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# Organizing Knowledge to Compete

Impacts of capacity building programs on firm organization\*

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## Abstract

A growing literature aiming at explaining differences across firms in productivity and access to global export markets has focused on the internal organization of firms. This paper contributes to this literature by evaluating the impact of a program that focuses on enhancing competitiveness of small and medium enterprises in Brazil by providing coaching and consulting on management and production practices. Specifically, the paper tests whether the program induces treated firms to reorganize knowledge by adding more layers of different skills and competencies to their workforces. Using a unique firm-level dataset, the number of layers of knowledge of the firms are compared before and after the program. The impact of the program is identified by relying on an instrumental variable approach, exploiting the quasi-experiment roll-out of its implementation, which was carried out at different times across Brazilian regions. The analysis finds that the program had an effect and that this effect is heterogeneous. The program is particularly effective in promoting the reorganization of small and medium firms. The results confirm another finding of the literature, namely that in re-organized firms inequality of wages increases, as firms pay higher wages in added higher layers than in pre-existing ones. Finally, these results are used to discuss how the change in firms' organization is positively correlated with export performance.

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Keywords: Firm organization; Capacity Building; Managers; Impact Evaluation; Trade.

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