Managerial ability and market performance: an investigation of firms listed on B3[1]

Rubia Frehner Poffo
Universidade Regional de Blumenau - FURB, Brasil

Nelson Hein
Universidade Regional de Blumenau - FURB, Brasil

Habilidad gerencial y desempeño de mercado: una investigación de empresas que cotizan en B3

Las empresas buscan continuamente estrategias para mejorar su desempeño en el mercado. Entre los factores que pueden influir en dicho desempeño, se destaca la habilidad con la que los gestores desempeñan sus funciones. En este contexto, la presente investigación tiene como objetivo analizar si gestores más capacitados contribuyen al aumento del desempeño de mercado de empresas brasileñas. Los gestores hábiles tienden a analizar la información organizacional con mayor cautela, lo que les confiere una capacidad predictiva superior (Bessy et al., 2024; Hasan, 2018). Esta característica favorece decisiones más eficaces y eficientes, lo que impacta positivamente en los resultados empresariales (Fagundes et al., 2024; Ribeiro & Souza, 2023; Wang et al., 2017). Para la realización del estudio, se utilizó una muestra compuesta por 206 empresas en el período de 2019 a 2023. El análisis se llevó a cabo mediante regresión OLS, con controles de efectos fijos por sector y año, utilizando el software Stata®. Los resultados indican que los gestores más capacitados están asociados con un mejor desempeño de mercado, lo que refuerza los supuestos de la teoría de los recursos y capacidades. Las habilidades gerenciales como la iden-

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tificación de información relevante, la capacidad de anticipar cambios en el entorno externo y el análisis estratégico del contexto organizacional se configuran como recursos internos valiosos que deben ser aprovechados por las empresas para aumentar su competitividad. De este modo, esta investigación contribuye a la literatura al evidenciar el papel de las capacidades gerenciales como impulsoras del desempeño de mercado.

Palabras clave: habilidades de gestión, desempeño del mercado, eficiencia

Managerial ability and market performance: an investigation of firms listed on B3

Companies continuously seek strategies to enhance their market performance. Among the factors that may influence this performance, the managerial ability with which executives carry out their responsibilities stands out. In this context, the present study aims to examine whether more ability managers contribute to improved market performance among Brazilian firms. Ability managers tend to analyze organizational information more carefully, which provides them with superior predictive capabilities (Bessy et al., 2024; Hasan, 2018). This attribute supports more effective and efficient decision-making, positively impacting business outcomes (Fagundes et al., 2024; Ribeiro & Souza, 2023; Wang et al., 2017). The study employed a sample of 206 firms covering the period from 2019 to 2023. The analysis was conducted using ordinary least squares (OLS) regression with fixed effects for industry and year, utilizing the Stata® software. The results indicate that more capable managers are associated with superior market performance, reinforcing the assumptions of the resource-based view. Managerial capabilities such as identifying relevant information, anticipating changes in the external environment, and strategically analyzing the organizational landscape are internal resources that firms should leverage to enhance their competitiveness. Thus, this research contributes to the literature by highlighting the role of managerial capabilities as drivers of market performance.

Keywords: managerial ability, market performance, efficiency

Habilidade gerencial e desempenho de mercado: uma investigação de empresas listadas na B3

As empresas buscam continuamente estratégias para melhorar seu desempenho de mercado. Entre os fatores que podem influenciar esse desempenho, destaca-se a habilidade com que os gestores desempenham suas funções. Nesse contexto, esta pesquisa tem como objetivo analisar se gestores mais habilidosos contribuem para o aumento do desempenho de mercado de empresas brasileiras. Gestores habilidosos tendem a analisar as informações organizacionais com maior cautela, o que lhes confere uma capacidade preditiva superior (Bessy et al., 2024; Hasan, 2018). Essa característica favorece decisões mais eficazes e eficientes, impactando positivamente os resultados empresariais (Fagundes et al., 2024; Ribeiro & Souza, 2023; Wang et al., 2017). Para a reali-

zação do estudo, foi utilizada uma amostra composta por 206 empresas no período de 2019 a 2023. A análise foi conduzida por meio de regressão OLS, com controles de efeitos fixos por setor e ano, utilizando o software Stata®. Os resultados indicam que gestores mais habilidosos estão associados a um desempenho de mercado superior, o que reforça os pressupostos da teoria dos recursos e capacidades. As habilidades gerenciais como a identificação de informações relevantes, a capacidade de antecipar mudanças no ambiente externo e a análise estratégica do cenário organizacional configuram-se como recursos internos valiosos que devem ser explorados pelas empresas para ampliar sua competitividade. Assim, esta pesquisa contribui para a literatura ao evidenciar o papel das capacidades gerenciais como impulsionadoras do desempenho de mercado.

Palavras-chave: habilidade gerencial, desempenho de mercado, eficiência

1. Introduction

According to Fagundes et al. (2024), and Rose and Shepard (1997), research in the field of management seeks to understand behavioral factors that positively influence managerial decision-making, thereby contributing to improved firm performance. In this regard, Demerjian et al. (2012) highlight that more ability managers tend to make decisions that enhance organizational efficiency. Managerial ability reflects the manager's knowledge, experience, ability to navigate crises, and decision-making capacity aimed at increasing profitability (Bessy et al., 2024; Demerjian et al., 2012; Hasan, 2018).

From this perspective, managerial ability is considered an internal resource that can be leveraged to provide competitive advantage to firms (Barney, 1991). Through the lens of the resource-based view, managerial ability is a valuable internal resource capable of driving superior performance (Barney, 1991). Demerjian et al. (2012) found that more talented managers contribute to better operational outcomes. Similarly, research by Baik et al. (2011) and Fagundes et al. (2024) showed that more capable managers enhance information quality.

Ability managers are more likely to innovate, better understand technological changes, and more reliably anticipate market shifts (Demerjian et al., 2012; Sun & Sun, 2021). Findings from Andreou et al. (2017) indicate that ability managers are more inclined to make decisions that improve firm performance. Moura et al. (2019) noted that in non-cyclical consumer companies, ability managers reduce goodwill-related losses.

Accordingly, these managers are more competent and better equipped to understand various organizational scenarios (Bessy et al., 2024; Demerjian et al., 2012; Hasan, 2018; Lunardi et al., 2022; Mahoney, 1995). They are able to anticipate future

opportunities and make decisions that improve managerial efficiency (Demerjian et al., 2012). Ability managers consistently seek information about the businesses they lead, resulting in greater efficiency and, consequently, improved performance (Fagundes et al., 2024; Wang et al., 2017), thereby contributing to business continuity (Bessy et al., 2024; Krishnan & Wang, 2015).

These skills are used as organizational strategies to enhance revenue growth and market share (Geng et al., 2015; Ribeiro & Souza, 2023). Thus, ability managers can foresee market conditions, analyze firm information, and identify opportunities, thereby improving corporate performance (Andreou et al., 2017; Fagundes et al., 2024). Managerial ability is an internal resource that firms can utilize to boost business performance. Companies with strong market performance tend to be more profitable and have stocks with higher market value (Paula et al., 2013; Ribeiro & Souza, 2023).

Prior studies have shown that more ability managers are more likely to carefully analyze reports, foresee potential future scenarios, produce less asymmetric reports, and make more assertive decisions (Andreou et al., 2017; Bessy et al., 2024; Demerjian et al., 2012; Fagundes et al., 2024; Lunardi et al., 2022; Sun & Sun, 2021; Wang et al., 2017). Furthermore, research has demonstrated that more capable managers increase financial performance (John et al., 2017) and economic performance (Meurer et al., 2025).

Assuming that more ability managers tend to make firms more efficient, this study aims to examine whether such managerial capabilities contribute to enhanced market performance among Brazilian companies. Based on a sample of 206 firms listed on Brasil, Bolsa, Balcão (B3), the results indicate that managerial competence has a positive impact on market performance. Therefore, this study contributes to the literature on behavioral factors by highlighting that managerial ability is a key determinant of superior market performance.

Additionally, the findings reinforce the assumptions of the resource-based view by demonstrating that managerial ability constitutes a strategic internal resource capable of supporting strategy formulation aimed at improving market outcomes. The results extend the contributions of Fagundes et al. (2024) by going beyond the analysis of information quality and build on the work of Lunardi et al. (2022) by showing that managerial ability goes beyond earnings management. This study also complements the evidence presented by Meurer et al. (2023), indicating that more ability managers have a significant influence on firms' market performance.

The findings offer relevant implications for various stakeholders, particularly investors and board members, by providing evidence that more capable managers are

more likely to drive firm performance and generate positive outcomes. This supports the perspective put forth by Demerjian et al. (2013) and Lunardi et al. (2022), according to which managerial competence is associated with better management practices and value creation for shareholders, as reflected in higher stock valuations.

Moreover, the insights generated by this study may serve as theoretical and empirical input for scholars interested in the intersection between managerial behavior and organizational performance, as well as for corporate policymakers and other stakeholders seeking to understand the mechanisms through which managerial qualifications influence business outcomes.

2. Theoretical framework and hypothesis development

Managerial skills refer to the abilities that a manager possesses to analyze the economic environment in which the company operates (Hasan, 2018). They also represent the capacity to analyze information and make decisions that transform corporate resources into revenue (Bessy et al., 2024; Hasan, 2018; Lunardi et al., 2022). Managers with higher skills are more adept at understanding new technologies, predicting future scenarios, and investing in projects that yield higher returns for the company, leading to increased profitability and higher stock valuations (Demerjian et al., 2012; Paula et al., 2013).

By strategically utilizing their internal resources, organizations that tend to increase their stock prices see improved market performance (Ribeiro & Souza, 2023). According to Demerjian et al. (2012), ability managers manage the workforce more efficiently, leading to greater efficiency in production lines. These managers constantly seek information, staying well-informed about company data, and possess the knowledge to make more accurate estimates (Wang et al., 2017). Thus, managerial skills result in decisions that drive higher market performance (Bessy et al., 2024; Lunardi et al., 2022; Wang et al., 2017).

Research on managerial competence indicates that more ability managers are more likely to improve company efficiency (Demerjian et al., 2012; Hasan, 2018; Lunardi et al., 2022; Wang et al., 2017). As an intangible asset, managerial competence represents the knowledge that managers possess, which can be used as an internal strategy to enhance market performance. Therefore, in line with the resource-based view, managerial ability is an internal resource that enables a company to utilize its resources efficiently and effectively to achieve the goals set by senior management.

Such capabilities often emerge from a combination and coordination of various resources, including technical expertise to identify economic opportunities and the

ability to foresee future scenarios that improve the company's market performance. Santos (2020) found that more ability managers were less likely to reach high levels of variable compensation. This occurs because they are better at visualizing opportunities that lead to maximum resource efficiency (Demerjian et al., 2012). As a result, more ability managers can anticipate favorable scenarios, enabling the company to achieve better market performance.

Managerial competence emerges from a combination and coordination of resources, including technical expertise to identify opportunities and the ability to foresee future scenarios that drive market performance (Ribeiro & Souza, 2023). Santos (2020) identified that more ability managers tend to have a lower likelihood of reaching high variable compensation levels, as they demonstrate greater aptitude in identifying opportunities that lead to the maximum efficiency in resource utilization (Demerjian et al., 2012). Thus, these managers are capable of predicting favorable scenarios that allow the organization to perform better in the market.

It is assumed that such managers possess the competencies necessary to make strategic investments and implement projects that enhance the company's performance and profitability (Andreou et al., 2017; Demerjian et al., 2012). Market performance refers to the company's ability to generate profits and is widely used by investors as an indicator of its financial health (Fan et al., 2013; Lee et al., 2011; Ribeiro & Souza, 2023). According to Fisher and Statman (2000), this performance is assessed through indicators such as the price-earnings ratio (PER), price-to-book value (PBV), and price-to-sales ratio (PSR), which, as Geng et al. (2015) argue, should be used complementarily for more accurate measurement.

In this regard, ability managers make decisions aimed at improving organizational efficiency, benefiting from their analytical capacity in relation to the context in which the company operates (Baik et al., 2018). Moreover, managerial skills contribute to increased profitability and predictability of company profits (Baik et al., 2019). The findings of Inam Bhutta et al. (2021) indicate that in emerging countries, managerial competencies are a valuable internal resource, promoting more efficient use of business resources and leading to better market performance.

Thus, it is assumed that ability managers are more likely to make decisions that improve the company's market performance. Based on this, the following research hypothesis is formulated:

- **H_1:** More qualified managers will enhance the market performance of Brazilian companies listed on B3.

3. Methodology

3.1. Population and sample

The target population of this research consisted of 350 publicly traded companies listed on B3, with data extracted from the Refinitiv Eikon database, covering a five-year period from 2019 to 2023. Since the research utilizes a balanced sample, 103 companies that lacked data for the specified periods were excluded, along with 40 companies from the financial sector. As a result, the final sample consisted of 206 companies. Detailed information regarding the exclusion period can be found in panel A of table 1.

Table 1. *Companies that make up the survey sample*

Panel A - Composition of the companies in the sample		
Enterprises	**FA**	**FR**
(+) Companies listed on B3	350	100,0%
(-) Companies in the financial sector	40	11,4%
(=) Subtotal	310	88,6%
(-) Companies with at least one period of no movement	84	24,3%
(-) Companies with at least one data-free period for:	10	2,9%
(-) RLV	2	0,6%
(-) CPV	5	1,4%
(-) Asset	3	0,9%
(-) Companies with at least one period with negative values for:	8	2,3%
(-) RLV	4	1,1%
(-) DVGA	4	1,1%
(=) Total	**206**	**59,1%**
Panel B - Composition of companies by sector		
Enterprises	**FA [a]**	**FR [b]**
Health care	10	4,8%
Consumer goods	19	9,2%
Real estate	13	6,3%
Discretionary consumption	59	28,5%
Energy	6	2,9%
Industry	39	18,8%

Materials	23	11,1%
Communication services	5	2,4%
Utilities	30	15,0%
Information technology	2	1,0%
(=) Total	**206**	**100,0%**

[a] FA: Absolute frequency

[b] FR: Relative frequency

Panel B of table 1 provides information about the sectors of the companies included in the sample. It can be observed that 28,5% of the companies belong to the consumer discretionary sector, followed by 18,8% in the industrial sector, 15% in the utilities sector, and 11,1% in the materials sector.

3.2. Variable definitions

3.2.1. Managerial ability. Managerial ability was measured through the quantitative model developed by Demerjian et (2012), which assesses the ability of managers to transform organizational resources into revenues. This indicator reflects how ability managers are at leveraging the company's revenues from a specific set of available inputs, such as labor, capital, and intangible assets. It is important to note that this measure is based on information contained in financial statements, rather than the personal characteristics of the managers. The managerial ability variable was measured using the quantitative model developed by Demerjian et al. (2012). This measure captures how managers in organizations transform organizational resources into sales, so that more ability managers are capable of increasing the revenues of organizations relative to a set of available inputs (e.g., labor, capital, and intangible assets).

To estimate managerial skill, the MA-Score estimation created by Demerjian et al. (2012) is used. This indicator measures the level of efficiency with which managers utilize company resources. In this sense, managers with greater skill tend to demonstrate higher production rates. The variable was measured using data envelopment analysis (DEA) to estimate the efficiency of the organization by comparing the sales generated by the companies, conditioned by the application of the following inputs: cost of goods sold (CPV), sales and administrative expenses (DVA), fixed assets/depreciation (IMO), operating leases (LEO), research and development expenses (R&D), goodwill (AGI), and other intangible assets (OAIN).

$$Max_{v}\ 0 = \frac{Sales}{v_1 CPV + v_2 DVA + v_3 IMO + v_4 LEO + v_5 P\&D + v_6 AGI + v_7 OAIN} \quad (1)$$

The company uses seven indicators to optimize its sales, comparing each of the seven individual indicators of the companies with those of other companies within their estimation groups. As a result, the DEA measure presents values between 0 and 1, indicating the efficiency index of the companies. Observations with a value of 1 represent more efficient companies, while values below 1 indicate companies with higher costs. Therefore, these companies need to reduce their costs in order to increase their revenue and demonstrate greater efficiency.

This efficiency measure, therefore, reflects both the company's performance and the manager's skill, represented by ε_{it} (residual of the equation). A ability manager is able to anticipate future scenarios and understand the company's operational environment, regardless of its size, enabling more effective decision-making. Based on this logic, Demerjian et al. (2013) adjusted the measurement of the efficiency generated by the DEA to exclude specific characteristics of the companies that could influence management efforts, such as size, market share, free cash flow, and company age, thus isolating the efficiency directly attributable to managerial performance.

The DEA calculation was operationalized using the MaxDEA software, and the model adopted for the development of this research was the variable returns to scale (VRS) model (Banker et al., 1984). The application of this model allows for a more flexible analysis of the efficiency of companies of different sizes (Banker et al., 1984). The Tobit regression model presented in equation 1 is estimated by applying the sectoral effect, resulting in the equation's residual, which represents managerial skill.

$$EE_{it} = \beta_0 + \beta_1 LN(AT)_{it} + \beta_2 PM_{it} + \beta_3 FCL_{it} + \beta_4 LN(ID)_{it} + \beta_5 CSN_{it} + \beta_6 IVC_{it} + \sum Efeito\_Fixo\ setor_t + \varepsilon_{it} \quad (2)$$

In which:

- EE_{it} = Efficiency of company i in the period t;
- $LN(AT)_{it}$ = Natural logarithm of the total assets of company i in period t;
- PM_{it} = market share of company i in period t;
- FCL_{it} = free cash flow of company i in period t;
- $LN(ID)_{it}$ = natural logarithm of the age of the company;
- CSN_{it} = concentration indicator of the business segment of company i in period t;
- IVC_{it} = exchange rate variation adjustment indicator of company i in period t;
- ε_{it} = residual of the equation (proxy for managerial skill).

The variable (EEit) represents the efficiency of the company, generating an optimized score through DEA. The free cash flow (FCLit) is measured using a dummy variable, where a value of 1 is assigned if the company has a positive balance, and 0 otherwise. The concentration indicator (CSNit) measures the concentration of the company's segment, representing the proportion of sales from the company's main segment relative to the sales of other segments. This information was obtained from the explanatory notes of each company; if the company operated in only one sector, a value of 1 was assigned.

The exchange rate variation adjustment indicator (IVCit) is measured using a dummy variable, receiving a value of 1 if the company made exchange rate adjustments during the period, and 0 otherwise. Thus, the residual of the regression (equation 1) represents managerial ability (HGit), which is used as an independent variable. Furthermore, Demerjian et al. (2012) indicate that the measure created from the DEA has a greater ability to assess the manager's perspective rather than the company's effect, making it a measure applied in previous studies (Lunardi et al., 2022; Moura et al., 2019; Santos, 2020).

3.2.2. Market performance. Market performance represents the value that investors are willing to pay for a company's shares (Ribeiro & Souza, 2023). Consequently, stock prices reflect the value of the company, based on management strategies, investments, and profits (Miller & Modigliani, 1961). The measurement of the market performance variable was operationalized based on Geng et al. (2015), as demonstrated in table 2. It is important to note that, for calculation purposes, the natural logarithm of the values underlying the market performance variables was used.

Table 2. *Measurement of the market performance variable*

PER	$\frac{\text{Market value}}{\text{Earnings per Share}}$	*Refinitiv Eikon*	Da Costa Jr e Neves (2000), Geng et al. (2015), Gitman (2010)
PBV	$\frac{\text{VMarket value}}{\text{Book Value per Share}}$	*Refinitiv Eikon*	Da Costa Jr e Neves (2000), Geng et al. (2015)
PSR	$\frac{\text{Market value}}{\text{Net Revenue per Share}}$	*Refinitiv Eikon*	Brunnermeier e Nagel (2004), Geng et al. (2015)

3.2.3. Data analysis procedure. The variables used for the development of this research were calculated and tabulated using Microsoft Excel® spreadsheets. After the tabulation process, the data were imported into Stata® software, which was used to operationalize the statistical techniques of this study. Ordinary least squares (OLS) regressions were applied, controlling for fixed effects by sector and year. The winsorization

technique was also applied as a method for handling outliers in the PER, PBV, and PSR variables, which collectively represent market performance. Following these procedures, the regression models were operationalized, as demonstrated in equation 2:

$$DM\_PER_{it} = \alpha_0 + \alpha_1 HG_{it} + \sum \text{Fixed\_effect sector}_{it} + \sum \text{Fixed\_effect year}_{it} + \varepsilon_{it} \quad (3)$$

In which:

- DM_PER_{it} = *Price Earning Ratio* i in period t;
- HG_{it} = managerial ability of firm i in period t;
- ε_{it} = residual of the equation.

$$DM\_PBV_{it} = \alpha_0 + \alpha_1 HG_{it} + \sum \text{Fixed\_effect sector}_{it} + \sum \text{Fixed\_effect year}_{it} + \varepsilon_{it} \quad (4)$$

In which:

- DM_PBV_{it} = *Price Book Value* i in period t;
- HG_{it} = managerial ability of firm i in period t;
- ε_{it} = residual of the equation.

$$DM\_PSR_{it} = \alpha_0 + \alpha_1 HG_{it} + \sum \text{Fixed\_effect sector}_{it} + \sum \text{Fixed\_effect year}_{it} + \varepsilon_{it} \quad (5)$$

In which:

- DM_PSR_{it} = *Price Sales Ratio* i in period t;
- HG_{it} = managerial ability of firm i in period t;
- ε_{it} = residual of the equation.

After measuring the variables, several tests were conducted to verify the validity of the regression model. Among them, the tests for normality, multicollinearity, and autocorrelation of residuals were particularly important. To assess the presence of multicollinearity among the independent variables, the variance inflation factor (VIF) was used, which helps identify exact or near-exact linear relation between these variables (Fávero & Belfiore, 2017). On the other hand, the autocorrelation of residuals was verified through the Durbin-Watson test, where the null hypothesis assumes the absence of autocorrelation.

4. Presentation and discussion of results

4.1. Descriptive statistics

Table 3 presents the descriptive statistics of the variables related to the relation investigated in this study. It includes measures such as mean, standard deviation, 25th percentile, median, and 75th percentile.

Table 3. *Descriptive statistics of the variables*

	Average	Standard deviation	Percentil 25%	Median	Percentil 75%
HG	0,787001	0,234418	0,620458	0,8673845	1
DM_PER	20,60845	3,327574	18,86262	21,17732	22,89199
DM_PBV	18,64205	3,142544	17,16961	19,19515	20,91968
DM_PSR	18,43139	2,979712	16,76703	18,88693	20,6543

Table 3 presents the Pearson correlation matrix for the variables related to the relation investigated in this research.

Table 4. *Pearson's correlation matrix*

		Spearman			
		Managerial ability	PER	PBV	PSR
Pearson	*Managerial ability*		0,3266*	0,3516*	0,2620*
	PER	0,3312*		0,8991*	0,8778*
	PBV	0,3277*	0,9190*		0,8831*
	PSR	0,2635*	0,9032*	0,9043*	

* p < 0,10; ** p < 0,05; *** p < 0,01.

4.2. Results of the regression analyses for the research hypotheses

This section presents the research results, as shown in table 5. More ability managers improve market performance (PER), with the coefficient of determination (R^2) indicating that the measurement of the research hypothesis has an explanatory power of 18,18%. The VIF test produced results below 1,06 for this relation, indicating that multicollinearity is not a concern in this study.

Table 5. *Regressions of the relation between managerial ability and market performance*

Independent variables	Dependent variable market performance (PER)			
	Coefficient	Standard error	T-Test	P-value
Constant	13,58615	0,7853488	17,3	0,000
Managerial ability	**8,320638*** **	**0,767983**	**10,83**	**0,000**
Sector				
Consumer discretionary	0,6585143	0,6558354	-1,00	0,316
Consumer staples	0,6610764	0,7310407	0,90	0,366
Energy	0,7518029	0,8508661	0,88	0,377
Health care	3,122528***	0,744054	4,20	0,000
Industrials	0,6187049**	0,6534953	0,95	0,034
Information technology	1,809121	1,148008	1,58	0,115
Materials	0,9225663	0,728645	-1,27	0,206
Real estate	0,438982	0,7288606	-0,60	0,548
Utilities	0,091683	0,7240393	-0,13	0,899
Period				
2020	0,1863558	0,2990802	0,62	0,533
2021	0,5205183*	0,308512	1,69	0,092
2022	0,7598775**	0,3022592	2,51	0,012
2023	0,5895017**	0,3073674	-1,92	0,055
Model Sig.	0,000			
Durbin-Watson	1,020			
F	16,11			
R^2	18,18%			
Observations	1,030			

* p < 0,10; ** p < 0,05; *** p < 0,01.

Table 6 presents the results of measuring the relation between managerial ability and market performance. The results indicate that more ability managers compare the market price of a stock with the book value of its assets, as recorded in the company's balance sheet, confirming hypothesis H1. As shown in table 6, the coefficient of determination (R^2) demonstrated an explanatory power of 20,32%, and the VIF test produced results below 1,37, indicating that the relation does not present multicollinearity issues.

Table 6. *Regressions of the relation between managerial ability and market performance*

Independent variables	Dependent variable market performance (PBV)			
	Coefficient	Standard error	T-Test	P-value
Constant	11,61043	0,7319022	15,86	0,000
Managerial ability	**7,564742*** **	**0,7157181**	**10,57**	**0,000**
Sector				
Consumer discretionary	0,3030731*	0,6112027	0,5	0,062
Consumer staples	1,177506*	0,68129	1,73	0,084
Energy	1,467113*	0,7929607	1,85	0,065
Health care	3,155771***	0,6934177	4,55	0,00
Industrials	1,280618*	0,6090219	2,10	0,036
Information technology	2,199634**	1,069881	2,06	0,004
Materials	0,249533	0,6790573	0,37	0,713
Real estate	0,200478	0,6795284	-0,30	0,768
Utilities	0,7531527	0,674765	1,12	0,265
Period				
2020	0,2394881*	0,2787264	0,86	0,039
2021	0,6963101*	0,2875163	2,42	0,016
2022	0,6789789*	0,3870349	1,75	0,081
2023	0,5006853*	0,2823957	1,77	0,077
Sig. do modelo	0,000			
Durbin-Watson	1,123			
F	18,49			
R^2	20,32%			
Observações	1,030			

* p < 0,10; ** p < 0,05; *** p < 0,01.

Finally, table 7 indicates that more ability managers lead to better market performance, measured by the PSR, suggesting that ability managers influence investors' willingness to pay for each unit of revenue generated by the company, confirming hypothesis H1. The VIF test produced satisfactory values (below 1,23), and the coefficient of determination (R^2) demonstrated an explanatory power of 16,99%.

Table 7. *Regressions of the relation between managerial ability and market performance*

Independent variables	Dependent variable market performance (PSR)			
	Coefficient	Standard error	T-Test	P-value
Constant	13,44201	0,7083267	18,98	0,000
Managerial ability	**6,340504*** **	**0,692664**	**9,15**	**0,000**
Sector				
Consumer discretionary	1,331461**	0,5915151	2,25	0,025
Consumer staples	0,4985216**	0,6593448	0,76	0,045
Energy	0,6055213**	0,7674184	0,79	0,043
Health care	2,006478**	0,6710818	2,99	0,003
Industrials	0,0494952**	0,5894046	0,080	0,034
Information technology	0,9668042	1,035419	0,93	0,353
Materials	1,11328*	0,6571841	1,69	0,091
Real estate	0,3815011	0,6573787	0,58	0,562
Utilities	0,1747713	0,65303	0,27	0,789
Period				
2020	0,3044697	0,2697483	1,13	0,259
2021	0,573864**	0,278255	2,06	0,039
2022	0,7023197**	0,273921	2,56	0,011
2023	0,5187207*	0,2732987	1,9	0,058
Model Sig.	0,000			
Durbin-Watson	1,098			
F	14,84			
R^2	16,99%			
Observations	1,030			

* p < 0,10; ** p < 0,05; *** p < 0,01.

4.3. Discussion of the results

The results obtained confirm hypothesis H1 of the research, indicating that more ability managers contribute to better market performance of companies. The skills of these managers, such as the ability to understand the economic environment, make decisions aimed at increasing revenue, and anticipate future scenarios, significantly

enhance the competitive potential of companies. These managerial competencies favor a higher return on investments, strengthen the company's position against competitors, and promote the generation of sustainable value for shareholders and investors. Furthermore, more ability managers tend to drive stock appreciation, profit growth, increased sales volume, and market share expansion.

Thus, the results of this study align with previous literature, indicating that more ability managers have a greater ability to identify the context in which the company operates (Hasan, 2018; Ribeiro & Souza, 2023). They transform organizational resources into revenue, leading the company to achieve higher organizational performance (Bessy et al., 2024; Lunardi et al., 2022). As described by Demerjian et al. (2012), these skills result in managers achieving better outcomes. Consequently, higher profits lead to an increase in stock prices (Ribeiro & Souza, 2023).

In this sense, more ability managers are more likely to manage the company's workforce more efficiently and continuously seek information that can help the company achieve better market performance (Hasan, 2018; Lunardi et al., 2022; Ribeiro & Souza, 2023). The skills of these managers allow them to make estimates that generate positive results for companies (Wang et al., 2017). As a result, these companies exhibit better market performance (Bessy et al., 2024).

Thus, in line with the resource-based view theory, managerial ability is a valuable internal resource for the company, as companies use it as a strategy to achieve higher performance. The knowledge and critical thinking skills during the analysis of the information available to the manager allow decisions that enable the company to achieve greater performance. Furthermore, more ability managers are difficult to replace (Demerjian et al., 2012; Hasan, 2018; Lunardi et al., 2022). This is because their logical reasoning and critical thinking are hard to substitute (Baik et al., 2018; Wang et al., 2017).

5. Conclusion

In general, the results of the research revealed that more ability managers have a significant impact on the market performance of Brazilian companies. It is emphasized that the skills of managers enhance the market performance of companies listed on the B3. These findings suggest that the managers' ability to understand the economic context in which the company operates, make strategic decisions aimed at increasing revenue, and anticipate future scenarios plays a crucial role in maximizing the market performance of these companies.

Managerial skills not only drive the profitability and competitiveness of companies but also ensure that the company's assets generate continuous value for shareholders and investors over time. Furthermore, managerial ability is directly associated with stock appreciation, increased profits, higher sales volume, and increased market share, making companies more competitive in the economic landscape.

The results of this research can be discussed in light of the resource-based view and dynamic capabilities theory, which emphasize the importance of a company's internal resources and capabilities as determining factors for achieving a sustainable competitive advantage. In the resource-based view, managerial ability is considered a resource, defined as assets that the company owns or controls and can use to generate value in the market. The ability to integrate, coordinate, and leverage these resources to achieve the company's objectives is especially relevant in the context of this research on managerial ability.

In summary, more ability managers have a greater capacity to manage the company's workforce more efficiently, as well as seek relevant information and use these data to promote successful market performance. These skills enable these managers to make accurate estimates, generating favorable results that translate into superior market performance (Wang et al., 2017).

This research has some limitations. The first is related to the period analyzed, as only five years were considered. Another limitation is that this research does not cover financial companies or all the companies listed on the B3. Furthermore, the fact that the model was not specifically developed for the Brazilian context may indicate a limitation. Therefore, further research is needed to better understand how behavioral factors impact the market performance of Brazilian companies.

Thus, future studies may analyze more than one country (e.g., South American countries). It is also suggested to examine how managerial ability impacts market performance with the moderation of information quality. Analyzing only the financial sector could also provide a better understanding of managerial ability in this sector. Finally, it would be interesting to investigate whether managers' skills influence the companies' capital structure.

Author contributions:

Poffo, R. F.: Conceptualization, Methodology, Software, Validation, Formal analysis, Investigation, Data curation, Writing – original draft, Writing, review, and editing, Project administration. **Hein, N.:** Methodology, Software, Validation, Data curation, Visualization, Supervision.

Rubia Frehner Poffo (Poffo, R. F.)

Nelson Hein (Hein, N.)

Conflict of interest statement

Authors declare that, throughout the research process, there has not been any sort of personal, professional, or economic interest that may have influenced the researchers' judgement and/or actions during the elaboration and publication of this article.

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