

Management Practices Survey

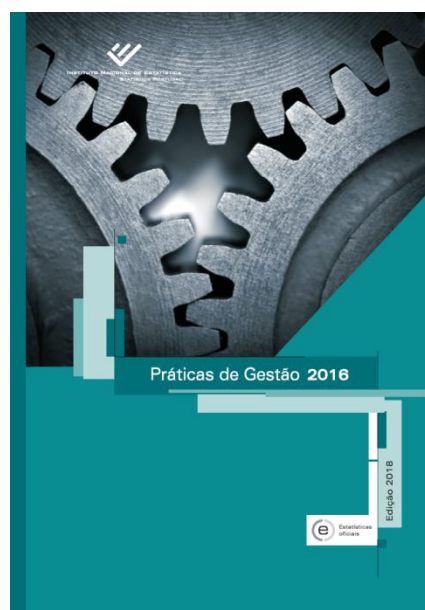
2016

Enterprises with more structured management practices present a better economic performance, more qualified employees and higher ICT usage

The empirical evidence indicates a significant association between management practices and economic performance. Companies with a larger size-class, belonging to an economic group, with more years on the market, with high qualification of human resources and using more information technologies tend, not only to be those with better economic performance, but also those that exhibit more structured management practices.

In November 2017, Statistics Portugal (INE) published the first results of the Management Practices Survey 2016 through a press release to media.¹

With this press release, Statistics Portugal disseminates the publication "[Management Practices 2016](#)". This publication aims to characterize management practices of the companies, using a synthetic indicator of management quality, called the *gscore* indicator. The analysis was divided in two groups: management practices more and less structured, relating this classification with economic indicators, level of education of human resources and degree of information and communication technologies usage.



1. MAIN RESULTS

In general, companies with more structured management practices (*gscore* equal to or greater than 0.5 points) presented a better economic performance between 2010-2016. It is also in these companies that higher profitability ratios were registered. Between 2010 and 2016, these companies had a higher median value of turnover and gross value added growth rates (2.9% and 4.6% in 2016, respectively) compared to the other companies (2.2% and 3.5%, in the same order). Similarly, the investment rate was higher in companies with a *gscore* equal to or greater than 0.5 points compared to the remaining companies: 20.2% and 11.9%, respectively.

¹ The press release is available at [Press release "Management Practices Survey 2016"](#).

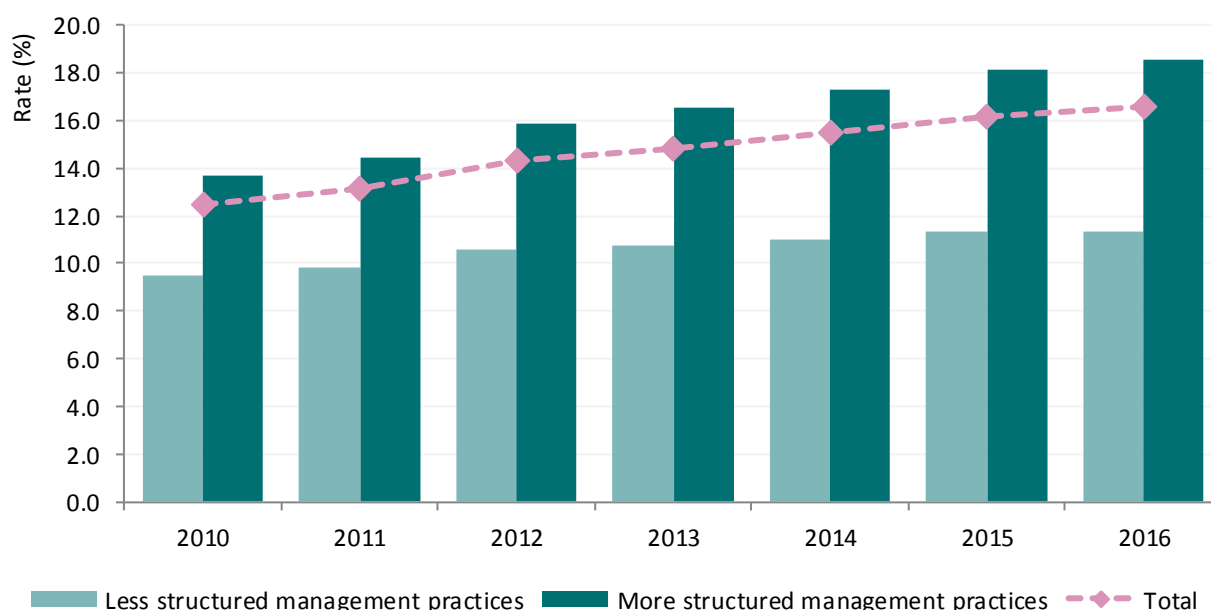
>> **Figure 1 – Main economic and financial indicators and return ratios by enterprise size-class (2016)**

Size-class	Micro		Small and medium		Large		TOTAL	
	Less structured	More structured	Less structured	More structured	Less structured	More structured	Less structured	More structured
Turnover (EUR 10 ³)	654	1 400	654	24 059	52 341	180 192	10 924	102 278
GVA by company (EUR 10 ³)	155	270	1 538	4 262	15 644	39 916	2 714	22 162
Average size	6	5	48	81	642	831	102	458
ALP (EUR 10 ³ / persons employed)	25	54	32	53	24	48	27	48
Net results by company (EUR 10 ³)	- 12	432	220	1 362	1 658	8 733	316	5 059
Return on assets (value)	-0.85	7.66	2.38	5.03	2.17	3.89	2.18	4.01
Return on equity (value)	-2.90	8.45	7.99	13.86	7.03	12.62	7.17	12.74
Return on sales (value)	0.06	32.87	5.20	7.37	5.50	6.59	5.28	6.68

Source: Statistics Portugal, MPS and IBAS

During the period 2010-2016, the weight of the number of persons employed with higher education (undergraduate degree or higher) had a higher growth in the companies with more structured management practices (18.5% in 2016) than in the remaining companies (11.4% in the same period).

>> **Figure 2 – Average share of employees with higher education by type of *gscore* (2010-2016)**



Source: Statistics Portugal, MPS and QP

Additionally, two new indicators were created, the *rh_score* - calculated considering the qualifications of the company's employees, and the *tic_score* - based on the use of information and communication technologies.

The companies with persons employed with lower education, measured by *rh_score*, tend to present less structured management practices. Companies with higher information and communication technologies usage, measured by *tic_score*, tend to present more structured management practices.

In order to analyze the relevance of the *gscore* in the economic performance of the companies, some linear regressions were tested, in which the dependent variable considered was the natural logarithm of the gross value added (GVA). The *gscore* was included in the regressors. The results obtained indicate a significant relationship between management practices quality (*gscore*) and the economic performance of the companies.

These and other more detailed results are available in the publication "Management Practices 2016", available at the Portal of Statistics Portugal: www.ine.pt.

Methodological note:

Financial and economic ratios:

Apparent labour productivity (ALP): represents the contribution of the labour factor used by the company, measured by the GVA generated by each unit of person employed.

$$\frac{GVA}{persons\ employed}$$

Average size: reflects the average size of the company regarding the persons employed.

$$\frac{persons\ employed}{number\ of\ enterprises}$$

Investment rate: represents the weight of gross fixed capital formation (GFCF) in relation to gross value added (GVA).

$$\frac{gross\ fixed\ capital\ formation}{GVA} \times 100$$

Return on assets: expresses the rate of return of capital invested in the company, meaning the profitability of the company from the investor's point of view.

$$\frac{net\ results}{net\ assets} \times 100$$

Return on equity: makes it possible to assess whether the return on equity is at an acceptable level compared to capital market rates of return and financing expenditure.

$$\frac{net\ results}{equity} \times 100$$

Return on sales: measures the company's ability to generate net profits from sales and services.

$$\frac{net\ results}{turnover} \times 100$$

Acronyms and abbreviations:

%	Percentage
ALP	Apparent labour productivity
IBAS	Integrated Business Accounts System
ICT	Information and Communication Technologies
INE	Statistics Portugal
GVA	Gross value added
MPS	Management Practices Survey
No	Number
QP	<i>Quadros de Pessoal</i>