

How to Get Good Managers: An econometric case study of a large Japanese Auto Dealership

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Abstract

Managers could have substantial influences over their subordinates' productivity. Using the personnel and transaction data from one of the largest auto dealership in Japan, this paper discusses how large the impact of having a good manager is, how managers are assigned to workplaces, which managers are more likely to achieve high productivity, and how much managers can improve their performance through learning by doing. Our primary findings are: (1) replacing "bad" managers at one standard deviation below the average with "good" managers at one standard deviation above the average improves the branch profit by 14%.; (2) new managers are assigned to small branches and laterally moved to larger branches as they accumulate experience; (3) young managers and those with broader experience tend to perform better than old ones and those with narrow experience in new car sales, and the age effect is largely explained by the positive impact of smaller age differences between the manager and his subordinates; and (4) selecting good managers is more important than training managers as the magnitude of learning-by-doing is small relative to the productivity distribution of managers.