Abstract

Management practices and participation in international trade vary substantially across firms and countries. We provide the first evidence on the links between managerial competence, export performance and import activity using detailed data on the management practices, balance sheets and customs transactions of 485 Chinese firms in 1999-2008 and over 10,000 US firms in 2010. Better managed firms are more likely to export, sell more products to more markets, and have higher export sales. Management plays a distinct role from TFP and is disproportionately more important for exporting than for overall output. Moreover, better managed firms sell higher-quality products within narrow destination-product markets, use more imported inputs and import more expensive inputs from more and richer countries of origins. These results suggest that superior managerial practices enhance firms' trade performance by allowing them to more efficiently produce more complex goods of higher quality. Inferior managerial practices may thus be an important obstacle for developing nations that depend on trade for economic growth.