Improving Management in Colombian Firms Through Individual and Group Consulting
Leonardo Iacovone, William Maloney and David McKenzie

Differences in the quality of firm management practices are estimated to account for up to 30 percent of cross-country productivity differences. Intensive individualized consulting provided by an international consulting firm has been shown to deliver lasting improvements in management. However, such an approach is very costly, raising the question of how to best scale-up such programs.

We worked with the Government of Colombia to test two approaches to scaling-up management improvements: individualized consulting delivered by local consultants; and a group-based approach that aimed to lower the cost of delivery and leverage group-learning dynamics.

Working with Auto-parts Firms
The Government of Colombia chose the auto-parts sector for this program, and launched a call for interested firms in 2012. This sector consists largely of second-tier suppliers to large car manufacturers, producing parts like fenders, tires, suspension parts, plastic parts, paints, etc.

Firms were told the program would offer assistance in improving production practices, and that the program would not require any payment by the firms, but instead require the time and effort of their management and workforce.

218 firms applied for the program, of which 159 firms were selected for the program. The firms ranged in size from 10 to 310 employees, with a mean of 59 workers. Most had been operating for many years, with a median firm age of 24 years.

Management practices in these firms at the time of application were similar to those of other Colombian manufacturing firms, and similar to those in Kenya and India, suggesting plenty of room for improvement.

Experimental Design and Intervention
We randomly divided this sample into a control group and two treatment groups, each of 53 firms:

- **Control group**: they received a two-week diagnostic, in which a team of consultants assessed management practices in 5 areas (logistics, HR, marketing and sales, finance, and production), ending with a report with recommended areas to improve.

- **Individual treatment**: after the diagnostic, they received 500 hours of individual consulting over 6 months to help improve in these 5 areas. This cost $29,000 per firm.

- **Group treatment**: after the diagnostic, groups were formed of 3 to 8 firms from the same region. The consultants then met with workers and managers from the whole group at the same time, for 408 hours of group consulting at a cost of $10,500 per firm.

The individual treatment was delivered between March and November 2014; while due to a government funding delay, the group treatment took place between September 2015 and March 2016. We measure impacts of the program through three sources: (i) measurement of 141 management practices collected during the...
diagnostic, implementation, and one year later; (ii) firm data on sales, defects, and other key performance indicators collected during in-person firm visits; and (iii) administrative data on employment taken from the social security records. The last source enables measurement of impacts up to 4 years after the individual treatment and 3 years after the group treatment.

Results

- The individual and group treatments both improved management practices by a similar amount, between 8 to 10 percentage points relative to the control group (Figure 1). These improvements last at least one year after treatment.

Figure 1: both treatments resulted in similar increases in management practices

- Both treatments led to a broad improvement in management practices, improving practices in all five areas, and when we zoom into the level of our 141 specific practices, the mix of practices improved is also similar across treatments.

- Firms within the same small group tended to improve similar practices, suggesting coordinated learning and experimentation.

- Only the group treatment resulted in significant growth in firm size: employment grows by a statistically significant 6 to 7 workers relative to the control group. Sales also grew 8 to 9 percent (p=0.12). In contrast, the impacts of the individual treatment on employment and sales are smaller and not statistically significant.

Policy Implications

1. The new group-based approach to consulting trialed here delivered as large an improvement in management as the individual consulting approach at one-third the cost, clearly dominating on a cost-benefit basis.

2. Although we were not able to precisely measure impacts on firm profitability, the impacts we find on sales suggest the group-based intervention is likely to pay for itself within 14 months.

3. Several implementation challenges arose from delays in contracting, highlighting the importance of public management in being able to successfully scale-up efforts to improve management in the private sector.


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