

The Impact of Management Quality on Innovation Performance of Firms in Emerging Countries*

Oleg Sidorkin[†]

Abstract

I study the impact of management quality on innovation input and output of manufacturing firms in ten emerging countries using data from the Management, Organization and Innovation (MOI) Survey. I find effects of management quality on the decisions of firms to invest in R&D hold for both EU and non-EU emerging countries. An improvement in management quality from the 25th percentile to the median is associated with a 4.5 percentage point increase in the propensity to invest in R&D and a 5.7 percent increase in R&D spending per employee. Furthermore, there are positive but weak effects of management quality on product innovation. The empirical results for individual management practices show that the quality of monitoring management is intimately connected with innovation input and output. The quality of incentive management is related to higher input into innovation, but not to innovation output. The overall effects of operations and targeting management quality do not prove to be significant. All results hold after controlling for differences in management quality by industries. Additional analysis of management quality asymmetry shows that the results are driven mainly by firms with low quality management.

JEL codes: L2, M2, O3, P2

Keywords: management quality; R&D; innovation; emerging countries

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[†]CERGE-EI, a joint workplace of Charles University in Prague and the Economics Institute of the Czech Academy of Sciences, Politických vězňů 7, 111 21 Prague, Czech Republic. Oleg.Sidorkin@cerge-ei.cz