

The Quality of Management Practices in Finnish Manufacturing Establishments

Executive summary:

There is a lack of comprehensive information on the quality of management in Finland as compared to other countries. Funded by the Strategic Research Council, the Skills, Education and the Future of Work research project has started filling this gap. As part of the project, an extensive survey concerning management practices has been implemented for Finnish manufacturing establishments. Its design meticulously follows the Management and Organizational Practices Survey (MOPS), a survey conducted by the US Census Bureau. The United States is a useful benchmark for international comparisons, because its management practices have been recognised as the best in the world in studies that utilise a long-standing survey project called the World Management Survey (WMS). Even though the WMS is an open-ended interview survey, whereas the MOPS is based on closed-ended questions, the two surveys are based on the same theoretical framework. This report introduces the Finnish Management and Organizational Practices (FMOP) survey data and presents some interesting preliminary observations.

The FMOP data do not contain establishments that belong to firms with fewer than 50 employees. When calculating averages for Finnish manufacturing, two different imputation methods are used to estimate management scores for these missing establishments: a baseline and a (very) conservative one. Our conservative method provides us with an approximate lower limit for the scores. The analysis reveals large dispersion in management practices between establishments and that the average management score for manufacturing is 0.52, with a lower limit of 0.46. Furthermore, a clear positive connection is found between number of employees and management.

Rather than looking at unweighted averages, it is more relevant, in terms of competitiveness, to study how much of the workforce is allocated into well-managed establishments. A decomposition of industry management practices shows that labour is more heavily allocated to larger establishments with higher quality management. The allocation effect is between 29% and 20% of the aggregate (employment weighted) average management score, depending on the imputation method applied. Further analysis shows that, even though the allocation effect is significant in size, it appears to be substantially smaller than in the United States. This reflects the fact that, when compared to Finland, a much larger share of the US workforce is employed by very large, well-managed establishments.

The management scores are only slightly behind those of the US and, depending on the imputation method, either a bit higher than or on par with those of Germany. This suggests that management practices in Finnish manufacturing are on an internationally competitive, high quality level.

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”Suomen tehdasteollisuuden johtamiskäytäntöjen laatu”.

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