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Skills, management practices and productivity in SMEs

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In this paper we match survey data on management skills and practices in a large group of SMEs with longitudinal data on productivity to examine the causal links between skills and management practices in 2014 and productivity performance in 2017. Our focus is on a group of firms led by a single entrepreneur or owner-manager. Three key conclusions emerge. First, we affirm the important of management practices for productivity such that an additional HR practice adds around 2% to productivity over three years. Second, we show that management skills relate strongly to management practices. Third, we show that Strategic Practices are most important for firms with fewer than 50 employees and that HR practices are more important for the performance of larger firms. Overall our research suggests a symbiotic relationship between management skills and management practices. Supporting productivity growth requires a dual approach combining training and mentoring to build managerial skills and ensure these are embedded in Management Practices.