Online Appendix: Do Better Managers Bribe Less?

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A Formal Models of Management Quality, Internal Controls, and Bribery

A.1 Production

We begin by assuming that each restaurant entrepreneur is endowed with an initial managerial capital ϕ. Consistent with the standard span-of-control assumption in the literature, we assume the entrepreneur faces a decreasing-returns-to-scale production technology.[1]

Let q_i be the number of orders each restaurants serve. We conjecture a production function:

$$\log(q_i) = \phi_i + \beta_l \log(l_i) + \beta_v \log(v_i) + \epsilon_i$$

where l_i and v_i are respectively labor and variable inputs (such as food ingredients, electricity, fuel). $\beta_l + \beta_v \equiv \beta < 1$ indicates DRS.

A.2 Demand and Regulatory Standards

The restaurant also has an exogenous demand shifter ξ which depends on the restaurant's location and long-term reputation. A representative consumer allocates expenditure across restaurants based on their prices and demand shifters.[2] The restaurant's demand is then:

$$q_i^D = \xi_i \left(p_i/P\right)^{-\sigma}$$

where P is the aggregate price index of all competing restaurants and σ is interpreted as the elasticity of demand.

All the restaurants also must incur a compliance cost to achieve the government regulatory standards (for instance, hygiene, fire safety, etc.). We assume the cost is firm-specific and denoted as F_i. If the firm complies with the regulation by incurring this cost, then it can always operate. However, firms can also choose to "save" the cost by cutting corners and shirking regulatory responsibilities.

The government will randomly inspect each restaurant with probability s_i. If caught with regulatory violations, the restaurant will forfeit a fraction of its operating profits.

A.3 Restaurant Profitability

Given demand for restaurant orders q_i^D, the restaurant minimizes its total operating cost such that

$$min_{l,v} wl_i + p_v v_i \qquad \phi_i l_i^{\beta_l} v_i^{\beta_v} \geq q_i^D$$

The FOC implies that $\frac{w}{p_v} = \frac{\beta_l}{\beta_v}\frac{v_i}{l_i}$. It is straightforward to show that the total cost function is $C(\phi_i, q) = \left(\frac{q}{\phi_i}\right)^{\frac{1}{\beta}} \underbrace{\beta \left(\beta_l w\right)^{\frac{\beta_l}{\beta}} \left(\beta_v p_v\right)^{\frac{\beta_v}{\beta}}}_{C_{wv}}$. The total cost is decreasing in managerial capital ϕ_i but convex in total number of orders q, reflecting the decreasing returns.

Faced with downward-sloping demand, the restaurant sets the optimal price (and its implied

[1] This is reasonable given the space constraint of each restaurant, at least, in the short run.

[2] It is isomorphic to a setting where a large group of consumers make discrete choices about restaurants.

quantity)

$$max_q P(q)^{1-\frac{1}{\sigma}} \xi_i^{\frac{1}{\sigma}} - C_{wv}\left(\frac{q}{\phi_i}\right)^{\frac{1}{\beta}}$$

The FOC implies that $q^{\frac{1}{\beta}-\frac{\sigma-1}{\sigma}} = \left[\frac{P}{C_{wv}}\beta\left(\frac{\sigma-1}{\sigma}\right)\right]\phi_i^{\frac{1}{\beta}}\xi_i^{\frac{1}{\sigma}}$. The total revenue is

$$R(\phi_i,\xi_i) = \left(\xi_i\phi_i^{\sigma-1}\right)^{\frac{1}{\sigma-\beta(\sigma-1)}}\left(P^\sigma C_{wv}^{\beta(1-\sigma)}\right)^{\frac{1}{\sigma-\beta(\sigma-1)}}\left[\beta\left(\frac{\sigma-1}{\sigma}\right)\right]^{\frac{\beta(\sigma-1)}{\sigma-\beta(\sigma-1)}}$$

and the total cost is $C(\phi_i,\xi_i) = \left(\xi_i\phi_i^{\sigma-1}\right)^{\frac{1}{\sigma-\beta(\sigma-1)}}\left(P^\sigma C_{wv}^{\beta(1-\sigma)}\right)^{\frac{1}{\sigma-\beta(\sigma-1)}}\left[\beta\left(\frac{\sigma-1}{\sigma}\right)\right]^{\frac{\sigma}{\sigma-\beta(\sigma-1)}}$.

It is easy to show then the total profit of the restaurant is increasing in both the demand shifter ξ_i and the managerial capital ϕ_i

$$\pi(\phi_i,\xi_i) = \left(\xi_i\phi_i^{\sigma-1}\right)^{\frac{1}{\sigma-\beta(\sigma-1)}}\underbrace{\left(P^\sigma C_{wv}^{\beta(1-\sigma)}\right)^{\frac{1}{\sigma-\beta(\sigma-1)}}\left[\beta\left(\frac{\sigma-1}{\sigma}\right)\right]^{\frac{\beta(\sigma-1)}{\sigma-\beta(\sigma-1)}}\left(1-\beta\left(\frac{\sigma-1}{\sigma}\right)\right)}_{C_\pi}$$

A.4 Compliance with No Bribe

We start with a baseline setting where the government official is impervious to bribery. In this case, the firm will need to decide whether to pay compliance cost F_i for regulatory compliance. Upon inspection the noncomplying firm loses fraction τ of the demand ξ, which can be thought of as the number of business days lost to punishment closure or a poor reputation with customers. Firms decide whether to pay the compliance cost F_i. The trade-off is then simply the firm will choose to comply if

$$\pi(\phi_i,\xi_i) - F_i \geq s_i\left[\pi(\phi_i,\xi_i)\tau^{\frac{1}{\sigma-\beta(\sigma-1)}}\right] + (1-s_i)\pi(\phi_i,\xi_i)$$
$$F_i \leq s_i\left[\pi(\phi_i,\xi_i)(1-\tau^{\frac{1}{\sigma-\beta(\sigma-1)}})\right]$$

A.5 Introducing Bribes

Assume that now the restaurants could incur a bribe cost B_i such that the government official will allow the firm to pass even upon random inspection. However, since non-compliance (such as hygiene and safety) still impacts real customer demand once non-compliance is detected, we assume that the bribing (non-compliance) restaurants retain $1 > \tau^B > \tau$ of the demand ξ. With this new assumption, we can now derive the precise theoretical predictions that underlie our empirical inquiry.

Restaurants now can choose whether to bribe or comply. They will choose to truly comply if

$$\pi(\phi_i,\xi_i) - F_i \geq s_i\left[\pi(\phi_i,\xi_i)(\tau^B)^{\frac{1}{\sigma-\beta(\sigma-1)}} - B_i\right] + (1-s_i)\pi(\phi_i,\xi_i)$$

Compared with the previous constraint (i.e. no bribe), we have one more condition

$$F_i - s_i B_i \leq s_i \left[\pi(\phi_i, \xi_i)(1 - (\tau^B)^{\frac{1}{\sigma-\beta(\sigma-1)}})\right]$$

The left-hand side is the savings from bribing, while the right-hand side is the real customer capital loss.

Managerial training improves the quality ξ_i and endogenously reduces the likelihood of bribes by firms since the right-hand side difference is increasing in ξ_i.

A.6 Inspector Incentives

We have so far taken the inspection frequency s_i of the government inspection as exogenous and focused on the restaurant's optimal responses. We can further develop the decision problem of the inspectors based on their incentives. Anecdotes indicate that inspectors would like to minimize the potential non-compliance and meanwhile save their own workload by targeting a subset of restaurants. For the convenience of discussion, we assume a unit mass of restaurants with joint distribution of ϕ, ξ as $F_{\phi,\xi}$. Each inspection incurs a cost c and the inspector can observe restaurant characteristics such that they can optimize based on a policy function $s(\phi, \xi)$.

No Bribe: If restaurants can choose their compliance in an environment with no bribe, they would compare their compliance cost F and the expected loss of profit represented by

$$F \leq s(\phi, \xi) \left[\pi(\phi, \xi)(1 - \tau^{\frac{1}{\sigma-\beta(\sigma-1)}})\right]$$

So the average compliance of all restaurants can be defined as $\int \mathbb{I}\left[s(\phi, \xi)\pi(\phi, \xi)(1 - \tau^{\frac{1}{\sigma-\beta(\sigma-1)}}) > F\right] dF_{\phi,\xi}$ where the total inspection cost can be computed as $c \int s(\phi, \xi) dF_{\phi,\xi}$.

The inspector solves the optimization problem

$$Max_{s(\phi,\xi)} \int \mathbb{I}\left[s(\phi, \xi)\pi(\phi, \xi)(1 - \tau^{\frac{1}{\sigma-\beta(\sigma-1)}}) > F\right] dF_{\phi,\xi} - c \int s(\phi, \xi) dF_{\phi,\xi}$$

While analytically characterizing the solution to this problem is hard, it gives clear intuition that inspector will disproportionately put their inspection effort into more productive and higher-demand restaurants. Their response to an increase in inspection probably is much stronger than those with lower productivity/demand since they have a lot more to lose if found non-compliant. If we assume that the restaurants take this into account, it would further exacerbate a feedback loop such that better restaurants have a much stronger incentive to comply.

With Bribery: The inspector's decision becomes more interesting in this case. They care about compliance and inspection costs like in the previous case, but they also like bribes. We have now the firms will choose to comply only if

$$F - B \leq s(\phi, \xi) \left[\pi(\phi, \xi)(1 - (\tau^B)^{\frac{1}{\sigma-\beta(\sigma-1)}})\right]$$

We can similarly write down the inspector's objective function as

$$\begin{aligned} Max_{s(\phi,\xi)} \int \mathbb{I}\left[s(\phi,\xi)\pi(\phi,\xi)(1-(\tau^B)^{\frac{1}{\sigma-\beta(\sigma-1)}}) > F - B\right] dF_{\phi,\xi} \\ +B\int s(\phi,\xi)\mathbb{I}\left[s(\phi,\xi)\pi(\phi,\xi)(1-(\tau^B)^{\frac{1}{\sigma-\beta(\sigma-1)}}) <= F - B\right] dF_{\phi,\xi} - c\int s(\phi,\xi)dF_{\phi,\xi} \\ \equiv \int \mathbb{I}\left[s(\phi,\xi)\pi(\phi,\xi)(1-(\tau^B)^{\frac{1}{\sigma-\beta(\sigma-1)}}) > F - B\right](1-Bs(\phi,\xi))dF_{\phi,\xi} \\ +(B-c)\int s(\phi,\xi)dF_{\phi,\xi} \end{aligned}$$

The prediction is novel in this case. First of all, since the inspector can expect to receive some bribes from non-compliant firms, their inspection effort increases on average. In fact, we will need the regularity condition that $B < c$, otherwise it would be optimal for them to inspect all the restaurants. Second, since the inspector cares about both bribe and restaurant compliance, their inspection effort is less targeted towards highly productive and high demand restaurants compared with the case of no bribe. In equilibrium, restaurants rationally expect that and would adjust their compliance decisions accordingly.

B Crossnational Analysis of Firm Management Quality and Corruption

To establish the general pattern that management quality is associated with lower bribe shares, we use the World Bank Enterprise Survey (WBES) dataset, which includes 195,976 unique firm-level responses from 154 economies between 2005 and 2023. The standardized form that was given to all respondents includes several modules that are ideal for this exercise, including fine-grained data on business performance, management quality, corruption, and useful controls for firm sector and size.

B.1 Measuring Management Quality

To measure *management quality*, we take 11 questions from the World Management Survey (WMS) included in the WBES database. A full list of these indicators, capturing the implementation of production targets, key performance standards, and recruitment and promotion procedures can be found in **Table B.1** below.

Table B.1: Indicators Used to Measure Management Quality: Performance Indicators and Production Targets

Label	**Question**	**Values**
Problem Solving	Over the last complete fiscal year 2017, what best describes what happened at this establishment when a problem in the production process arose?	0. No action was taken; 1. We fixed it but did not take further action; 2. We fixed it and took action to make sure it did not happen again; 3. We fixed it and took action to make sure that it did not happen again, and had a continuous improvement process to anticipate problems like these in advance
Any Performance Indicators	Over the last complete fiscal year 2017, did this establishment monitor any production performance indicators?	0. No; 1. Yes
Number of Performance Indicators	Over the last complete fiscal year 2017, how many production indicators were monitored at this establishment?	0. 0; 1. 1-2; 2. 3-9; 3. 10 or more
Any Production Targets	Over the last complete fiscal year 2017, did this establishment have production targets? Examples of production targets are: production volume, quality, efficiency, waste, or on-time delivery.	0. No; 1. Yes
Time Frame of Production Targets	Over the last complete fiscal year 2017, what best describes the time frame of production targets at this establishment?	0. No targets; 1. Main focus on short-term targets; 2. Main focus on long-term targets; 3. Combination of short-term and long-term targets.
Ease of Achieving Targets	Over the last complete fiscal year 2017, how easy or difficult was it for this establishment to achieve its production targets?	0. No targets; 1. Targets not achieved; 2. Achieved with extraordinary effort; 3. Achieved with more than normal effort; 4. Achieved with normal amount of effort; 5. Achieved with some effort; 6. Achieved without much effort
Who Knew of Production Targets?	Over the last complete fiscal year 2017, who was aware of the production targets at this establishment?	0. No targets; 1. Only senior managers; 2. Most managers and some production workers; 3. Most managers and most production workers; 4. All managers and most production workers.

Table B.2: Indicators Used to Measure Management Quality: Personnel Management

Label	**Question**	**Values**
Performance Bonuses	Over the last complete fiscal year 2017, did this establishment have performance bonuses for managers that were based on production targets?	0. No; 1. Yes
Performance Bonuses Based on Targets	Over the last complete fiscal year 2017, what were managers' performance bonuses mostly based on?	0. No bonuses; 1. Their own performance; 2. Their team's performance; 3. Their establishment's performance; 4. Their firm's performance
Promotion of Non-Managers	Over the last complete fiscal year 2017, what was the primary way non-managers were promoted at this establishment?	1. Non-managers not promoted; 2. Based on factors other than performance and ability (family, tenure, connections); 3. Based partly on performance and partly on other factors; 4. Based solely on performance and ability
Reassignment of Under-Performers	Over the last complete fiscal year 2017, when was an under-performing non-manager reassigned or dismissed?	1. Rarely or never; 2. After 6 months of identification; 3. Within 6 months of identification

B.2 Additional Tests

Table B.3: Better Managers Have Better Performance, Quality, and Compliance (Restaurants)

Dependent Variable:	Value Added per Worker (ln)	Revenue per Worker (ln)	Capacity Utilization (%)	Time Spent on Regulation	Int'l Certification
	(1)	(2)	(3)	(4)	(5)
Management Quality (se)	0.222***	0.204***	1.628	0.658	0.098***
	(0.033)	(0.027)	(0.743)	(0.427)	(0.008)
Constant	12.433***	12.914***	71.973***	10.099***	0.279***
	(0.187)	(0.147)	(5.554)	(3.472)	(0.071)
Country FE	No	Yes	Yes	Yes	Yes
Year FE	No	No	Yes	Yes	Yes
Size FE	No	No	No	Yes	Yes
Industry FE	No	No	No	No	Yes
Observations	1,761	2,786	2,118	2,776	2,962
R-squared	0.746	0.718	0.151	0.103	0.329
RMSE	0.1.104	1.146	26.86	17.87	0.390

Note: OLS coefficients with robust standard errors, clustered at survey wave level, in parentheses (*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$). Analysis limited to only restaurants. We use five different outcome variables: 1) the natural log of value added per worker; 2) the natural log of revenue per capita; 3) capacity utilization, measured in percentage points; 4) whether the firm holds an internationally recognized certificate, which takes the value of 1 if they do and 0 if the don't; and 5) the time spent on government regulations, measured in percentage points.

Table B.4: Less Bribery Associated with Problem Solving and Production Targets

	Problem Solving (1)	Any Perf. Ind. (2)	# Perf. Ind. (3)	Any Prod. Targets (4)	Time Frame (5)	Who Knew? (6)
Management Indicator	-0.210*	-0.354	-0.136	-0.176	-0.049	-0.072*
	(0.048)	(0.086)	(0.039)	(0.073)	(0.026)	(0.019)
Constant	2.314***	2.309***	2.276***	0.384**	0.341**	1.858***
	(0.748)	(0.870)	(0.870)	(0.353)	(0.352)	(0.740)
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Size FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	29,120	30,563	30,415	26,586	26,520	31,443
R-squared	0.072	0.076	0.076	0.100	0.100	0.073
RMSE	6.817	6.535	6.547	5.031	5.037	6.654

Notes: OLS coefficients with robust standard errors, clustered at survey wave level, in parentheses (*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$). Each regression has one of the 11 indicators of management quality as an independent variable. Fixed effects include country, industry, year, and firm size.

Table B.5: Less Bribery Not Associated with Personnel Management

	Ease Achiev. (7)	Bonus Based on (8)	Bonus (9)	Promotion (10)	Reassign (11)
Management Quality	-0.027	-0.073	0.009	0.184	0.692
	(0.022)	(0.084)	(0.031)	(0.030)	(0.058)
Constant	1.755***	1.932***	1.856***	1.393	0.928
	(0.738)	(0.796)	(0.795)	(0.734)	(0.718)
Country FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Size FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Observations	31,393	31,000	30,966	27,209	26,538
R-squared	0.073	0.074	0.074	0.075	0.078
RMSE	6.660	6.551	6.555	7.002	7.056

Notes: OLS coefficients with robust standard errors, clustered at survey wave level, in parentheses (*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$). Each regression has one of the 11 indicators of management quality as an independent variable. Fixed effects include country, industry, year, and firm size.

Table B.6: Better Managed Firms Are Less Likely to Cite Corruption as the Biggest Obstacle

Dependent Variable:	Unadjusted	Country FE	Year FE	Size FE	Industry FE	Restaurants
Firm cited corruption as biggest obstacle (=1)	(1)	(2)	(3)	(4)	(5)	(6)
Management Quality	-0.013**	-0.008*	-0.008*	-0.010*	-0.009**	-0.010**
	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)	(0.003)
Constant	0.060***	0.060***	0.056***	0.046***	0.046***	0.059***
	(0.010)	(0.000)	(0.001)	(0.005)	(0.005)	(0.003)
Country FE	No	Yes	Yes	Yes	Yes	Yes
Year FE	No	No	Yes	Yes	Yes	Yes
Size FE	No	No	No	Yes	Yes	Yes
Industry FE	No	No	No	No	Yes	Yes
Observations	19,188	19,188	19,188	19,188	19,188	2,658
R-squared	0.003	0.065	0.065	0.067	0.071	0.073
RMSE	0.236	0.229	0.229	0.229	0.229	0.233

Note: The analysis is limited to domestic firms with no foreign or state ownership. OLS coefficients with robust standard errors clustered at the survey wave level in parentheses (*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$). Model 1 is unadjusted, Model 2 adds country fixed effects, Model 3 adds survey wave fixed effects, Model 4 adds size fixed effects (micro, small, medium, large), Model 5 adds two-digit sector fixed effects, and Model 6 limits analysis to only restaurants. WBES question M1a: "What is the biggest obstacle affecting the operation of this establishment?" Corruption =4.

C Endline Survey Questionnaire

The Restaurant Performance Survey is a self-help tool that is meant to assist you in keeping track of your business performance by recording expenses and revenue in addition to regulatory compliance requirements in the food service industry. The survey was designed by economists at Duke University in the United States with the assistance of Vietnamese economic and regulatory experts at National Economics University and the Vietnam Chamber of Commerce and Industry. The Restaurant Performance Survey is designed to help you, the owner of the business, and only you. After you fill out the digital workbook, a composite report of your monthly performance will be produced automatically.

Please keep in mind all data derived from the application is strictly confidential and will stored outside of Vietnam. You do not need to answer every question and can stop the survey at anytime. No data will be sold or transmitted to external parties, including central and local government officials in Vietnam, in anyway. Aggregate data will only be used anonymously by academic researchers for the sole purpose of improving the business environment for entrepreneurs like you. If you agree to participate in this survey, please click the Yes button below.

This survey has four major sections. First, we would like you to take a few pictures of your business establishment. This will allow you to record physical changes in your operations over time. Second, please record your monthly expenses and sales data, which will allow the app to calculate your performance metrics. Finally, record some basic data on your experiences with government regulations that influence your business performance. This will help you calculate how much time and energy you spend on these activities during your daily operations.

Please click I HAVE READ THE CONSENT AGREEMENT if you agree to continue using this anonymous application.

.....

- Note that "Your business" refers to this establishment – that is, this physical location. Even if your restaurant has other locations or branches, please answer the questions for this specific location."
- Do you consent to participate in recording your expenses and revenue to help you track your business performance?
- To save time, for questions about monetary value, please put the answers in millions of VND. For example, if your answer is 3,000,000 VND, please input "3". If your answer is 500,000 VND, please input "0.5".

The following questions concern your business activities in the last calendar month. (For example, if you are making this submission in July, we are asking about your business activities in June.)

1. What is the average price you receive for each person's order?
2. In the last month, what were your total revenues?
3. In the last month, what were your total revenues from sales of food, drink, and other products?
4. In the last month, what were your total revenues from any other activities (such as space rental, equipment rental, or earnings on investments)?

The next three questions address the value of inventories. These include (1) ingredients for dishes you cook and serve on-site, including fresh fruits and vegetables, raw or cooked meats, rice and other grains, or other types of foods; (2) prepared ingredients such as sauces and condiments; and (3) prepared items such as canned or bottled beverages that you plan to resell to customers.

5. What was your total spending on inventories in the most recent calendar month?
6. What percent of the inventories that you purchased in the most recent calendar month were used in the most recent calendar month?
7. What percent of the inventories that you purchased in the most recent calendar month were left over until this month?
8. What percent of the inventories that you purchased in the most recent calendar month became spoiled or wasted?
9. Is this the first time you are submitting this survey?
10. What is the monetary value of your inventories left over from the previous month?

For each of the next 10 questions, please report the amount you have spent on each of the following categories of business expenses during the most recent calendar month.

11. Purchase of cooking or serving materials (e.g. pots, pans, kitchen utensils, plates, bowls, eating utensils; do not include ingredients used in food or drinks)
12. Purchase of electricity, water, gas, fuel, and cell phones (either through a plan, or usage for talk, text, and data)
13. Wages, salaries, bonuses, and social payments for employees and contract workers
14. Owner's salary (if there is no official salary and the owner's salary is simply the business profit, then enter zero)
15. Informal charges (e.g., payments or gifts to regulators, inspectors, or any other official)
16. Rent for machinery, equipment, land, and/or buildings
17. Interest paid on loans
18. Value-added tax (VAT)
19. Corporate income taxes (CIT)
20. Maintenance and repairs
21. (a) Other expenses (specify the type of expense)
    (b) Other expenses (specify the amount)
22. In the most recent calendar month, what were your net profit margins? That is the ratio of your profits (total revenues minus total expenses) to total revenues. For example, if your revenues are 50 million VND and your total expenses are 40 million VND, your total profits are 10 million and your gross profit margins is 20

23. Did you use revenues from your business – other than your salary or the business income that you paid to yourself – to pay for expenses in your household?

24. When estimating the profits for your business, are you accounting for these household expenses either by reducing revenues or including them as itemized expenses?

25. How much did you pay for these household expenditures during the most recent calendar month?

26. During the most recent calendar month, did you consume any food items (either fresh or prepackaged) in your household, that were purchased for the business?

27. During the last month, what is the value of food items (either fresh or prepackaged) that you consumed in your household, that were purchased for the business?

28. Did you get visited by inspectors from any of these following regulatory authorities in the past month?

29. Specify the other regulatory authorities inspectors belonged to

30. Were you fined by inspectors from any of these following regulatory authorities in the past month?

31. Specify the other regulatory authorities that fined you

32. According to your knowledge, what's the official fine for this fire safety violation: "No display of any signage denoting fire safety rules"?

33. According to your knowledge, what's the official fine for this fire safety violation: "Illegal possession of dangerously explosive and inflammable materials"?

34. According to your knowledge, what's the official fine for this sanitation violation: "Using food materials which are out of shelf life or without clear origin"?

35. Please read this list of common activities that people normally engage in while running a restaurant like yours. Please tell us how many of these activities your business, personally, engaged in in the past 30 days. Do not tell us which activities; We only need to know the total number of actions you engaged in.

    - Hired new employees
    - Modified the seating arrangements
    - Gave informal payments or presents to local government officials
    - Opened new branches under your restaurant's brand name in the same city/province"

36. Please tell us your total expenditures on these activities in the past 30 days (in millions of VND). There is no need to indicate the amount for specific items. We only need to know the total amount you spent on these activities.

    - Hired new employees
    - Modified the seating arrangements
    - Gave informal payments or presents to local government officials

- Opened new branches under your restaurant's brand name in the same city/province"

37. Please read this list of common activities that people normally engage in while running a restaurant like yours. Please tell us how many of these activities your business, personally, engaged in in the past 30 days. Do not tell us which activities; We only need to know the total number of actions you engaged in.

    - Hired new employees
    - Modified the seating arrangements
    - Hired a professional data analytics firm to assess your restaurant's sales numbers
    - Opened new branches under your restaurant's brand name in the same city/province"

38. Please tell us your total expenditures on these activities in the past 30 days (in millions of VND). There is no need to indicate the amount for specific items. We only need to know the total amount you spent on these activities.

    - Hired new employees
    - Modified the seating arrangements
    - Hired a professional data analytics firm to assess your restaurant's sales numbers
    - Opened new branches under your restaurant's brand name in the same city/province"

39. Please read this list of common activities that establishments like yours normally engage in while being visited by government regulatory inspectors. Please tell us how many of these activities your business, personally, engaged in the last time such a visit took place. Do not tell us which activities; We only need to know the total number of actions you engaged in.

    - Closed the business temporarily during the inspections
    - Presented gifts (monetary or in-kind) to government inspectors
    - Checked for violations before the inspectors arrived
    - Retrain your employees after inspections to improve regulatory compliance

40. Please tell us your total expenditures for the following items the last time such a visit took place (in millions of VND). There is no need to indicate the amount for specific items. We only need to know the total amount you spent on these activities.

    - Closed the business temporarily during the inspections
    - Presented gifts (monetary or in-kind) to government inspectors
    - Checked for violations before the inspectors arrived
    - Retrain your employees after inspections to improve regulatory compliance

41. Please read this list of common activities that establishments like yours normally engage in while being visited by government regulatory inspectors. Please tell us how many of these activities your business, personally, engaged in the last time such a visit took place. Do not tell us which activities; We only need to know the total number of actions you engaged in.

    - Closed the business temporarily during the inspections
    - Consulted lawyers/legal counsel

- Checked for violations before the inspectors arrived
- Retrain your employees after inspections to improve regulatory compliance"

42. Please tell us your total expenditures for the following items the last time such a visit took place (in millions of VND). There is no need to indicate the amount for specific items. We only need to know the total amount you spent on these activities.

    - Closed the business temporarily during the inspections
    - Consulted lawyers/legal counsel
    - Checked for violations before the inspectors arrived
    - Retrain your employees after inspections to improve regulatory compliance"

43. Your submission is almost finished! Please take a picture of your kitchen and cooking facilities in today's conditions. Please make sure the primary stove is visible in the picture.

44. Please take a picture of your customer seating area in today's conditions.

45. Please take a picture of your solid waste disposal bins in today's conditions.

46. Please take a picture of the fire extinguisher with the last maintenance data visible. Upload a picture of the ceiling if there is no fire extinguisher on the premise.

47. Please take a picture of the first page of the main entrées in your most current restaurant menu

D Power, Response Rates, and Treatment Balance

D.1 Power Calculations from Pre-Analysis Plan

To estimate how many surveys needed to be included, we focused on the main theoretical relationship that we needed to estimate. The relationship between management quality and bribery among firms in Vietnam. To this end, we based our power calculations on a question asked in the 2017 Provincial Competitiveness Index (PCI)[3] observational analysis that found a strong relationship between self-reported management quality and corruption: "During any regulatory inspections, did you provide a gift or informal payment to the examiner?"[4] [5] To calculate an Estimated Treatment Effect (ETE), we re-coded the PCI's estimation of management quality to a dichotomous measure, where restaurants were coded as 1 if they had scores above median quality (=3) and 0 if they had scores below. Using the PCI 2017 data, we found that 46.9% (sd=49.9%) of restaurants with below average quality paid inspection bribes. We then re-ran the exact same regression specifications as reported in the PCI 2017 report with our dichotomous, calculating ETEs of 5.4 percentage points. Assuming $\alpha = .05$ and $\kappa = .8$, the most conservative estimate was that we would need 1,297 firms per treatment group to detect the ETE for the inspection question. However, adjusting the power calculations by blocking on firm size, industry, and province assuming they account for 25% of variation (R2=.25), and taking into account three repeated visits for data collection and an intraclass correlation (ICC) of .30, lead us to determine that 300 restaurants per group was more than enough power to identify the ETE. We also believed power would be enhanced by reducing measurement error in the assessment of management quality (which was self-reported in the PCI) and social desirability bias in the reporting of corruption. These two features of the PCI design led to over-estimations of management quality and under-reporting of corruption, which likely reduced the observed effects in the PCI data. Our randomized assignment of training and shielded assessment of corruption was expected to reduce both biases, thereby enhancing power. Here, we assumed a bias reduction in coefficient size of 20%. Indeed, our project has much more power than several previous projects that discovered sizable effects of management. Finally, as with Bloom et al. (2012), we planned to increase power through repeated observation on each firm with the monthly workbooks.

D.2 Response Rates

Table D.1 demonstrates the core challenge in our experiment. Difficulties caused by implementation during COVID-19 and the slow recovery of the restaurant sector impacted recruitment into the study. Using our recruitment strategies described above, we identified a list of 10,370 restaurants, coffee shops, and hotel cafeterias throughout the country that were suitable for taking the course. Building off that sample frame, we were able to reach 4,776 firms on the phone to encourage them to participate, offering them information on the course, monetary inducements, and graduation certificates. Course assignment took place in a two-stage process: (i) block randomization of the full sampling frame, and (ii) subsequent enrollment of a subset of firms who then learned their

[3] Introduced in 2005, the Provincial Competitiveness Index (PCI) on Vietnam's business environment conducts an annual business survey, assessment and ranking of the economic governance quality of provincial authorities in creating a favorable business environment for development of the private sector.

[4] See Malesky et al. (2018), Table 3.3, p 125. The average response among all domestic private firms in Vietnam was 49.5% (sd=49.9).

[5] Based on a linear regression, controlling for two-digit sector fixed effects and firm capital and labor size at establishment, gender and education of the owner, and the firm's legal form (sole proprietorship, limited liability, joint stock company), the authors concluded that a one point increase on Bloom's four-point scale corresponded to a 5.5 percentage point reduction in propensity to bribe during inspections.

pre-assigned course. Technically, firms were assigned at the sampling stage using block random sampling, but they did not learn their treatment status until entering their randomly assigned ID code on the *Vietcourse* website. Ultimately, 229 firms enrolled and were randomly assigned to one of the three courses, and 45 completed a full module of the six-week sequence.[6] They had no choice of which course to take. Consequently, enrollment in the courses was statistically equivalent, although a slightly higher absolute number signed up for the Mini-MBA course than the other two groups. In addition, only 79 enrollees made themselves available for the endline survey, a 35 percent response rate for all three groups, indicating that attrition was unrelated to treatment.

Table D.1: Course and Survey Completion Statistics

Stage	Total	Internal Controls	Marketing (Placebo)	Restaurant Management
Sampling Frame	10,370			
Recruitment Contact	4,776			
Partially Completed Course	229	73	75	81
Completed Survey	81	26	27	28

D.3 Balance Analysis

The low response rates and small deviation in course enrollment raise concerns about selection bias. If these biases were associated with treatment conditions, we may not be able to definitively ascertain whether the course content or non-random selection into courses was driving the results. **Figure D.1** provides a balance test on three pre-treatment covariates that shows no significant differences in pre-treatment status between respondents in the three different courses. Note that we are limited to the data that firms submitted on the intake forms about their location and type of business. As employment and revenue size were collected after the experiment, they include post-treatment bias and cannot be used to assess balance. However, multi-dish restaurant is a very good proxy for employment and revenue size, as these are usually much larger and more well-stocked restaurants. Blue circles represent the average figure for each covariate, while the range bars represent 95 percent confidence intervals. According to the top-left panel, 16 percent of respondents from the Internal Controls course, 18.5 percent of respondents from Marketing, and 25.9 percent of respondents from Management were coffee shop owners/managers, as opposed to single-dish or multi-dish restaurants. While these numbers differ slightly, the differences are not statistically significant. Similar patterns are found for the location and gender of the respondent.

Despite the small sample size, randomization ensured restaurants in each course during the endline survey were sufficiently similar in observable and unobservable factors. Any post-intervention differences in bribery can be attributed to the impact of the courses and not selection effects.

[6] 17 in the Mini-MBA, 16 in Internal Controls, and 12 in Marketing

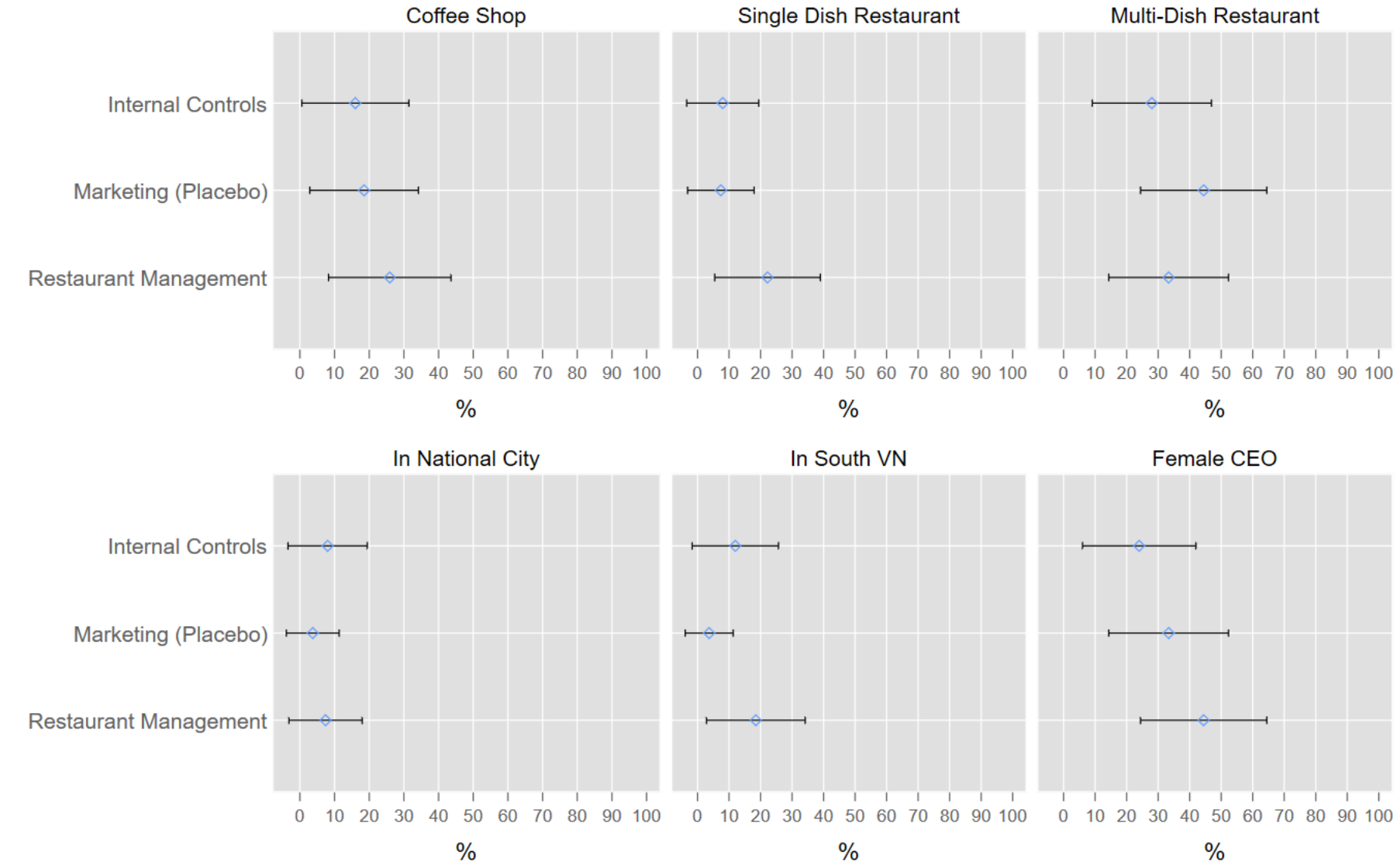

Figure D.1: Balance Analysis

E Robustness of Main Results to Measurement and Specification Changes

E.1 Two-Stage Multiple Regression Test of List Experiment (Figure 6)

Table E.1: Two-Stage Multiple Regression Test of List Experiment (Figure 6)

Variables	Paid Any Bribe=1 (1)	Paid Any Bribe=1 (2)	Amount ($) (3)	Amount ($) (4)
MBA	-0.987**	-1.138**	-34.857	-30.145
	(0.409)	(0.463)	(26.517)	(30.349)
Internal Controls (IC)	-0.121	-0.158	-33.206	-26.590
	(0.509)	(0.537)	(25.124)	(24.492)
National City=1		0.351		-27.302
		(0.546)		(29.707)
South=1		0.375		2.014
		(0.568)		(26.654)
Female CEO=1		-0.300		17.114
		(0.489)		(24.751)
Coffee Shop=1		-0.403		16.796
		(0.449)		(22.263)
Constant	0.654**	0.251	22.555	24.059
	(0.297)	(0.762)	(20.179)	(39.873)
Observations	40	40	40	40
R-squared	0.108	0.176	0.061	0.098
RMSE	1.277	1.279	66.15	65.74

Notes: Second stage of two-stage, Blair-Imai List estimator. Bootstrapped OLS regression coefficients after 1000 draws with robust standard errors in parentheses. Note that fitted values in the second stage can fall outside [0, 1], because the first-stage posterior mean for each respondent can be slightly below 0 or above 1.

E.2 Calculation of Treatment Effect on Treated by Limiting Analysis to Firms Completing One Module

Table E.2: Treatment Effect on Treated is Larger than ITT for Mini-MBA

Variables	Paid Any Bribe=1		Amount of Bribe (USD)	
	(1)	(2)	(3)	(4)
MBA	-0.397**	-0.454**	-291.685*	-259.150*
	(0.174)	(0.182)	(172.291)	(150.446)
Internal Controls (IC)	-0.312*	-0.375*	-237.168	-239.672
	(0.180)	(0.211)	(177.935)	(166.449)
National City=1		0.165		-57.492
		(0.160)		(107.394)
South=1		-0.087		-20.225
		(0.180)		(80.827)
Female CEO=1		-0.020		-106.086
		(0.169)		(67.526)
Coffee Shop=1		0.058		-123.834
		(0.190)		(92.026)
Constant	0.750***	0.737***	324.311*	429.077*
	(0.130)	(0.229)	(171.715)	(222.625)
Wave FE	Yes	Yes	Yes	Yes
Observations	45	45	45	45
R-squared	0.104	0.134	0.123	0.183
RMSE	0.490	0.506	330.2	335.1

Note: Bootstrapped OLS regression coefficients after 1000 draws with robust standard errors in parentheses. Analysis limited to only firms that completed at least one module of their training courses. The first panel studies the extensive margin of whether a firm paid any bribe, while the second studies the total size of the payment. Models 1 and 3 are unadjusted with pre-specified controls in Models 2 and 4. Controls for National-Level City and South were dropped due to low variation.

F Testing for Mechanisms in RCT

F.1 Mechanism: Regulatory Compliance

Both the productivity and product quality pathways of the *MQ ToC* and the *IC ToC* predict that well-trained managers will exhibit greater regulatory compliance. In the productivity mechanism, this results from business performance relieving managers of resource constraints. In the product/service quality mechanism it happens indirectly from managers attempting to please customers and avoid negative publicity. In the *IC ToC*, firms have a better understanding of their firms' compliance procedures and potential exposure to regulatory violations.

We expect greater regulatory compliance for both Mini-MBA and Internal Controls students. In addition, we expect higher regulatory knowledge for Internal Controls. Our theory does not anticipate a difference in the fines paid by firms despite this regulatory knowledge. This is because both theories of change predict two equilibria. In the first, firms comply with regulations and pay fewer fines during inspections due to their higher management practices or regulatory knowledge. In the second, firms do not comply but avoid regulatory fines by paying bribes.

We explore these predictions in **Table F.1** below, which shows our fully specified regression model for four regulatory outcome variables: 1) compliance; 2) knowledge; 3) number of inspections; and 4) number of fines. In line with our theory, we find significantly higher compliance for the Mini-MBA and Internal Controls treatments, as respondents submitted 1.37 (0.46) and 1.04 (0.47) more pictures than the control group respectively. Consistent with the *MQ ToC*, mini-MBA respondents were especially motivated to provide evidence of their higher standards - the effect size is larger than one standard deviation and nearly twice the effect of internal controls.

Second, in line with the *IC ToC*, firms taking the Internal Controls course, who were trained on compliance, have greater regulatory knowledge than their peers, answering, on average, 1.48 of the questions correctly, compared to 0.89 and 0.96 for the Management and Marketing courses. The 0.51-point (SE=.297) knowledge difference is statistically significant in the fully specified model with pre-treatment controls (coefficient = 0.47, Table F.1). The lack of regulatory knowledge among firms from the management course is consistent with the product/service quality logic. These firms were not trained on regulations and do not strive to meet them. Their compliance is indirect through trying to improve customer experiences.

Third, as predicted, there are no differences between treatment arms in the number of regulatory inspections firms experienced. Average inspections ranged between two and three for all groups. This is consistent with our formal theory that regulators avoid spending time on well-managed firms, but simultaneously accept bribes in lieu of accepting poorly managed businesses. We found that Min-MBA were slightly more likely to pay fines, which may result from their refusal to pay bribes.

F.2 Mechanism: Productivity

Table F.2 studies whether the training courses significantly improved productivity after the experiment, using the outcomes specified in our pre-analysis plan. Drawing on firms' accounting workbooks from the previous month, we report regressions of expenses (Model 1), revenue (Model 2), profit (Model 3), and profit margin (Model 4) on the two treatment groups. The first three outcomes are measured in thousands of USD and the fourth as a percentage. We observe no significant improvements in performance for either the Mini-MBA or Internal Controls courses. The noisy results are likely influenced by the limited time frame between course completion and survey, making it difficult for operational changes to influence bottom lines. In addition, many surveyed firms were still struggling with reduced customers in the aftermath of COVID-19.

Table F.1: Treatment Firms Have Higher Regulatory Compliance. Internal Controls Firms Also Have Greater Regulatory Knowledge

Dependent Variables:	**Regulatory Compliance (0-5)**	**Regulatory Knowledge (0-3)**	**Number of Inspections**	**Amount of Fines**
	(1)	(2)	(3)	(4)
MBA Treatment	1.370***	-0.036	-0.139	0.781*
	(0.456)	(0.287)	(0.590)	(0.420)
Internal Controls Treatment	1.044**	0.471	0.547	0.071
	(0.470)	(0.287)	(0.591)	(0.202)
National City=1	0.045	-0.291	1.104**	-0.209
	(0.368)	(0.264)	(0.522)	(0.290)
South=1	0.412	-0.108	0.011	-0.116
	(0.409)	(0.251)	(0.561)	(0.296)
Female CEO=1	0.360	0.027	-0.740	0.162
	(0.408)	(0.237)	(0.539)	(0.301)
Coffee Shop=1	-0.426	-0.103	-1.365**	0.213
	(0.482)	(0.286)	(0.537)	(0.411)
Constant	-0.207	1.242***	2.952***	0.325
	(0.436)	(0.367)	(0.693)	(0.346)
Wave FE	Yes	Yes	Yes	Yes
Observations	79	79	79	79
R-squared	0.250	0.097	0.258	0.129
RMSE	1.620	0.972	2.141	1.290

Note: Bootstrapped OLS regression coefficients after 1000 draws with robust standard errors in parentheses. Regulatory compliance is the number of pictures submitted to the research team. Regulatory knowledge is from a test of knowledge of environment and safety regulations, with correct answers scored as 1. Number of inspections is the number of total inspections of all regulators in the previous month. Fines are in USD in the past month.
Significance levels: *** p<0.01, ** p<0.05, * p<0.1

Nevertheless, these results demonstrate that better business performance is *not* necessary to achieve higher regulatory compliance. Management training can improve compliance directly, which is consistent with the product/service quality pathway. Although performance might improve in the long term, it is not necessary for reducing bribery.

Table F.2: Management Training Does Not Affect Productivity

Dependent Variables:	**Expenses**	**Revenue**	**Profit**	**Profit Margin**
	(1)	(2)	(3)	(4)
MBA Treatment	-29.720	-8.400	21.320	0.066
	(83.802)	(9.373)	(80.213)	(0.474)
Internal Controls Treatment	-56.882	-15.202	41.680	0.474
	(84.898)	(10.631)	(77.629)	(0.426)
National City=1	11.751	6.314	-5.437	0.670
	(85.735)	(6.076)	(82.660)	(0.432)
South=1	-123.820*	-20.285**	103.534	-0.357
	(70.623)	(10.181)	(63.956)	(0.400)
Female CEO=1	-34.063	0.733	34.796	-0.371
	(66.247)	(6.925)	(62.302)	(0.450)
Coffee Shop=1	-5.472	-12.385***	-6.913	0.563
	(91.297)	(4.727)	(89.367)	(0.428)
Constant	275.104***	38.341***	-236.763**	2.848***
	(100.014)	(12.639)	(92.650)	(0.598)
Observations	79	79	79	79
R-squared	0.209	0.246	0.191	0.115
RMSE	268.6	33.15	249.6	1.542

Note: Bootstrapped OLS regression coefficients after 1000 draws with robust standard errors in parentheses. Expenses, Revenue, and Profit reported in 1000s of USD. Profit margin reported as a percentage (%).
Significance levels: *** p<0.01, ** p<0.05, * p<0.1

G Six-Month Follow-Up Survey for Development of Case Studies

G.1 Measuring Management Quality using World Management Survey

Section 2, Question 41 of Six-Month Follow-Up Survey. Managers received a score on the three-point scale for each question. Management Quality Score is the average score on five indicators. Question and methodology taken from Scur et al. (2021).

1. Over the last three months, what best describes what happened at this establishment when a problem was discovered?

3. We fixed it and took action to make sure it did not happen again and had a continuous improvement process to anticipate problems like these in advance.
2. We fixed it and took action to make sure it did not happen again
1. We fixed it but did not take further action

2. Over the last three months, did this establishment monitor any production performance indicators?

3. Yes
1. No

3. Over the last three months, did this establishment have production targets?

3. Yes
1. No

4. Over the last three months, what was the primary way non-managers were promoted?

3. Based solely on performance and ability.
2. Based partly on performance and ability.
1. Based mainly on factors other than performance.
0. Non-managers are normally not promoted.

5. Over the last three months, when was an underperforming non-manager reassigned?

3. Within 6 months of identifying under-performance
2. After 6 months of identifying under-performance
1. Rarely or Never
0. Non-managers are normally not promoted.

G.2 Measuring Regulatory Knowledge

Section 1, Question 116 of Six-Month Follow-Up Survey. Managers received one point for each of the questions they correctly answered about fire safety.

To the best of your knowledge, which of the following is necessary to be in compliance with fire safety regulation in Vietnam?

1. Publicize fire safety regulations to your employees

1. Yes *(correct)*
0. No

2. Have fire safety exits

1. No *(correct for small, ground-floor restaurants.)*
0. Yes

3. Display signage denoting fire safety rules

1. Yes *(correct)*
0. No

4. Organize regular fire safety checks at your business

1. Yes *(correct)*
0. No

5. Create a management and monitoring file for fire prevention and firefighting

1. Yes *(correct)*
0. No

6. Have a fire safety training certificate issued by the regulatory authority

1. No *(correct)*
0. Yes

G.3 Measuring Regulatory Compliance

Section 3, Question 43 of Six-Month Follow-Up Survey. Managers received one point for each of the photographs they sent in of firm operations and documents that allowed us to measure whether they were in compliance with sanitation, hygiene, and safety regulations. Scores are based on how

many pictures they submitted, but we also present data on whether they firm had copies of the Food and Safety Certificate, a fire extinguisher, or inspection report on hand.

Please take a picture of:

1. Cooking facilities in today's conditions.
2. Customer seating area in today's conditions.
3. Solid waste disposal bins in today's conditions.
4. Fire extinguisher with both the last maintenance date and gauge with current pressure levels.
5. First page of the main entrées in your most current restaurant
6. Certificate of Food and Hygiene Safety Certificate
7. Inspection reports that the inspection team prepared

G.4 Measuring Inspections, Fines, and Bribes

Section 1, Question 107-110 of Six-Month Follow-Up Survey. Managers were asked about seven regulatory agencies that they may have interacted with in the past six months. Scores are the total number of inspections and fines that each restaurant received, how many times they were asked for informal payments (bribes), and the total amount of money they payed in informal charges.

Regulatory Agencies

1. Food sanitation
2. Fire safety
3. Social insurance
4. Taxes
5. Market Regulation
6. Environment
7. Other

If they were inspected by these agencies, they were asked a similar battery of four questions.

1. Did you get visited by inspectors from any of the following regulatory authorities?
2. Were you fined by inspectors from any of the following regulatory authorities?
3. Did you have to make informal payments or give gifts to inspectors in the past?
4. What is the average value of such informal payments in VND?

H Qualitative Process Tracing with Case Studies

To address concerns that our small size and bundled treatment precluded the ability to isolate causal pathways, six months after the treatment in October 2024, we performed eight full-scale case studies of graduates from each of the three courses for in-depth analysis. Due to space constraints, we focus on the main treatment arm, presenting two case studies of a firms assigned to the Mini-MBA course below.[7] Our methodological focus in the case studies is on process tracing the theoretical pathway of management treatment within a treated respondent rather than structured comparisons to the counterfactual groups (Bennett and Checkel, 2015; Smith, 2023), as those effects were already tested more rigorously in the statistical analysis above. Through the semi-structured interviews, we hoped to engage in deeper discussions that permitted follow-up questions, open-ended responses, and requests for archival documentation about specific claims. In particular, in close-ended surveys, it is difficult to truly gauge the scale of organizational reforms made in the business and seek concrete evidence about the true maturity of regulatory compliance (e.g., Can managers provide evidence of the food safety and sanitation certificates that they claimed to possess in the survey?). **Table H.1** provides basic details of our two case study selections. While both were treated firms, they differ in their location, size, age, and service types, providing a "Most Different" comparison, where the only shared feature is that both enrolled in the Mini-MBA, allowing us to trace whether the MQ ToC operates under wildly different conditions.

Table H.1: Mini-MBA Graduates Selected for Case Studies

Descriptives	**Hue Royal Hotel**	**Midimo**
Course	Mini-MBA	Mini-MBA
Location	Hue (Central Vietnam)	Hanoi (Northern Capital)
Type	Formal SME	Registered Household
Year Registered	2018	2021
Paid employees	22	4
Average monthly revenue (USD)	105,910	31,578
Average price per order (USD)	6.7	6.7

At the same time, we conducted an intensive follow-up survey with 29 of the respondents from the endline,[8] asking a far more detailed battery of questions about their specific management improvements, business operations, and experiences with regulators. As the six case study firms were randomly selected from the larger list of 29, we use their data to provide comparative distributions. **Table H.2** provides evidence of changes made in line with the five nodes in our ToC for both operations. Management quality was measured using five questions from the World Management Survey (WMS), re-scaling each answer to a three-point scale (Scur et al., 2021).[9] Profit, expenditures, and bribe amount from accounts were calculated using the same battery of questions used in Section 1 of the endline survey.[10] Regulatory knowledge was measured using a battery of six questions about fire safety regulations with each correct answer scored as a 1.[11] Pictures of compliance were calculated using the number of pictures that each restaurant submitted showing evidence of compliance in different parts of their operations and documentation.[12] Exposure to inspections

[7] Transcripts of the other six cases will be posted with our replication materials.

[8] Respondents comprised 12 from the Mini-MBA group, 6 from Internal Controls, and 11 from Marketing.

[9] Full set of questions and coding can be found in **Appendix G.1**

[10] See **Appendix C**

[11] Full set of questions and coding can be found in **Appendix G.2**

[12] Full set of questions and coding can be found in **Appendix G.3**

and bribes paid during inspections were calculated using a list of six regulatory agencies (excludin the other option) that may have visited the firm in the past six months.[13]

H.1 Case Study 1: Midimo Restaurant in Hanoi

Tran Dieu Thuy is the owner and manager of *Midimo*, a small operation in Dong Da, a densely populated upper-middle-class district in Hanoi. As **Table H.2** shows, the restaurant is a typical operation, as its size, age, type, and location are well within one standard deviation of our sample averages. *Midimo* serves a diverse menu of small dishes, such as crab noodle soup (*bun rieu*), as well as coffee, smoothies, and Taiwanese-style milk teas. The average price per order is about $6.7 USD, with a monthly revenue of $31,578 USD. The shop is on the smaller side with four full-time employees in addition to Thuy and is registered as a household business, a less formal designation that does not have the same accounting standards and tax documentation as formal companies under the provincial Department of Planning and Investment. Thuy is a successful architect who wanted to start a cafe as a side business, but her initial ventures failed because of her limited management acumen. After selling off a less successful cafe she started *Midimo*, where she serves as an off-site owner-manager. She buys ingredients for the restaurant in the morning, stops by the shop to consult with staff about the previous day's reviews, and plans strategies for the day, including avoiding previous mistakes.

After operating for one year, Thuy enrolled in the Duke-NEU training portal with the goal of improving her industry knowledge and operations. She was randomly assigned to the Mini-MBA, which she claimed to have enjoyed, finding that the course helped her appropriately price dishes, arrange work schedules, and assign employee tasks. Due to the course, she also adopted management software, which *Midimo* also uses to track order fulfillment; Thuy reports this led to significant reductions in waiting periods. Even though the course did not specifically cover regulation, Thuy was inspired by Module 2.2 on service quality control to organize health checks for employees and comply with regulations on hygiene, safety, and fire prevention. She made the effort to enhance customers' experience and avoid costly and embarrassing mistakes that might lead customers to get sick.

Did these efforts follow our ToC in leading from the training to tangible management improvements to productivity increases to greater regulatory compliance, which warded off bribe payments to regulatory inspectors? To answer this question below, we triangulate Thuy's responses in our survey with legal documentation and administrative data from her business from the Endline survey. Table H.2 provides basic data comparing *Midimo* to the larger sample of firms along the key milestones of the MQ ToC.

- **Management quality:** Thuy reported making changes in pricing decisions, employee management, and automated order fulfillment monitoring, but also notes that she has not yet had time to set up a KPI tracking system. The endline survey using the WMS questions confirms this: *Midimo* fixed problems by instituting continuous improvement processes, monitored output performance, established production targets, promoted solely based on performance and ability, and dismissed employees within six months of identifying poor under-performance. In aggregate, according to Table **??**, *Midimo* received an average management score of 3 on the Bloom scale, which was 1.07 standard deviations above the sample mean of 2.44.

- **Productivity:** Thuy was pleased that she was able to better target pricing for her business, but she felt the largest improvements came on the efficiency side due to reduced management

[13] Full set of questions and coding can be found in **Appendix G.4**

Table H.2: Qualitative Data on Theory of Change for Case Study Firms

Theory of Change	**Midimo**	**Sample Mean**	**Standard Deviation**
Descriptives			
Year registered	2021	2017	5.03
Paid employees	4	13.2	16.3
Average price per order (USD)	6.7	8.75	11.54
1. Management Quality			
World Management Score	3	2.44	0.52
2. Productivity			
Expenditures per Worker (USD)	429.2	498	414.2
Gross Profit per Worker (USD)	1117.5	736.8	1456.3
3. Regulatory Compliance			
Pictures of Compliance (#)	6	2.3	2.63
Regulatory Knowledge Score	3	3.55	0.95
Has Food Safety Certificate	Yes	0.103	0.31
Has Fire Extinguisher	Yes	0.414	0.50
Has Inspection Report	Yes	0.052	0.19
4. Exposure to Inspections			
Regulatory inspections (#)	2	2.68	2.12
Regulatory fines (#)	0	0.517	1.09
5. Bribery			
Bribe Amount from Accounts (USD)	80.9	181.4	399.2
Bribes to Regulators (#)	1	0.793	1.26
Bribe Amount to Regulators (USD)	80.9	147	525.5

Mean and standard deviation are calculated from a follow-up survey with 29 respondents from all three treatment groups in October 2024, six months after course completion. Specific questions and coding for each of the measurements can be found in **Appendix F**.

costs. As she put it, "Because I know how to arrange staff better, I can also reduce the cost of hiring staff. I also know how to preserve food, using software. I have saved a lot in both time and labor." As a new restaurant, these improvements are small but reflected in administrative data. In the past six months, *Midimo* reported an average monthly cost per worker of 10.6 Million VND ($429), which is .16 standard deviations below the sample mean of 12.27 million VND ($498). Correspondingly, her profit per worker was 27.61 million VND ($1,118), which was .26 standard deviations above the mean of 18.2 Million VND ($737).

- **Regulatory Compliance**: Thuy was proud of installing employee health checks and instituting greater regulatory compliance. This was reflected in documentation supplied by *Midimo*. Thuy shared photographs with the research team demonstrating that she applied for the food safety certificate, possessed a new and fully loaded fire extinguisher, and had a successful food safety inspection that found high levels of hygiene standards. Thuy's observable compliance was far higher than other businesses, she provided six pictures of her service station, waste disposable, menu, and extinguisher, which were used to construct compliance scores, compared to only 2.3 pictures for other businesses. Consistent with the productivity

ToC, compliance was indirect and did not reflect better training on the subject. Thuy did not have greater regulatory knowledge than other businesses. On a six point test of regulatory knowledge, Thuy scored a 3, over half a standard deviation below the sample average of 3.55.

- **Inspections**: In the six months since the course, *Midimo* was inspected twice, once by the food sanitation inspector and once by the fire safety inspector. This was slightly less than the average score of 2.68 and far less than the maximum possible score of eight, the number of municipal agencies with regulatory authority over restaurants. Thuy, however, did not recall the interventions as burdensome, reporting that "The agency only called to ask about the documents but did not come directly to the restaurant." Thus, consistent with our ToC, the inspections did not lead to any penalties or fines.

- **Bribery:** Nor did the inspections lead to excessive bribery. While Thuy acknowledged that bribery is "common practice" in her industry in Hanoi, she felt that after the course bribe requests had declined, attributing this to higher levels of preparation, "I already understood and prepared all of the documents." Survey data bears this out. In six months, *Midimo*'s expense reports show payments of two million VND ($80), which was paid during one of the regulatory inspections. This payment is less than half of the average bribe payment of the full sample, which is 4.48 million VND ($181).

H.1.1 Discussion of Case

In sum, *Midimo*'s experience appears to align well with the expectations of the product quality mechanism of the MQ ToC. After the training, Thuy made several management alterations and saw improvements in her business. Among her reforms were efforts at greater regulatory compliance, particularly in the areas of sanitation and safety. Importantly, Thuy did not make these changes due to the greater knowledge of regulatory compliance that she gleaned from the course. In fact, she had less knowledge than other businesses in her industry. However, her efforts inadvertently enhanced her regulatory compliance, making it more difficult for inspectors to find issues with her business. This waylaid bribe requests, because Thuy could not easily be threatened with fines or other penalties. As a result, relative to businesses that received other training, Thuy saw significantly fewer bribes after graduation.

H.2 Case Study 2: Hue Royal Hotel

Tran Thi Phuong Thao is the General Manager of the restaurant in the *Hue Royal Hotel*, which is located downtown in Hue, the former imperial capital of the country. Hue in central Vietnam is famous for its cuisine and ancient citadel and is a top-ranked tourist destination. Compared to the other restaurants in our sample, Thao manages a large contingent of 22 employees, significantly larger than the median employment of six. The hotel restaurant is well known, having been established in 2012, although it recently received a new business license in 2018. The restaurant can seat 300 people and hosts a popular lunch buffet that regularly attracts between 70 and 80 guests. **Table H.3** provides basic data comparing *Hue Royal Hotel* to the larger sample of firms along the key milestones of the MQ ToC.

Thao is passionate about the tourist industry and has worked in it since graduating with a bachelor's degree in customer service and business administration from the College of Tourism at the University of Economics and Business in Hue. Thao usually starts work at 5:30 AM to check on the breakfast buffet, after which she designs the lunch and dinner menu, allocates staff assignments, and monitors quality, efficiency, and hygiene. She enrolled on the Duke-NEU course portal (and

was randomly assigned to the Mini-MBA), because she wanted to be able to better innovate new dishes, decorate the service area, avoid lost and broken equipment (i.e. chopsticks and glassware), and recruit and retain higher quality staff. She found the mini-MBA course very useful, rating it a 9 out of 10.

Table H.3: Qualitative Data on Theory of Change for Case Study Firms

Theory of Change	**Hue Royal Hotel**	**Midimo**	**Sample Mean**	**Standard Deviation**
1. Management Quality				
World Management Score	2.4	3	2.44	0.52
2. Productivity				
Expenditures per Worker (USD)	245.3	429.2	498	414.2
Gross Profit per Worker (USD)	-72.5	1117.5	736.8	1456.3
3. Regulatory Compliance				
Pictures of Compliance (#)	5	6	2.3	2.63
Regulatory Knowledge Score	4	3	3.55	0.95
Has Food Safety Certificate	No	Yes	0.103	0.31
Has Fire Extinguisher	Yes	Yes	0.414	0.50
Has Inspection Report	No	Yes	0.052	0.19
4. Exposure to Inspections				
Regulatory inspections (#)	7	2	2.68	2.12
Regulatory fines (#)	0	0	0.517	1.09
5. Bribery				
Bribe Amount from Accounts (USD)	283.4	80.9	181.4	399.2
Bribes to Regulators (#)	0	1	0.793	1.26
Bribe Amount to Regulators (USD)	0	80.9	147	525.5

Mean and standard deviation are calculated from a follow-up survey with 29 respondents from all three treatment groups in October 2024, six months after course completion. Specific questions and coding for each of the measurements can be found in F.

Again, we process-trace the impact of these efforts below:

- **Management quality:** Because of her previous training in the tourist industry, the course was not as new to Thao was it was to other students. Consequently, she felt less need to make major changes to the hotel's operations, especially when it came to data analysis, which she claimed to already be doing. In the interview, she discussed plans for implementing KPIs and "changing the way I hire, discipline, promote, and reward employees." However, none of these reforms have actually been implemented because the hotel is closed and undergoing remodeling. The lack of effort on management changes is reflected in the data. *Hue Royal Hotel* scored a 2.4, slightly below the sample mean of 2.44.
- **Productivity:** Thao was effusive about the cost-reducing improvements since the course, claiming, "I saved money, reduced costs, improved and monitored my staff (regarding behavioral rules), and controlled the sales process." Indeed, these changes show up in the data. *Hue Royal Hotel* has some of the lowest costs in the sample, averaging about 6.06 million VND ($245) per employee per month, less than half of the sample average. However, while management improvements have brought down costs, they have not raised sales. Over the past

six months, the hotel has averaged monthly losses of 1.8 million VND ($72) per employee, compared to most companies that are averaging sizable profits.

- **Regulatory Compliance**: Thao was most garrulous on how the course reinforced the need for improved hygiene standards and safety. After the course, she sought out the food safety agency to check about a Food Safety Certificate and received praise for fully preparing and also keeping full samples for inspection, meeting the requirements. Despite learning that regulations did not require the certificate for hotel restaurants, she inquired about additional training, "I also requested the food safety department that if there is any course on propaganda or teaching about food safety in the future to please notify the hotel so that staff can attend it fully." When it came to fire regulations, Thao struggled more because of the aged and out-of-date hotel architecture, if you want to do it right, you just have to knock it down and rebuild a new system that meets the requirements of the fire prevention and fighting regulations." Thao's research and knowledge was reflected in the survey. On the six-point test of fire regulation knowledge, she scored a 4, among the highest scores in the sample. She also was highly compliant in submitting five photos to our team, twice as much as the average restaurant. Two photos were missing. Thao did not submit a Food Safety Certificate, as she said it was not required and did not have a recent inspection report.

- **Inspections**: In the six months after the class, *Hue Royal Hotel* was inspected by seven different regulatory agencies for food sanitation, fire safety, social insurance, taxes, market regulations, and environmental protection. The total number of inspections is two standard deviations higher than the sample average of 2.68. Despite this heavy exposure, the restaurant did not receive any fines for non-compliance.

- **Bribery:** According to Thao, bribes, which she referred to as informal charges, do happen, but are of moderate prevalence in Hue. Usually, they are paid to regulatory inspectors or police offices. In the semi-structured interview, Thao claimed that her restaurant rarely engaged in such activities and was not worried about more, "We meet all the requirements they checked, so there was nothing wrong that could be used to solicit informal fees." Indeed, according to the survey data, none of the seven inspections led to bribe requests. However, financial data shows that Thao's business appeared to pay a sizable bribe outside of the regulatory inspections setting, likely when seeking a construction certificate for the remodel. This bribe showed up in their financial statements as a 7 million VND ($283) payment, which was over .25 standard deviations above the sample mean of 4.5 million ($181).

H.2.1 Discussion of Case

Hue Royal Hotel is also a good example of the product quality mechanism in the MQ Toc, because we observe higher regulatory compliance and lower bribes (relative to the same mean) without corresponding improvements in productivity (measured by profit margin). Thao made fewer improvements. She already had a data management system in place, but other initiatives, such as an employee incentive system, were delayed by the hotel remodeling. The reforms that she implemented were hygiene and safety reforms with the goal of improving service quality and customer experience. While post-course efforts reduced costs, it wasn't enough. *Hue Royal Hotel* was still running monthly losses up to six months after the court. In line with our theory, *Hue Royal Hotel*, as one of the largest and most prominent businesses in the city, was inspected several times. However, due to the high compliance and Thao's pre-course regulatory knowledge, these inspections did not yield fines or post-inspection bribes.

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