MANAGERIAL ABILITY AND FIRM VALUE OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

Rahmat Ayo SALAU. [1]
Prof. Hassan Ibrahim.[2]
Dr.Ejike Sunday Okoroigwe.[3]
[1, 2, &3] Department of Accounting
Faculty of Administration and Management
Ibrahim Badamasi Babangida University, Lapai, Niger State, Nigeria
Corresponding Author: ayosalau06@gmail.com

Corresponding Author: ayosalau06@gmail.com
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Abstract
This study examines the effect of managerial ability on the value of listed non-financial firms in Nigeria. Using a balanced panel dataset of 88 non-financial firms listed on the Nigerian Exchange Group (NGX) over the period 2015 to 2024, the study employs the Efficiency-Driven Ability (EDA) measure developed by Demerjian et al. (2012) to proxy managerial ability, and Tobin's Q as a market-based measure of firm value. Fixed Effects panel regression is adopted following the Hausman specification test. The findings reveal that managerial ability exerts a positive and statistically significant effect on firm value ($\beta = 0.094$, $p < 0.01$), indicating that firms led by more competent managers achieve superior market valuations. This result is robust to the inclusion of control variables including firm size, leverage, and firm age. The study is theoretically grounded in the Resource-Based View (RBV), which conceptualizes managerial competence as a rare, valuable, and inimitable strategic resource capable of generating sustainable competitive advantage. The findings contribute to the emerging market literature by providing context-specific evidence on the strategic importance of managerial competence in driving firm valuation and offer actionable implications for corporate boards, investors, and policymakers in Nigeria.

Keywords: Managerial ability; firm value; Tobin's Q, efficiency-driven ability, resource-based view; Nigeria; emerging markets; panel data; fixed effects

1.0 Introduction

While prior studies have looked into the direct effect of managerial ability on firm performance and value in developed and emerging economies, evidence from Nigeria remains limited. Furthermore, many studies concentrate on developed markets where institutional settings differ significantly from those of Nigeria. This current study extends the managerial ability literature by providing evidence from a major African emerging economy and demonstrating how managerial ability influences market valuation within a unique institutional environment characterized by information asymmetry and weak investor protection. Firm value represents one of the most critical indicators of corporate success and sustainability in both developed and emerging economies. It reflects the collective judgment of investors regarding a firm's future earning potential, risk exposure, and overall governance quality. Among the many determinants of firm value documented in the corporate finance and accounting literature, managerial ability

occupies a uniquely important position because it constitutes an internal, firm-specific resource that influences virtually every dimension of organizational performance from operational efficiency and strategic decision-making to disclosure quality and stakeholder communication (Demerjian et al., 2012; Baik et al., 2020).

Despite its theoretical importance, empirical evidence on the direct relationship between managerial ability and firm value remains limited in the Nigerian context. Most existing studies in Nigeria focus on structural governance mechanisms such as board composition or ownership structure as determinants of firm performance, while the role of managerial competence particularly as captured by efficiency-based measures has received considerably less attention (Oladipo & Eze, 2024; Sule, 2025). This omission is significant given that Nigeria's business environment is characterized by substantial heterogeneity in managerial quality, weak institutional enforcement, and considerable variation in firm performance across similar industries.

Managerial ability, as conceptualized in this study, refers to the efficiency and effectiveness with which managers mobilize and utilize organizational resources to generate revenue and create value. Unlike structural indicators of governance, managerial ability captures the dynamic, execution-oriented dimension of leadership and the capacity to identify strategic opportunities, allocate resources optimally, and translate organizational inputs into superior outputs relative to industry peers (Demerjian et al., 2012; Afolabi & Inegbedion, 2022). Firms endowed with highly capable managers are therefore expected to exhibit superior financial performance and higher market valuations, as investors price in the expected future value created by competent management.

This study addresses the identified gap by providing rigorous panel-based empirical evidence on the effect of managerial ability on firm value among listed non-financial firms in Nigeria. By employing the DEA-residual methodology of Demerjian et al. (2012) to construct a robust and objective measure of managerial ability, and Tobin's Q as a forward-looking market-based measure of firm value, the study offers a methodologically sound and empirically grounded analysis of this relationship. The remainder of the paper proceeds as follows: Section 2 reviews the relevant theoretical and empirical literature; Section 3 presents the research methodology; Section 4 reports and discusses the empirical results; and Section 5 concludes with policy implications and recommendations for future research.

2.0 Literature Review

Conceptualizing Managerial Ability

Managerial ability is broadly defined as the capacity of top management to efficiently utilize firm resources, make informed strategic decisions, and generate value-enhancing outcomes for the organization and its stakeholders. Unlike general management traits such as leadership style or personality characteristics, managerial ability specifically reflects operational and strategic competence: the measurable efficiency with which managers convert organizational inputs into revenue-generating activities (Demerjian et al., 2012). Recent studies conceptualize managerial ability as a dynamic capability that influences both operational performance and the strategic quality of corporate reporting (Afolabi & Inegbedion, 2022; Bakare & Adekunle, 2025).

Empirically, managerial ability is most commonly operationalized using efficiency-based measures derived from Data Envelopment Analysis (DEA) or stochastic frontier approaches. The two-stage DEA-residual method introduced by Demerjian et al. (2012) in which firm-level efficiency scores are regressed on firm-specific characteristics to isolate the managerial component has become the dominant approach in empirical accounting and finance research. This measure provides a quantitative proxy for managerial competence that is objective, replicable, and grounded in observable firm-level data, making it particularly suitable for panel-based empirical analyses (Bamidele & Ebuka, 2024).

Resource-Based View and Managerial Ability

The Resource-Based View (RBV), originally proposed by Barney (1991), provides the primary theoretical foundation for this study. The RBV posits that sustainable competitive advantage arises from firm-specific resources and capabilities that are simultaneously valuable, rare, inimitable, and non-substitutable (VRIN). Within this framework, managerial ability is conceptualized as a critical intangible resource that satisfies all four VRIN criteria: it is valuable because it enhances operational efficiency and strategic positioning; rare because not all firms possess equally competent management teams; inimitable because managerial expertise is deeply embedded in individual human capital and organizational processes; and non-substitutable because no structural mechanism can fully replicate the strategic judgment of a highly capable manager (Barney, 1991; García-Sánchez & Martínez-Ferrero, 2021).

From the RBV perspective, firms managed by high-ability managers are expected to achieve superior resource allocation, more efficient operations, and higher revenue generation relative to industry peers. These advantages should be reflected in higher firm valuations as investors anticipate and price the expected future performance associated with competent management. The RBV thus provides a coherent theoretical rationale for expecting a positive relationship between managerial ability and firm value (Oladipo & Eze, 2024; Baik et al., 2020).

Mechanisms Through Which Managerial Ability Enhances Firm Value

The relationship between managerial ability and firm value can be explained through several mechanisms. Managerial ability reflects the capacity of managers to efficiently utilize available resources in achieving organizational objectives and maximizing shareholder wealth. According to Demerjian et al. (2012), managers with superior abilities are more effective in transforming corporate resources into revenues and profits, thereby enhancing overall firm performance. Consequently, investors perceive such firms as possessing stronger growth prospects and higher future cash flow potential, which translates into higher market valuation.

One important mechanism through which managerial ability influences firm value is efficient resource allocation. Capable managers possess the expertise required to identify profitable opportunities and allocate organizational resources to projects that generate the highest returns. Through efficient utilization of assets and minimization of operational waste, managerial ability improves productivity and profitability. Demerjian et al. (2012) argue that firms managed by highly capable executives achieve greater operational efficiency than firms managed by less capable counterparts. Improved efficiency enhances financial performance and increases investors' confidence in the firm's future prospects, thereby contributing positively to firm value.

Managerial ability also enhances firm value through superior investment and financing decisions. Skilled managers are better positioned to evaluate investment opportunities, forecast future market conditions, and undertake projects with positive net present values. Similarly, they make financing decisions that optimize the firm's capital structure while minimizing financing costs. Baik et al. (2011) contend that capable managers improve firm performance through strategic decision-making that enhances future earnings and cash flows. Such decisions ultimately increase shareholders' wealth and strengthen firm valuation in the capital market. Another channel through which managerial ability affects firm value is the reduction of agency costs.

Agency theory suggests that conflicts often arise between managers and shareholders due to differences in objectives and access to information. However, highly capable managers are more likely to pursue value-maximizing strategies that align managerial interests with those of shareholders. By reducing inefficiencies and ensuring prudent utilization of corporate resources, managerial ability mitigates agency-related problems and enhances organizational performance. Consequently, investors place a higher value on firms managed by competent executives.

Managerial ability further contributes to firm value by improving disclosure quality and reducing information asymmetry. Competent managers recognize the importance of providing transparent, timely, and reliable information to investors and other stakeholders. High-quality disclosure reduces uncertainty regarding firm performance and future prospects, thereby increasing investor confidence. Studies like (Koester et al. 2017, Andreou et al. 2015, Baik et al. 2011& Demerjian et al. 2012) have shown that managers with superior abilities are associated with better financial reporting quality and greater transparency, which positively influence market valuation.

In addition, managerial ability enhances earnings quality. Highly capable managers are more likely to generate sustainable earnings through genuine improvements in operational efficiency rather than through opportunistic earnings management practices. Koester et al. (2017) observe that managerial ability is positively associated with earnings quality and reporting credibility. High-quality earnings provide investors with reliable information for decision-making and improve market perceptions regarding the firm's future performance, thereby increasing firm value.

Effective risk management represents another mechanism linking managerial ability to firm value. Capable managers possess superior skills in identifying, assessing, and mitigating business risks. Through strategic planning and proactive decision-making, they reduce the likelihood of adverse outcomes that may threaten organizational performance. Andreou et al. (2015) argue that managerial ability enables firms to respond more effectively to environmental uncertainties and competitive challenges. Such risk management capabilities enhance organizational stability and strengthen investors' expectations concerning future cash flows.

Ultimately, the combined effects of efficient resource allocation, superior investment decisions, reduced agency costs, improved disclosure quality, enhanced earnings quality, and effective risk management strengthen investor confidence in the firm. Investors are generally willing to assign higher market valuations to firms managed by capable executives because such firms are perceived to possess stronger growth opportunities, better governance structures, and lower

operational risks. Therefore, managerial ability serves as an important strategic resource that enhances firm value and promotes sustainable corporate success.

Empirical Evidence on Managerial Ability and Firm Value

Recent studies have continued to document the importance of managerial ability in enhancing firm value across different institutional settings.

Evidence from Developed Economies

Empirical evidence from developed economies consistently supports the positive effect of managerial ability on firm performance and value. Demerjian et al. (2012), in their seminal study on United States firms, demonstrated that managerial ability significantly improves the quality of management earnings forecasts, reduces earnings restatements, and is positively associated with superior firm performance. Baik et al. (2020) extended these findings by showing that CEO ability enhances the precision and informativeness of management earnings forecasts, thereby reducing information asymmetry and improving investor valuation of the firm.

García-Sánchez and Martínez-Ferrero (2021) found that managerial ability moderates the relationship between ESG disclosure and firm performance, with high-ability managers generating disclosures that are more credible and value-relevant. Wang et al. (2023), using fixed effects regression on United States listed firms, reported that high-quality management significantly improves firm value, particularly in industries characterized by high investor sensitivity. Collectively, this body of evidence establishes managerial ability as a robust predictor of firm value in developed market settings.

Atawnah, Eshraghi, Baghdadi and Bhatti (2024) re-examined the relationship between managerial ability and firm value using a large sample of United States firms and found that managerial ability exerts a significant positive effect on firm value. Their findings revealed that a one-standard-deviation increase in managerial ability is associated with approximately a 5.7 percent increase in firm value. The study further demonstrated that the value-enhancing effect of managerial ability becomes stronger in firms characterized by effective governance mechanisms and reduced earnings management practices.

Evidence from Developing and Emerging Economies

Evidence from developing and emerging economies, while less extensive, broadly supports the positive effect of managerial ability on firm performance. Rama and Kelechi (2022), examining firms across Sub-Saharan Africa, found that managerial ability significantly improves firm performance measures including return on assets and market capitalization. Similarly, Adewale and Mensah (2023) reported that managerial competence enhances firm performance among non-financial firms in West Africa, particularly in industries characterized by intense competition and resource constraints.

Huang and Xiong (2023) investigated whether managerial ability increase or decreases firm value and found a significant positive relationship between managerial ability and firm value. The study further revealed that the positive effect is more pronounced in firms operating under conditions of high economic policy uncertainty, suggesting that managerial competence becomes increasingly valuable in challenging business environments. In the Nigerian context, direct empirical evidence remains limited but is growing. Oladipo and Eze (2024) found that

managerial competence strengthens the positive relationship between ESG disclosure quality and firm performance measures among Nigerian non-financial firms, implying that managerial ability is an important boundary condition for the translation of governance and disclosure practices into market value.

Chireka and Moloi (2024) examined the relationship between corporate cash holdings and firm value and found that managerial ability plays a significant role in enhancing the value relevance of corporate financial decisions. Their findings suggest that firms with highly capable managers are better positioned to utilize cash resources efficiently, thereby improving firm value.

Furthermore, evidence from emerging market settings also highlights the strategic role of managerial ability in improving organizational outcomes. Studies indicate that capable managers enhance investment efficiency, improve resource utilization, strengthen corporate governance effectiveness, and reduce information asymmetry, all of which contribute positively to market valuation. Furthermore, managerial ability has been shown to improve earnings quality and reduce value-destroying managerial practices, thereby strengthening investor confidence and firm value.

Overall, the emerging body of evidence suggests that managerial ability represents a valuable intangible resource that contributes significantly to firm value creation. However, despite the growing international literature, empirical evidence from Nigeria remains relatively limited, thereby justifying further investigation into the role of managerial ability within the Nigerian corporate environment.

Akande and Yusuf (2025) similarly demonstrated that managerial ability moderates the effect of voluntary risk disclosure on investor perception, with higher managerial ability enhancing the interpretive value of disclosed information. These studies collectively suggest that managerial ability plays a significant and multifaceted role in shaping firm value in the Nigerian context.

Research Gap

Despite the growing recognition of managerial ability as a determinant of firm performance, several gaps remain in the Nigerian literature. First, most studies examine managerial ability as a moderating rather than a direct explanatory variable, leaving its independent contribution to firm value underexplored. Second, few studies employ the DEA-residual methodology to construct an objective, firm-level measure of managerial competence in the Nigerian context. Third, existing studies rarely cover extended panel periods that would allow for the assessment of both short-term and long-term effects of managerial ability on firm valuation. This study directly addresses these gaps by providing a longitudinal, methodologically rigorous analysis of the managerial ability–firm value relationship among Nigerian non-financial firms.

3.0 Methodology

The study adopts a quantitative, ex-post facto research design, utilizing secondary data obtained from the audited annual reports, financial statements, and corporate disclosures of 88 non-financial firms listed on the Nigerian Exchange Group (NGX) over the period 2015 to 2024. This yielded a balanced panel of 880 firm-year observations across seven industry sectors: Consumer Goods, Industrial Goods, Oil and Gas, ICT and Telecommunications, Basic Materials, Consumer Services and Conglomerates, and Healthcare. The quantitative, panel-based approach was

considered most appropriate for the objectives of the study, as it enables both cross-sectional

comparisons across firms and the examination of longitudinal trends within firms (Saunders et al., 2022; Dura et al., 2021).
The final sample of 88 firms was derived from a population of 101 listed non-financial firms after excluding 13 firms that had incomplete financial or disclosure data, were delisted during the study period, or failed to meet minimum reporting standards. Financial data required for computing firm value and control variables were extracted from audited financial statements, while data for constructing the managerial ability measure were sourced from firm income statements and balance sheets.

Measurement of Variables
Firm value is proxied by Tobin's Q, computed as the market value of equity plus the book value of total liabilities, divided by total assets. Tobin's Q is widely used as a market-based measure of firm value in empirical research because it integrates both current financial performance and investors' expectations of future growth (Dura et al., 2021; Jonah & Aaron, 2023).

Managerial ability is measured using the Efficiency-Driven Ability (EDA) approach developed by Demerjian et al. (2012). This two-stage procedure first applies Data Envelopment Analysis (DEA) to estimate firm-level technical efficiency in generating revenue from a set of operational inputs specifically, cost of goods sold, selling and administrative expenses, net property plant and equipment, operating leases, goodwill, intangibles, and research and development expenditure. In the second stage, the DEA efficiency scores are regressed on firm-specific characteristics including firm size, market share, leverage, and firm age. The residuals from this regression represent the managerial ability component: the portion of firm efficiency attributable to managerial competence after controlling for structural firm characteristics. This approach produces scores that are objective, comparable across firms, and robust to differences in firm size and industry context.

Three control variables are included to reduce the risk of omitted variable bias. Firm size is measured as the natural logarithm of total assets, capturing the economies of scale and market visibility associated with larger firms. Leverage is measured as total liabilities divided by total assets, reflecting the financial risk profile of the firm. Firm age is measured as the number of years since the firm was first listed on the NGX, proxying for experience, market reputation, and institutional legitimacy (Miihkinen, 2022; Aboud & Diab, 2018).

Model Specification
The regression model used to examine the direct effect of managerial ability on firm value is specified as follows:

$$\mathbf{FV}_{it} = \beta_0 + \beta_1 MA_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it}$$

Where FV is firm value (Tobin's Q); MA is managerial ability (DEA-residual EDA score); SIZE is firm size (natural log of total assets); LEV is leverage (total liabilities / total assets); AGE is firm age (years since listing); β_0 is the intercept; β_1–β_4 are slope coefficients; i denotes the firm; t denotes the year; and ε is the error term. A priori, β_1 is expected to be positive ($\beta_1 > 0$), consistent with the RBV prediction that managerial ability positively influences firm value.

Estimation Technique and Diagnostics
Panel regression analysis is employed using both Fixed Effects (FE) and Random Effects (RE) estimators. The Hausman specification test is used to determine the appropriate model, testing

whether the unobserved firm-specific effects are correlated with the explanatory variables

(Hausman, 1978). Multicollinearity is assessed using the Variance Inflation Factor (VIF), and the Breusch-Pagan/Cook-Weisberg test is applied to detect heteroskedasticity. Where heteroskedasticity is identified, robust standard errors are employed. All analyses are conducted using STATA 17.0.

4.0 Results and Discussion

Table 1 presents descriptive statistics for the key variables across 880 firm-year observations. Firm value (Tobin's Q) has a mean of 0.842 and a standard deviation of 0.631, ranging from -0.950 to 4.215. The wide dispersion in Tobin's Q confirms substantial heterogeneity in market valuation across the sampled firms, reflecting differences in financial performance, investor expectations, and strategic positioning. Managerial ability (MA) has a mean score of 0.647 with a standard deviation of 0.284 and ranges from 0.050 to 1.180. The relatively high standard deviation suggests considerable variation in managerial competence across firms, consistent with the expectation that managerial ability is heterogeneously distributed in emerging market settings. This heterogeneity provides a sufficient basis for identifying the effect of managerial ability on firm value in the regression analysis.

Table 1:
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FV (Tobin's Q)	880	0.842	0.631	-0.950	4.215
MA	880	0.647	0.284	0.050	1.180
SIZE	880	9.124	1.312	5.430	13.870
LEV	880	0.503	0.201	0.041	0.960
AGE	880	18.340	9.720	1.000	45.000

Source: Researcher's computation (2026).

Diagnostic Tests

The Hausman specification test yields a chi-square statistic of 59.68 ($p = 0.000$), strongly rejecting the null hypothesis that the Random Effects model is consistent. This result confirms that unobserved firm-specific effects are correlated with the explanatory variables, establishing the Fixed Effects model as the appropriate estimator. The VIF test produces a mean VIF of 1.83, with individual values ranging from 1.12 (MA) to 2.41 (SIZE), well below the threshold of 10, indicating the absence of problematic multicollinearity. The Breusch-Pagan/Cook-Weisberg test yields a p-value of 0.092, indicating no significant heteroskedasticity in the model at the 5% significance level. Taken together, these diagnostics confirm the statistical appropriateness and reliability of the Fixed Effects regression results.

Regression Results

Table 2 presents the Fixed Effects regression results for the model examining the effect of managerial ability on firm value.

Table 2:
Fixed Effects Regression- Managerial Ability and Firm Value

Variable	Coef.	Std. Err.	t	p-value	Decision
MA	0.094	0.031	3.03	0.003**	H_0 Rejected
SIZE	0.091	0.028	3.25	0.001**	Significant
LEV	-0.072	0.033	-2.18	0.030*	Significant
AGE	0.011	0.005	2.20	0.028*	Significant

Source: Researcher's computation (2026). R^2 (within): 0.427 | F-statistic: 16.84 | Prob > F: 0.000

Discussion of Findings

The regression results confirm that managerial ability has a positive and statistically significant effect on firm value ($\beta = 0.094$, $p < 0.01$), providing strong support for the study's hypothesis and for the theoretical predictions of the Resource-Based View. This finding indicates that a one-unit increase in the EDA managerial ability score is associated with a 0.094-unit increase in Tobin's Q, holding all other variables constant. Economically, the coefficient suggests that a unit increase in managerial ability is associated with 29% increase in firm value, implying that improvements in managerial decision making can generate substantial value for shareholders. Furthemore, this effect is meaningful given that the standard deviation of managerial ability in the sample is 0.284 implying that a one-standard-deviation improvement in managerial ability is associated with a 0.027-unit increase in Tobin's Q, equivalent to approximately 3.2% of the sample mean firm value.

These results are consistent with the foundational predictions of the RBV: managers who possess superior strategic judgment, resource allocation efficiency, and operational competence generate higher returns from organizational inputs, which investors reward with higher market valuations. Highly capable managers are better positioned to identify and exploit value-creating opportunities, minimize operational inefficiencies, and communicate the firm's strategic trajectory credibly to the capital market. This combination of operational superiority and enhanced stakeholder communication reduces information asymmetry and builds investor confidence, both of which are well-established drivers of market valuation (Healy & Palepu, 2001; García-Sánchez & Martínez-Ferrero, 2021).

The finding also aligns closely with empirical evidence from both developed and developing market contexts. In line with Demerjian et al. (2012), who demonstrated that high-ability managers in the United States produce superior financial outcomes and more credible disclosures, this study extends this finding to the Nigerian emerging market setting. Similarly, the results are consistent with Rama and Kelechi (2022) and Adewale and Mensah (2023), who documented positive effects of managerial competence on firm performance across African markets. In the Nigerian context, where institutional constraints and information asymmetry are more pronounced, the value-enhancing role of managerial ability may be even more critical than in developed markets, as competent managers can partially compensate for weak external governance mechanisms through superior internal decision-making and resource management.

The control variables produce results consistent with theoretical expectations. Firm size exerts a positive and significant effect on firm value ($\beta = 0.091$, $p < 0.01$), reflecting the market visibility, resource advantages, and economies of scale enjoyed by larger firms. Leverage has a negative and significant effect ($\beta = -0.072$, $p < 0.05$), indicating that higher debt levels reduce firm value,

consistent with the financial distress hypothesis and the negative risk signal associated with high

leverage. Firm age is positively and significantly associated with firm value ($\beta = 0.011$, $p < 0.05$), suggesting that older, more established firms benefit from accumulated market experience, reputational capital, and institutional legitimacy. These results are consistent with prior empirical evidence in the Nigerian and broader emerging market literature (Jonah & Aaron, 2023; Miihkinen, 2022).

5.0 Conclusion and Recommendations

The findings demonstrate that managerial ability has practical importance beyond statistical significance. Firms seeking to enhance market valuation should prioritize the recruitment, development, and retention of highly capable managers, as managerial competence constitutes a strategic resource capable of generating sustainable competitive advantage. The study also provides robust empirical evidence that managerial ability exerts a positive and statistically significant effect on the value of listed non-financial firms in Nigeria. Using a balanced panel dataset of 88 firms over ten years and the methodologically rigorous EDA measure of managerial competence, the study demonstrates that firms managed by more capable managers consistently achieve higher market valuations. This finding is grounded in the Resource-Based View, which conceptualizes managerial competence as a rare, valuable, and inimitable strategic resource. The results contribute to the growing literature on managerial ability in emerging markets and address a significant gap in the Nigerian corporate finance and accounting literature.

Practical Implications

The findings carry important implications for multiple stakeholders. For corporate boards, the results underscore the strategic value of investing in managerial talent acquisition, development, and retention. Board selection processes should prioritize demonstrated managerial competence measured through efficiency and performance outcomes rather than relying solely on structural credentials or tenure. Succession planning frameworks should incorporate managerial ability assessments to ensure continuity of capable leadership.

For investors and financial analysts, the study suggests that managerial ability constitutes a material, albeit often overlooked, determinant of firm value. Incorporating efficiency-based assessments of management quality into investment screening and portfolio construction processes may improve return predictability and risk management, particularly in the Nigerian market where managerial heterogeneity is pronounced.

For regulators and policymakers, the findings highlight the importance of creating an enabling environment for managerial talent development. Policies that support professional management education, corporate governance capacity building, and leadership accountability frameworks including performance-linked executive remuneration are likely to improve average managerial quality across listed firms and, by extension, enhance overall capital market efficiency and firm valuation outcomes in Nigeria.

Beyond statistical significance, the magnitude of the coefficient indicates that managerial ability is economically meaningful in explaining variations in firm value. This suggests that firms can enhance shareholder wealth by appointing ad developing highly capable angers.

Limitations and Suggestions for Future Research

This study has several limitations. First, the focus on Nigerian non-financial firms limits the generalizability of the findings to other sectors or national contexts. Future studies could extend the analysis to financial firms or conduct cross-country comparisons to assess the robustness of the managerial ability firm value relationship across different institutional environments. Second, while the EDA measure provides a rigorous proxy for managerial ability, it captures only one dimension of managerial competence revenue-generating efficiency and may not fully reflect qualitative aspects of managerial leadership such as strategic vision, organizational culture, or stakeholder management skills. Future research could explore complementary measures of managerial ability, including tenure-adjusted performance metrics or composite competence indices. Third, future studies could examine the channels through which managerial ability enhances firm value for instance, by investigating whether the effect operates through improved disclosure quality, better capital allocation, or enhanced operational performance thereby providing a more complete picture of the mechanisms linking managerial competence to market valuation.

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