

Lecture by Madan Choudhary from Loughborough University: Data Reveals the Cost of Conflict as Expert Examines the Impact of Terrorism on Business Management

Campus focus

Against a backdrop of intensifying global competition, management quality has increasingly been recognized as a key determinant of national productivity. On the afternoon of April 16, M. Ali Choudhary, Professor of Economics and Public Policy and Head of the Economics Academic Group at Loughborough University Business School, was invited by the Department of Economics at Tamkang University to deliver a lecture titled “Management and Conflict” at the Hsu Shou–Chlien International Conference Center. Drawing on empirical research, he examined the impact of terrorism on business management and economic performance. The event attracted 55 faculty members and students.

Professor Choudhary explained that management has traditionally been viewed by economists as a concept that is difficult to quantify. However, recent studies have increasingly transformed it into a measurable factor of production. Using the Management and Organizational Practices Survey (MOPS), researchers developed a management–quality scoring system based on 16 indicators covering goal setting, production monitoring, and employee incentives. These indicators convert abstract managerial capabilities into a numerical score ranging from 0 to 1. “This is not intuition—it is data,” Choudhary remarked as he presented a database encompassing more than 70,000 firms worldwide. The findings show that firms in developed countries such as the United States and Germany consistently achieve average scores of around 0.6, whereas firms in some conflict–affected regions score only about 0.3.

The central focus of the lecture was Choudhary’s recent research investigating the causal impact of terrorism on business management. He emphasized that one of the greatest challenges in economics is distinguishing causation from correlation. A key question, he noted, is

whether terrorism causes deteriorating management practices or whether poorly managed regions are more likely to experience terrorist activity. To address this issue, the study employed an instrumental variable—a factor unrelated to firm management but capable of influencing the funding available for terrorist activities. This approach helps eliminate alternative explanations and establish a more reliable causal relationship. The research simultaneously examined changes in management performance and terrorist activity while controlling for differences across years, regions, industries, and economic conditions to improve analytical accuracy. Methodologically, the study used Pakistan's religious charitable tax system, Zakat, as the instrumental variable. When bank deposits exceed a certain threshold, 2.5% must be deducted for charitable purposes. Because this threshold fluctuates with international silver prices, changes in silver prices influence the flow of financial resources. The study found that some funds may shift into informal channels, potentially reaching extremist organizations and affecting levels of terrorist activity. By tracing the relationship among silver price fluctuations, financial flows, and terrorist activity, the researchers were able to isolate the effects of terrorism more effectively and provide a clearer picture of its impact on business management.

The results indicate that in regions experiencing sharp increases in capital-intensive terrorist attacks, such as bombings, average management-quality scores decline by approximately 10%, while financial performance falls by around 14%. Professor Choudhary emphasized that the costs of conflict extend beyond “hard costs,” such as damaged infrastructure, to include “soft costs,” such as the loss of managerial talent and disruptions to professional services. Over time, these effects weaken firms' connections to global knowledge networks and trap businesses in a vicious cycle of low management quality, low productivity, and limited growth, ultimately undermining national economic performance. The research has been published in the journal *Econometrica* and is regarded as a landmark contribution to the field of conflict economics.

When asked about Taiwan, Professor Choudhary noted that large-scale MOPS

data are not yet available. Nevertheless, based on Taiwan's economic structure, he estimated that the country's management-quality score would likely range between 0.58 and 0.60, comparable to those of the United States and Germany. His observation sparked lively discussion among faculty and students, highlighting the close relationship between management practices and industrial competitiveness.



Management and Conflict

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