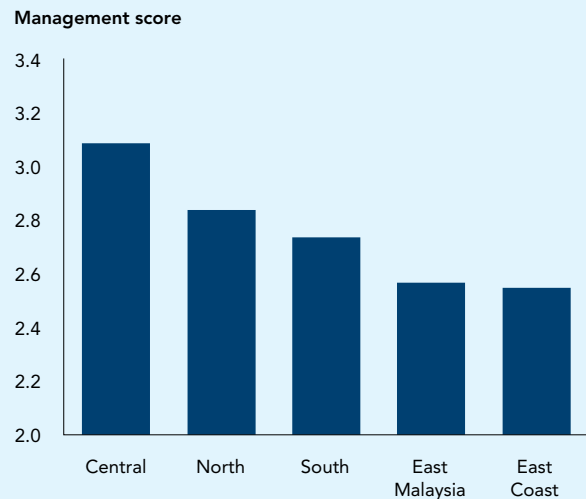
Source: World Bank staff calculations based on World Management Survey data.

FIGURE 8: Overall management scores in Malaysia by firm age



Source: World Bank staff calculations based on World Management Survey data.

FIGURE 9: Overall management scores in Malaysia by region



Source: World Bank staff calculations based on World Management Survey data.

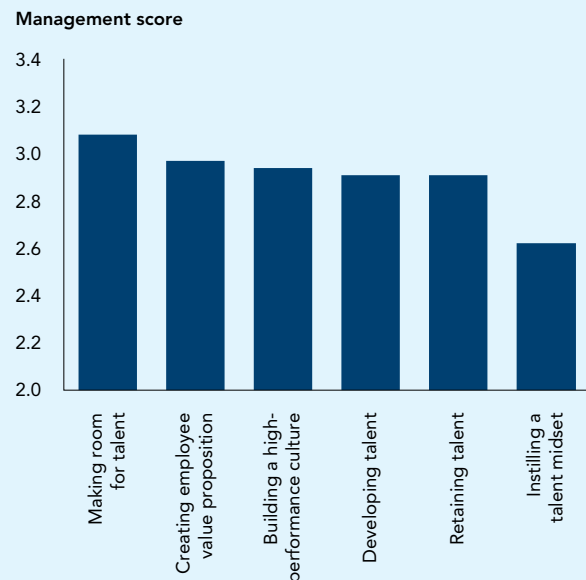
Across the four dimensions of management practices considered by the WMS, Malaysia performs best in terms of performance monitoring and worst with regard to target setting. With regard to the four dimensions of management practices considered by the WMS, Malaysia achieves a score of 2.63 for target setting, a score of 2.68 for operations management, a score of 2.92 for talent management, and a score of 3.01 for performance monitoring (Figure 10). Malaysia's performance on the four dimensions of management practices can be detailed as follows:

- **Operations management:** As mentioned above, the dimension of operations management measures the degree to which modern manufacturing processes have been implemented, and the rationale behind implementing these changes. Malaysia's score of 2.68 implies that in the average manufacturing firm in Malaysia, some modern processes have been implemented, but they are not fully formalized yet and are sometimes implemented to catch up with competitors, rather than to reach forward-looking business objectives or stay ahead of the curve.
- **Performance monitoring:** Performance monitoring measures the quality of the monitoring of the production line, including understanding which performance indicators are crucial and how often they should be measured, as well as the existence of a system of discussing and monitoring the results. The score of 3.01 suggests that the average Malaysian firm has a formal performance monitoring process in place with a good set of indicators. However, these indicators may not be measured as often as they could be, resulting in possible inefficiencies. Further, the average firm likely has formal meetings to discuss progress, but no well-established follow-up plans.
- **Target setting:** As mentioned, this dimension measures the coverage, rationale, difficulty, and other aspects of targets. The score of 2.63 implies that an average manufacturing firm in Malaysia has a formal set of targets, but that these targets are broad objectives rather than actionable and measurable targets with clear time frames, and that there is no strong link between targets and individual employees' day-to-day responsibilities. To achieve a score above a 3.00 in the area of target-setting, firms would also need to have a good rationale for benchmarking their targets such that these targets are challenging yet achievable. However, this is naturally harder to achieve if the targets are not measurable and actionable in first place. To obtain higher scores in the dimension of target setting, firms must also have a system in place where all employees not only understand the targets, but also understand their role in achieving these targets. For example, the target "Increase return on capital employed by 1% in the next fiscal year" would be measurable, concrete, and with a timeline attached – but it would only be clear if employees understood the concept of "return on capital employed".
- **Talent management:** This dimension measures the emphasis that is put on overall talent management, whether there is a systematic approach to performance, and how the firm deals with good and bad performers. Malaysia's score of 2.92 suggests that the average firm in the country has somewhat formal systems of appraisal and employee accountability, though these systems may not always be rigorously followed. For a score of 3.00 or above, there would need to be more transparent and accountable ways for evaluating employees, including through a wide array of performance metrics. In addition, all promotions would need to be based on merit rather than tenure.

Conceivably, proactive government policies coupled with access to global talent might have been a driver of the relatively high performance management scores. In particular, in 2004 the government through Khazanah Nasional Berhad, Malaysia's sovereign wealth fund, initiated the Government-Linked Corporations Transformation Programme. This program included a significant emphasis on performance

FIGURE 10: Scores for dimensions of management quality in Malaysia

Source: World Bank staff calculations based on World Management Survey data.

FIGURE 11: Scores for individual management practices of the talent management dimension in Malaysia

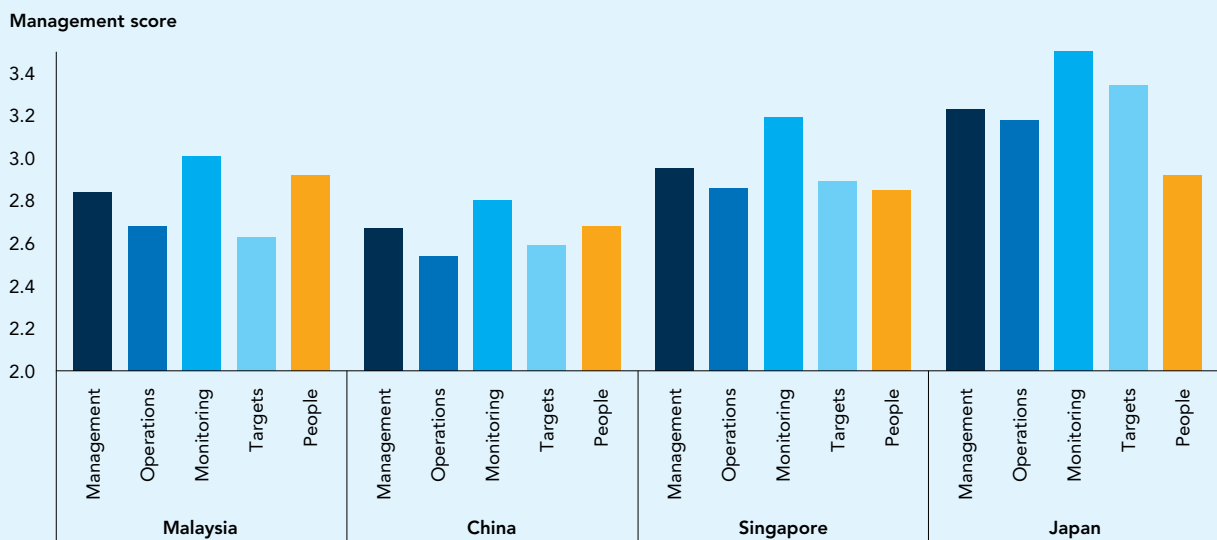
Source: World Bank staff calculations based on World Management Survey data.

monitoring, including through the publication of a dedicated “Blue Book” on Intensifying Performance Management Practices. The “Blue Book” covered guidelines on setting key performance indicators and targets, reviewing performance, appropriate compensation for senior management, and intensified performance management (Putrajaya Committee 2015). Anecdotal evidence suggests that as part of the program, Khazanah first encouraged its portfolio of investee companies to adopt better performance management, and this then eventually trickled down to other government-linked corporations and the wider corporate sector. Anecdotal evidence also suggests that in many firms, the hiring of global talent (e.g. with education or prior work experience in the United States) into top management roles has led to improvements in performance management in line with international best practices.

A more detailed analysis of all individual management practices within the talent management dimension reveals some interesting patterns. The WMS’s talent management dimension aggregates information on six individual management practices: instilling a talent mindset; building a high-performance culture; making room for talent; developing talent; creating a distinctive employee value proposition; and retaining talent. Malaysia’s performance varies significantly across these individual management practices. With an average score of 3.08, the country does best in the “making room for talent” management practice. In contrast, it does least well in the management practice of “instilling a talent mindset”, with an average score of 2.62. For the other four management practices in the talent management dimension, average scores range from 2.91 and 2.97. Therefore, if Malaysia is to catch up with countries with more advanced talent management, it might need to put a particular emphasis on deficiencies with regard to instilling a talent mindset (Figure 11).

The gap between Malaysia and other East Asian countries covered by the WMS is relatively consistent throughout all four dimensions of management practices considered by the WMS. On the one hand, Malaysia outperforms China in all four dimensions, though the difference regarding target setting is only 0.04 points. On the other hand, Singapore and Japan outperform Malaysia in all dimensions other than talent management. Generally speaking, differences between Singapore and Malaysia are relatively small, with the former outperforming the latter by around 0.2 points regarding the operations management, performance monitoring, and target setting dimensions. Differences with Japan are more pronounced, amounting to around 0.6 points for these three dimensions. This implies that Malaysia has significant room to improve on each of these three dimensions if it is to catch up with regional high-income comparators. While talent management is not Malaysia’s strongest dimension as such, it is noteworthy that in this dimension, its score (at 2.92) is comparable to that of Japan (also at 2.92) and higher than that of Singapore (at 2.85) (Figure 12).

FIGURE 12: Scores for dimensions of management quality in Malaysia, China, Singapore, and Japan



Source: World Bank staff calculations based on World Management Survey data.

Drivers of Management Practices

Management practices vary within and across countries due to several factors, including intensity of competition, firm ownership structure, access to FDI, and the supply of skilled and well-educated managers and workers. Cross-country research using the WMS data shows that differences in ownership structures matter for the quality of management. Government- and family-owned firms with a family member as chief executive tend to be relatively poorly managed while multinationals, firms with publicly quoted share prices, and private-equity-owned firms tend to be relatively better managed (Bloom et al 2014). In addition, research shows that more competition in product markets, better access to FDI, and better quality of education are also correlated with better management practices. In addition to these four drivers of management practices, the availability of information about good management practices is also likely a contributing factor that determines whether more and better competition, ownership, FDI, and education actually lead to better management quality.

While across the world the intensity of competition is frequently a driver of management practices, in Malaysia it seems to play less of a role. Intense competition forces badly managed firms to improve or exit the market. In addition, it also provides firms with lots of rivals to copy and learn from. Therefore, it is not surprising that the literature has established strong linkages between the intensity of competition and the quality of management practices both between and within countries and industries. In fact, this literature suggests that one of the reasons that the United States has significantly fewer very-poorly-managed firms compared to middle-income countries is that the level of competition in the United States is substantially higher than elsewhere (Bloom et al 2014). Hence, a clear policy tool to increase the quality of management practices is increased product market competition – enabling firms to enter markets, removing any regulatory barriers to trade, FDI, or market entry, and vigorously policing anti-trust. While there are also many good reasons why policies aimed at fostering competition should be given more attention in Malaysia, it is worth noting that there are hardly any differences in measured management quality between firms with few or many competitors in the country. According to the WMS, firms in Malaysia with up to four competitors have an average score of 2.92 while those with more than ten competitors have an average score of 2.79. These differences are not statistically significant, suggesting either that the intensity of competition plays less of a role in determining management quality in Malaysia than in other countries or that it is not appropriately captured in the WMS (Figure 13).⁵

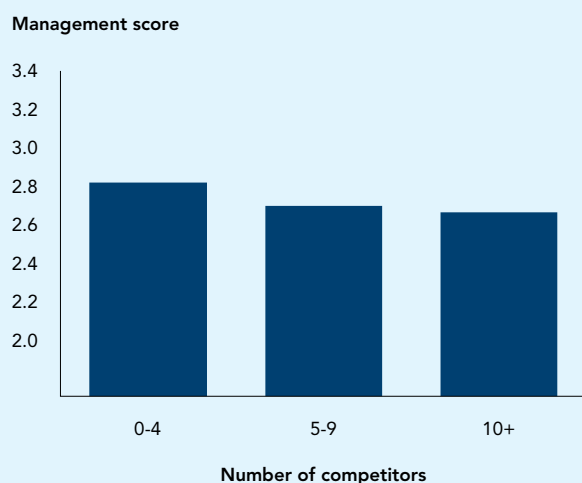


⁵ The competition measure in the WMS is one of perceived competition. That is, firms are asked how many direct competitors they think they have.

In Malaysia, firms owned and managed by the Government or managed by their founder(s) tend to be managed significantly worse than other firms. International research shows, generally speaking, that privately-owned firms with a diverse set of shareholders tend to have the best management practices and those owned by the Government or the founding family the worst. In addition, research documents that the key factor in determining management quality is not so much firm ownership, but rather control (Lemos and Scur 2019). Thus, family-owned firms that have either the founder or another family member as CEO tend to be at the bottom of the ranking in terms of average quality of management practices, but family-owned firms with an external (non-family) CEO tend to be just as professionally managed as other privately owned firms. Malaysia follows the general pattern of Government- or family-owned firms having relatively lower management scores than private firms with dispersed shareholders. Among Government-owned manufacturing firms, the average overall management score is 2.47. In contrast, it is 2.97 among private firms with dispersed shareholders. Family-owned firms have middling scores of 2.51 to 2.61. Contrary to the international evidence, having a professional CEO seems not necessarily to be associated with higher management scores in Malaysia. Nevertheless, Malaysia’s pattern with regard to ownership structure generally follows that of other countries (Figure 14).

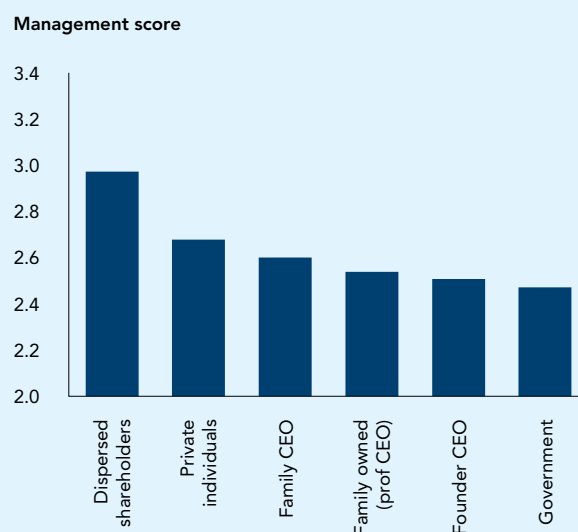
In Malaysia, better access to FDI is associated with better management practices. Research based on WMS data from across the world consistently documents that multinationals are on average significantly better managed than their domestic counterparts. This is explained by the fact that multinationals have access to FDI and global talent, which act as important channels for the diffusion of various technologies – such as those related to management practices. Technology diffusion can even spill over from multinationals into domestic firms. In many countries, FDI plays a critical role in spreading modern management practices, and has even contributed to the development of whole new sectors. For example, in Bangladesh, a joint-venture between the local textile firm Desh and the Republic of Korea’s Daewoo has been credited with

FIGURE 13: Overall management scores in Malaysia by number of competitors



Source: World Bank staff calculations based on World Management Survey data.

FIGURE 14: Overall management scores in Malaysia by ownership

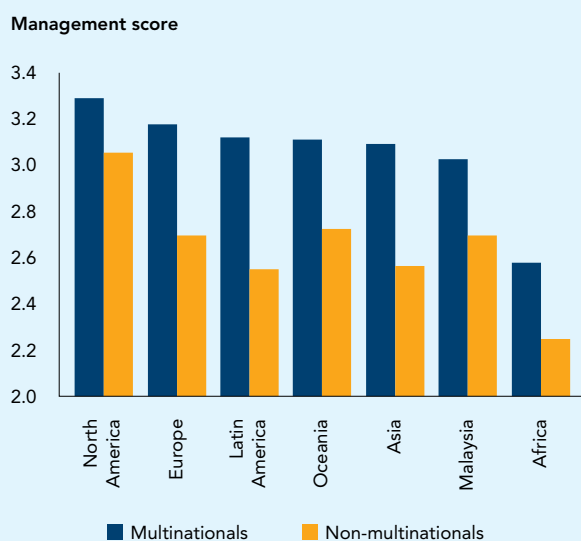


Source: World Bank staff calculations based on World Management Survey data.

spawning an entire industry as Desh’s local managers first learned about frontier management practices and then spun off new firms (Yunus and Yamagata 2012). With regard to access to FDI, patterns in Malaysia generally follow the international trend. In other words, with an average overall score of 3.03, multinationals in Malaysia are substantially better managed than domestic firms, which have an average overall score of 2.70. This implies that management practices among multinationals in Malaysia are about as good on average as among multinationals across the world, with the exception of North America where average overall scores are significantly higher. Similarly, non-multinationals in Malaysia perform about as well on average as non-multinationals across the world, again outside of North America (Figure 15).

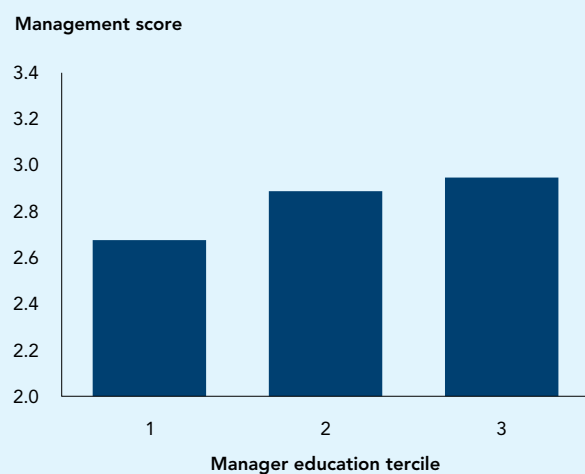
There is also a strong relationship between the education and skills of managers and workers on the one hand, and the quality of firms’ management practices on the other. It is intuitive that managers with higher education and skills will be better able to learn about and comprehend modern management practices. To understand why internationally the level of education and skills of the more general workforce are also strongly correlated with the quality of management practices, it is helpful to consider the importance of not just the knowledge of best practices among managers, but also of the implementation of these best practices by workers. Behavioral changes within firms are only successful when there is significant buy-in from workers, and this is often easier to achieve when workers have higher education levels and can more easily be included in discussions about any changes. The strong relationship between the education and skills of both managers and workers on one hand, and the quality of firms’ management practices on the other, can also be documented for Malaysia. In particular, firms with higher proportions of managers with degrees have better average overall management scores. A partition of firms into three equally sized groups according to the proportion of managers with degrees shows that firms with the lowest proportions of managers with degrees have an average management score of 2.68. In contrast, firms with the most educated managers have an average score of 2.95 (Figure 16).

FIGURE 15: Overall management scores in Malaysia and world regions in multinational and non-multinational firms



Source: World Bank staff calculations based on World Management Survey data.

FIGURE 16: Overall management scores in Malaysia by manager education

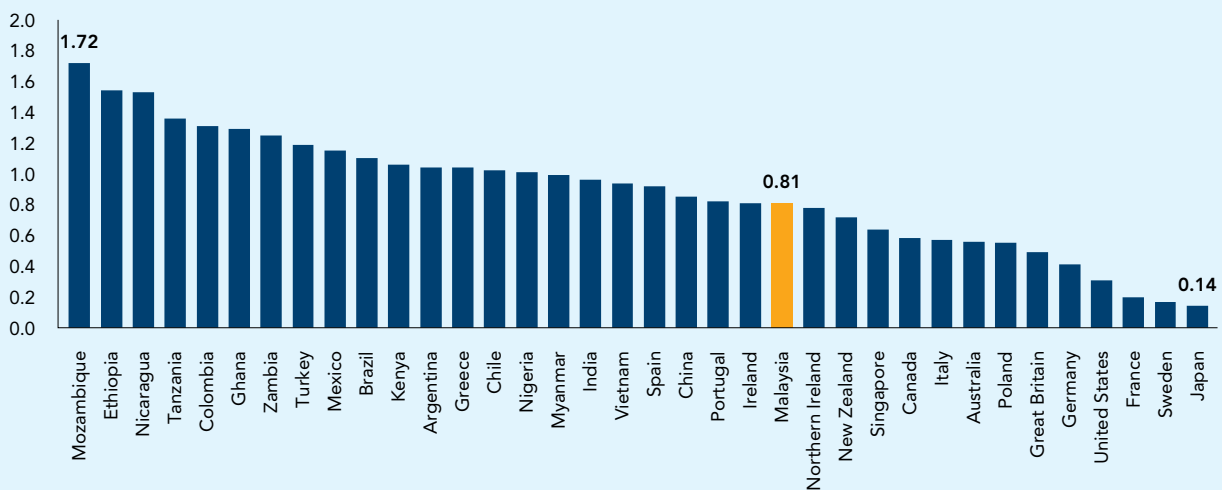


Source: World Bank staff calculations based on World Management Survey data.

In addition to more and better competition, ownership, FDI and education, the availability of information about good management practices is also important as managers are often unaware that they are not following best practices. Internationally, an unawareness of modern management techniques has been identified as an important factor hampering the absorption of modern management practices. In Malaysia, there is a significant gap between managers’ self-assessment of their performance and their actual performance according to the WMS data. In addition to its various other questions, the WMS also asks managers to score the quality of the management practices in their firm on a scale from one to ten. Dividing the managers’ self-reported scores by two to match the WMS’ management score scale from one to five makes it possible to calculate a “self-assessment gap” between actual and self-reported scores. On average, managers in Malaysia believe that their firms’ management practices are about 0.8 points better than what is indicated by the WMS. The self-assessment gap is positive across the world and lower in Malaysia than in many other countries. For instance, it is 1.53 points, 1.54 points, and 1.72 points in Nicaragua, Ethiopia, and Mozambique, respectively. At the same time, it is larger than for instance in Japan, Sweden, or France, which all have scores of 0.20 or less. The existence of a significant self-assessment gap is worrisome: if managers in Malaysia are not aware that they are not following best practices, they are unlikely to pursue opportunities for improvement (Figure 17).

FIGURE 17: Self-assessment gap in Malaysia and comparator countries

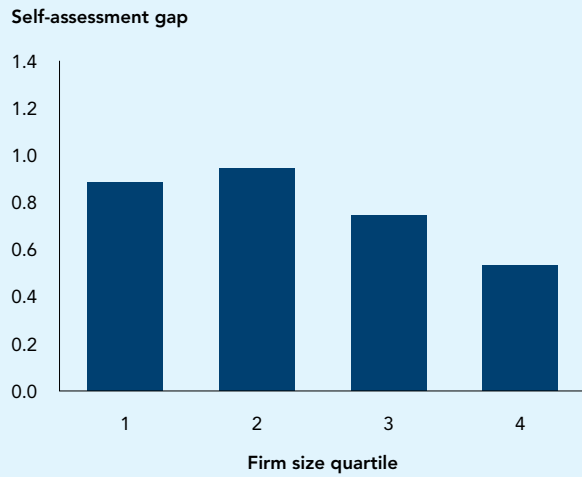
Self-assessment gap



Source: World Bank staff calculations based on World Management Survey data.

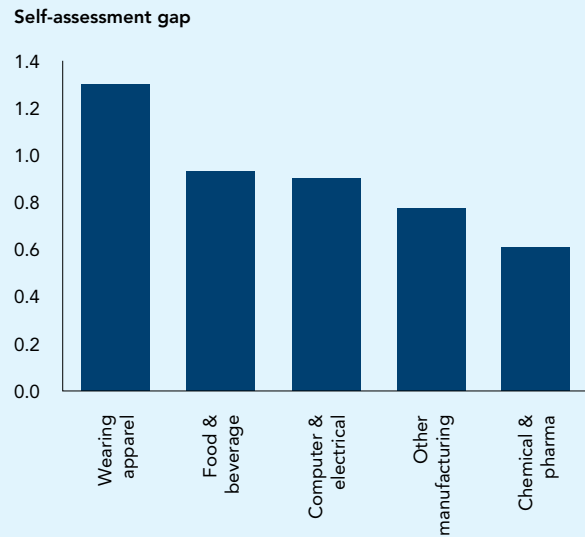
In Malaysia, self-assessment gaps between actual and self-reported management practices differ notably between firms with different characteristics. With regard to firm size, smaller firms have the most pronounced self-assessment gaps. At 0.88 and 0.94, gaps are most pronounced in the smallest and second smallest quartile of firms, respectively. At 0.53, they are least pronounced among the largest quartile of firms (Figure 18). With regard to various subsectors, firms in the wearing apparel subsector have the largest average self-assessment gaps, at 1.30. In contrast, firms in the chemical and pharma subsector have the smallest gap, at 0.61 (Figure 19). In addition, self-assessment gaps are very large among the youngest quarter of firms. Among this group of firms, they amount to 1.27 on average, whereas among older firms, they range from 0.52 to 0.70 (Figure 20). Finally, self-assessment gaps are relatively small in North and Central Malaysia as well as on the East Coast, where they range from 0.61 to 0.76. In contrast, at 1.04 and 1.39, respectively, they are very large in the Southern part of peninsular Malaysia and even more so in East Malaysia (Figure 21).

FIGURE 18: Self-assessment gap in Malaysia by firm size



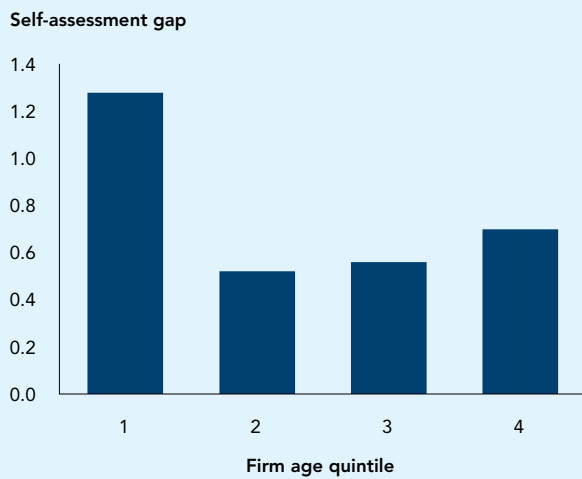
Source: World Bank staff calculations based on World Management Survey data.

FIGURE 19: Self-assessment gap in Malaysia by subsector



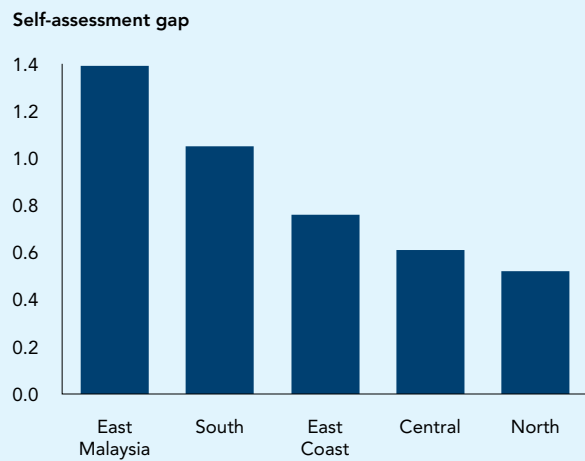
Source: World Bank staff calculations based on World Management Survey data.

FIGURE 20: Self-assessment gap in Malaysia by firm age



Source: World Bank staff calculations based on World Management Survey data.

FIGURE 21: Self-assessment gap in Malaysia by region



Source: World Bank staff calculations based on World Management Survey data.



CHAPTER 5

Policy Implications

Raising Malaysia’s productivity growth through better management practices will require a systematic, comprehensive policy approach that fosters the different drivers of management practices in a systematic and mutually reinforcing way. While overall management scores in Malaysia are close to the international median, a back-of-the-envelope calculation suggests that if management practices among larger manufacturing firms in the country were to catch up with those of the United States, labor productivity among these firms would increase by 13%. Realizing productivity gains of this magnitude through improved management practices will necessitate increases in the intensity of competition, reforms of the ownership structure of firms, improvements in the access to FDI, and investments in the access to talent and the quality of education and training. In addition, better information about – and training in – modern management practices is also likely to contribute to determining whether more and better competition, ownership, FDI, and education will actually lead to better management quality.⁶

While in Malaysia the intensity of competition seems to be less of a driver of management practices than in other countries, increased competition will nevertheless be crucial for sustained productivity growth. World Bank (2016) strongly suggests that distortion in Malaysia’s output markets are hurting productivity through inefficient allocation of resources. While several issues have been broadly highlighted in the recent past that could explain these inefficiencies, competition is key. In particular, there have been concerns about government-linked corporations crowding out domestic competition in their sectors. Though potentially politically difficult, World Bank (2016) therefore recommends Malaysia to strengthen its competition policy and to adopt competitive neutrality in its regulatory stance, particularly with respect to the operations of government-linked corporations. From the regulatory perspective, easing existing policies to further open markets for further foreign private sector participation would also help to boost productivity.

In terms of ownership, a further improved legal environment will be the best tool to gradually improve management practices, while recognizing concerns over loss of control by family owners and their next of kin. While firms managed by their founder(s) (as well as those owned and managed by the Government) tend to be managed significantly worse than other firms, breaking down this type of ownership involuntarily is not straightforward, as family owners and their next of kin tend to be very reluctant to completely cede control. Instead, two policy levers can be helpful to gradually improve management practices in family-controlled firms. First, there is room for further policy improvements in terms of minority shareholder protection to allow peace of mind for family owners to hire professional managers without fear of expropriation. These could build on the current regulatory framework; the Companies Act and the Securities Commission’s Code of Corporate Governance already contain specific elements to ensure minority shareholders’ rights. For instance, the Code of Corporate Governance contains detailed principles, practices, and guidance regarding topics such as board composition and the conduct of general meetings. Second, there is room for further advances in the rule of law and the quality of institutions more generally, so that family owners can better trust outside managers in their firms.

Promoting FDI is a vital tool to disseminate good management practices. According to World Bank (2016), facilitating technology absorption through FDI would necessitate improved access to skills and talents (likely including temporary movement of professionals) and more liberal investment policies (such as relaxing domestic content requirement) that would allow firms to deploy cutting-edge production technology with minimal restrictions. Meanwhile, World Bank (2016) also sees it as important to ensure that smaller firms get access to new technology, which could be fostered through supplier development programs to link them to multinationals and broader participation of government research and development programs. More generally, World Bank (2016) emphasizes that accelerating productivity growth in Malaysia will in large part

⁶ As the WMS in Malaysia was only representative for manufacturing firms with more than 50 employees, more research to confirm that similar findings and policy implications hold for smaller manufacturing firms and firms in other sectors would be desirable.



depend on raising the productivity of small and medium-sized enterprises (SMEs). This will require better equipping SMEs to compete more effectively and gain greater market access, as well as ensuring a strong enabling environment to realize their potential. In recognition of this, the Government has developed a series of SME Masterplans to facilitate business formation, encourage formalization, stimulate the development of high-growth companies, and boost the productivity of SMEs (World Bank 2020).

In addition to FDI, the dissemination of good management practices also benefits from access to global talent. As detailed in World Bank (2015a), there is broad recognition that the Malaysian labor market has benefited from the presence of international industry leaders and professionals that help firms remain globally competitive. A regular evaluation of relevant Government services can help further improve their effectiveness. Moreover, while there already is an incentive program for highly skilled immigrants working in Malaysia through the Residence Pass-Talent (RP-T), the program only aims to retain talent, not attract new talent. Thus, a revised approach may consider expanding RP-T eligibility beyond talent already in Malaysia to those applying from abroad. By doing so, a broader pool of applicants can fill labor shortages in highly skilled occupations. A very specific and important source of global talent is Malaysia's large diaspora. World Bank (2011) argues that persuading a large share of the diaspora to return will require a comprehensive policy approach in terms of adequate wages, social inclusion, quality of life, and other factors, coupled with targeted programs which welcome returnees and their families, provide financial security, and offer a conducive environment for innovation and business creation.

It will also be important to foster lifelong learning among both managers and employees, and to reinforce efforts to close skills gaps. World Bank (2016) argues that efforts to close skills gaps could be reinforced through strengthened workforce training programs. A stronger coordination with the private sector could improve the effectiveness of existing training interventions and alleviate skill mismatches in the labor market. Such collaboration could take different forms, from inputs in the design of curricula to provision of apprenticeship opportunities. A more intense use of labor market information to inform skill development policies and programs is also likely to improve efficiency and effectiveness of the existing interventions, while a stronger focus on effectiveness and efficiency of spending could lead to improvements in the general skills of the Malaysian workforce. In particular, linking funding allocations to program performance measured in terms of impact would serve to raise efficiency and equity in the use of funds. In terms of practical realization of these recommendations in a changing world of work, a hands-on roadmap is provided by the Human Resource Development Fund (HRDF)'s National Workforce Human Capital Development Blueprint 2018 – 2025, developed in cooperation with the World Bank (HRDF and World Bank 2017).

Finally, policies aimed at diffusing information and providing hand-on support regarding good management practices can be crucial and cost-effective steps towards improving the quality of management. Holding workshops about best practices and helping managers critically evaluate their own practices in a non-threatening way could be particularly cost-effective. Officials could provide opportunities and promote events to collaborate and share best practices and learning via multiple methods to support the implementation of such practices. Priority firms that these interventions should target would be those where self-assessment gaps between actual and self-reported management practices are most pronounced. This would particularly be smaller and younger firms in the manufacturing sector, those in the wearing apparel subsector, and those in East Malaysia. Going beyond diffusing of information, the study by Bloom et al. (2013) discussed above shows that hands-on support to implement modern management practices can improve productivity. Malaysia already implements some relevant support – for instance through initiatives in the dimension of talent management implemented by HRDF's National Human Resource Center – but could strengthen and scale up these efforts. International experiences, for instance the Business Management Advisory Support implemented in Bosnia and Herzegovina, can provide interesting models (Box 1).

BOX 1

Business Management Advisory Support in Bosnia and Herzegovina

Since 2018, the World Bank Group in cooperation with the Swedish International Development Cooperation Agency has been sponsoring the Business Management Advisory Support project in Bosnia and Herzegovina. Project implementation has been led by Deloitte, a leading international management consulting company. As a part of the project, selected SMEs have been provided with free-of-charge and tailor-made business advisory services for business growth and job creation.

SMEs are recognized as major contributors to job creation and economic development in Bosnia and Herzegovina. They create over 60% of jobs and generate over 60% of GDP. At the same time, the country's SMEs are faced with a number of challenges to their competitiveness – including some directly related to management practices like insufficient entrepreneurial risk-taking, growth of innovative companies, and adoption of disruptive ideas.

Aiming to address these challenges and to encourage business development among SMEs, the project focuses on providing solutions to pressing issues affecting SMEs in Bosnia and Herzegovina. With extensive tailor-made consulting support, Deloitte's local and regional industry experts help firms to identify opportunities for improvement by assessing integral management areas, such as human resource management practices, product development, factory operations, and sales and marketing (among others). In addition, participating SMEs are provided with actionable recommendations to drive their businesses forward as well as coaching and mentoring on implementation of recommended measures, strategic management planning, finance and accounting, environmental efficiency, and other relevant business components. The support by Deloitte lasts for nine months during which firms' proactive cooperation is necessary in order to effectively achieve expected project outcomes.

The project is currently targeted at firms located in three pilot areas (the wider regions of Banja Luka, Sarajevo, and Mostar) that have a minimum of ten and a maximum of 100 employees and are 100% privately owned. Additional eligibility requirements include that firms have a solid business performance, healthy financials and a good reputation, and have been in business for at least three years. Certain types of firms such as financial institutions or firms that are involved in gambling, weaponry trade and production, and production of tobacco or tobacco products, are not eligible to participate.

While robust results on the effectiveness and cost-effectiveness of the Business Management Advisory Support project are not yet available, initial interest by – and reactions from – SMEs in Bosnia and Herzegovina has been very encouraging. This supports the notion that strengthening the management skills of firm-level decision makers can lead to better management practices and foster productivity growth.

Source: Deloitte (2018)

References

- Asyraf, Tengku Mohamed, Devendran Nadaraja, Afif Shamri and Rubin Sivabalan. 2019. "Is Malaysia Experiencing Premature Deindustrialisation?" *BNM Quarterly Bulletin* 2019/1: 19–25.
- Bertrand, Marianne and Antoinette Schoar. 2003. "Managing with Style: The Effect of Managers on Firm Policies." *The Quarterly Journal of Economics* 118: 1169–1208.
- Black, Sandra and Lynch, Lisa. 1996. "Human-Capital Investments and Productivity." *The American Economic Review* 86: 263–267.
- Bloom, Nicholas, Erik Brynjolfsson, Lucia Foster, Ron Jarmin, Megha Patnaik, Itay Saporta-Eksten and John Van Reenen. 2019a. "What Drives Differences in Management Practices?" *The American Economic Review* 109: 1648–1683.
- Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie and John Roberts. 2013. "Does Management Matter? Evidence from India." *The Quarterly Journal of Economics* 128: 1–51.
- Bloom, Nicholas, Christos Genakos, Raffaella Sadun and John Van Reenen. 2012. "Management Practices Across Firms and Countries." *Academy of Management Perspectives* 26: 12–33.
- Bloom, Nicholas, Renata Lemos, Raffaella Sadun, Daniela Scur and John Van Reenen. 2014. "The New Empirical Economics of Management." *Journal of the European Economic Association* 12: 835–876.
- Bloom, Nicholas, Leonardo Iacovone, Mariana Pereira-López and John Van Reenen. 2019b. "Management in Mexico: Market Size, Frictions and Misallocation." Unpublished working paper.
- Bloom, Nicholas and John Van Reenan. 2007. "Measuring and Explaining Management Practices Across Firms and Countries." *The Quarterly Journal of Economics* 122: 1351–1408.
- Bloom, Nicholas and John Van Reenan. 2010. "Why Do Management Practices Differ across Firms and Countries?" *Journal of Economic Perspectives* 24: 203–224.
- Deloitte. 2018. *Calling SMEs in Bosnia and Herzegovina: Apply for Complimentary Business Management Advisory Support and Utilize Professional Business Services and Tailor Made Advice on Business Growth and Enterprise Development*. Deloitte: Sarajevo.
- Hansson, Bo. 2007. "Company-based Determinants of Training and the Impacts of Training on Company Performance." *Personnel Review* 36: 311–331.
- HRDF and World Bank. 2017. *HRDF National Workforce Human Capital Development Blueprint 2018 – 2025*. HRDF and World Bank: Kuala Lumpur.
- Hussein, Nurhisham. 2018. "The Impact of Ageing on Malaysia: Challenges and Possibilities." In: Tey Nai Peng, Lai Siow Li and Noor Azina Ismail (eds.). *Population Situation Analysis Malaysia 2018*. University of Malaya: Kuala Lumpur.
- Ichniowski, Casey, Kathryn Shaw and Giovanna Prennushi. 1997. "The Effects of Human Resource Management Practices on Productivity: A Study of Steel Finishing Lines." *The American Economic Review* 87: 291–313.
- Lemos, Renata and Daniela Scur. 2019. "The Ties that Bind: Implicit Contracts and the Adoption of Management Technology in the Firm." Unpublished working paper.
- Maloney, William F. and Mauricio Sarrias. 2017. "Convergence to the Managerial Frontier." *Journal of Economic Behavior & Organization* 134: 284–306.
- Menon, Jayan and Thiam Ng. 2015. *Policy-Induced Premature Deindustrialisation in a High-Income Aspirant: Malaysia*. VoxEU: London.
- Putrajaya Committee. 2015. *GLC Transformation Programme Graduation Report*. Putrajaya Committee on GLC High Performance: Putrajaya.

References

- World Bank. 2011. *Brain Drain – Malaysia Economic Monitor June 2011*. World Bank: Washington, DC.
- World Bank. 2015a. *Immigrant Labour – Malaysia Economic Monitor December 2015*. World Bank: Washington, DC.
- World Bank. 2015b. *The Malaysia 2015 Enterprise Surveys Data Set*. World Bank: Washington, DC.
- World Bank. 2016. *The Quest for Productivity Growth – Malaysia Economic Monitor December 2016*. World Bank: Washington, DC.
- World Bank. 2017. *Study on the Effectiveness of the Human Resources Development Fund*. World Bank: Washington, DC.
- World Bank. 2020. *Malaysia's Experience with the SME Masterplan*. World Bank: Washington, DC.
- Yunus, Mohammad and Tatsufumi Yamagata. 2012. "The Garment Industry in Bangladesh." In: Takahiro Fukunishi (ed.): *Dynamics of the Garment Industry in Low-Income Countries – Experience of Asia and Africa*. Institute of Developing Economies – Japan External Trade Organization: Chiba.



CONNECT WITH US



wbg.org/Malaysia



[@WorldBankMalaysia](https://www.facebook.com/WorldBankMalaysia)



[@WB_AsiaPacific](https://twitter.com/WB_AsiaPacific)



http://bit.ly/WB_blogsMY

