ISSN: 2277-6621 Vol. 11, Issue 5, October 2022 SJIF 2022 = 8.061 A peer reviewed journal

THE EFFECT OF PRODUCT MARKET COMPETITION ON THE RELATIONSHIP BETWEEN MANAGERIAL ABILITY AND FIRM CHARACTERISTICS

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DOI: 10.5958/2277-6621.2022.00017.2

ABSTRACT

Management ability is one of the most important strategic parts of companies in order to create value for shareholders. With effective management, shareholders can get the maximum return from their investment. Accordingly, in this research, the impact of product market competition on the relationship between managerial ability and firm characteristics has been investigated. In this research, the number of 170 companies admitted to the Tehran Stock Exchange in the period of 2016-2020has been examined. A panel regression model was used to test the hypotheses. The findings of the research show that there is a positive and significant relationship between management ability and capital expenditure. Also, product market competition has a positive and significant effect on the relationship between management ability, market share growth and firm value but product market competition does not have a significant effect on the relationship between managerial ability and capital expenditure.

KEYWORDS: Management Ability, Market Share Growth, Firm Value, Capital Expenditure, Product Market Competition.

1. INTRODUCTION

What differentiate companies in today's world from a few decades ago is the unstable environment and the ever-increasing competition to attract limited resources. One of the most important goals of companies is to create value and increase the wealth of shareholders in the long term, and the increase in wealth will only be achieved as a result of the optimal performance of the firm, and the optimal performance will be achieved with the proper management of the firm's affairs (Akbari et al., 2019). In this regard, one of the goals of managers is to facilitate the optimal allocation of capital in the economy one of the most important aspects of this role is improving investment decisions also, increasing financial transparency is a potential to reduce the problem of investment inefficiency (Namaziand Ebrahimi, 2012).

On the other hand, the features of management that determine his performance are subject to several factors such as management abilities and professional implementation (Alimov, 2014). In

ISSN: 2277-6621 Vol. 11, Issue 5, October 2022 SJIF 2022 = 8.061

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general, managers are responsible for managing and accounting for the resources at their disposal and preparing and presenting financial reports. It should be noted that the conflict of interests between managers and owners (shareholders) increases the risk of providing unreliable information (MohagheghKia, 2022).

In a recent strand of research, it has been found that managerial ability plays a significant role in firm decisions. For example, it has been shown that managerial ability has significant impacts on corporate earnings quality (Choi &et al, 2015; Demerjian&et al, 2013); firm innovative activity (Chen&et al, 2015); bank liquidity creation (Andreou&et al, 2016); and strategic entry in a new market (Goldfarb &Xiao, 2011). A common theme underlying these studies is that managerial ability is an important corporate asset that is beneficial to the firm, and firms with high-ability managers outperform firms with low-ability managers on many fronts. consistent with this view, Murphy and Zabojnik (2007) and Custodio&et al (2013) suggest that managerial ability is a sought-after asset as firms frequently offer lucrative packages to lure capable managers from other companies.

The importance of managers for the outcomes achieved by the firm is also emphasized by researchers of organizational behavior. For example, the upper echelons theory argues that the complexity of actual decision-making situations demands an idiosyncratic importance of the top managers (Hambrick, 2007). Bertrand and Schoar (2003) report that managers influence their organization's behavior over and above time- and firm-specific characteristics. The significance of managerial ability in decision making has also been documented in behavioral studies. Numerous laboratory experiments show that some individuals are better than others in decision making as they have the ability to execute better strategies and to correctly conjecture competitor behavior; (Ho&et al, 2004; Costa-Gomes & Crawford, 2006). Anecdotal evidence suggests that managerial ability is important for market share growth and profitability. Of the ten biggest US corporate turnarounds examined by McIntrye (2011), eight involved a new senior management that made strategic changes and guided the firm back to growth and profitability. Based on this, in order to clarify the issue, statement of the problem, necessity, assumptions, research model, how to measure variables, statistical analysis, conclusions and research proposals are discussed.

2. Institutional Background, Prior Literature, and Hypothesis Development

In order to create value and increase the wealth of shareholders in the long term, firm managers, especially the CEO, play an important role in the management of the firm. Because the success and failure of many organizations depend on the decisions of managers. The CEO, in the role of the main leader, has a significant impact on group performance and it is considered as a basic element in advancing the goals of the organization (Akbari et al., 2019). Undoubtedly, ability is one of the ways by which leaders and managers can influence the behavior around them. In fact, ability is the basic feature of a manager's role and provides the basis for his effectiveness in the organization (Nakhai and Ebrahimzadeh, 2018).

Managers with high ability have a better understanding of the firms internal and external conditions and have high estimation power in relation to accruals. In addition to the quality estimates they make, capable managers identify profitable projects through their knowledge and understanding, and by investing in them, they also improve operational cash flows (Pourbakhtiari et al., 2018). On the other hand, companies face changes in environmental conditions during their lifetime, and managers have a fundamental role in guiding the firm and responding appropriately to these changes. This has caused the role of management ability in improving the firm's performance due to the risks faced by a huge part of the financial and accounting researches (MohagheghKia, 2022). It is expected that the value of the economic enterprise will increase with the increase of management ability. In fact, an economic enterprise that is managed by an efficient manager will have more value with investors (Hajeb et al., 2014).Chemmanur and Paeglis(2005)

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and Chemmanur and et al (2009) stated in their research that a business with a capable manager has less information asymmetry and investors understand the value of such a firm well. In other words, more capable managers are able to better convey the inherent value of the firm to investors by reducing information asymmetry. Therefore, such a firm will reduce its financial leverage and increase its capital during financial provision. On the other hand, competition in the product market has been proposed as an extra-organizational governance mechanism and an important and vital factor in making information disclosure decisions by companies, and it also plays a role as a component affecting the value of companies' shares (Anoushirvani and Saedi, 2018). Economic researchers argue that intense competition in the product market motivates managers to behave efficiently (Shams et al., 2017).

Companies compete with each other to get more market share and customers in the product market, and the increase in the degree of competition increases the uncertainty in the firm's performance, which leads to the uncertainty of the performance of the entire industry or the entire economy; therefore, competition in the product market is one of the components of systematic risk that affects the capital cost of the invested shares. Also, the beneficial role of competition in improving technical innovations and product efficiency has an impact on managerial motivations (Matsa, 2011). In addition, economic development affects the reduction of systematic risk and investors' expected returns, and intense competition acts as an external governance mechanism and increases managers' motivation to improve product performance to avoid the loss of market share or the risk of bankruptcy (Chen et al., 2014 and Raith, 2003).Therefore, increasing competition helps to coordinate the interests of shareholders and managers and reduce agency costs, which leads to a reduction in capital costs (Metsa, 2011).

In a recent strand of research, it has been found that managerial ability plays a significant role in firm decisions. For example, it has been shown that managerial ability has significant impacts on corporate earnings quality (Choi &Et al, 2015; Demerjian&Et al, 2013); firm innovative activity (Chen&Et al, 2015); bank liquidity creation (Andreou&Et al, 2016); and strategic entry in a new market (Goldfarb & Xiao, 2011). A common theme underlying these studies is that managerial ability is an important corporate asset that is beneficial to the firm, and firms with high-ability managers outperform firms with low-ability managers on many fronts. Consistent with this view, Murphy and Zabojnik (2007) and Custodio&Et al (2013) suggest that managerial ability is a sought-after asset as firms frequently offer lucrative packages to lure capable managers from other companies.

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Hypothesis 1. There is a significant relationship between managerial ability and the growth of the ffirm's market share.

Hypothesis 2. There is a significant relationship between managerial ability and capital expenditures.

Hypothesis 3. There is a significant relationship between management ability and firm value.

Hypothesis 4. Product market competition has a significant effect on the relationship between managerial ability and firm market share growth.

Hypothesis 5. Product market competition has a significant effect on the relationshipbetween managerial ability and capital expenditures.

Hypothesis 6. Product market competition has a significant effect on the relationship between managerial ability and firm value.

3- Research Method

This research is applied in terms of correlation method and purpose. Also, because this article describes what is or describes the existing conditions without interference (and not to the specific requirement and recommendation) and due to the fact that value judgments in this study are low, the present study is in the category of descriptive accounting research. In addition, due to the fact that historical information will be used to test its hypotheses, it is classified in a quasi-experimental research group. It should be noted that SPSS software (version 21) and Eviews (version 9) were used for statistical analysis.

4- Models and how to Measure Variables

In this research, the impact of product market competition on the relationship between managerial ability and firm characteristics has been investigated. Therefore, the hypothesis test model based on the research of Yung and Nguyen (2020) and the method of measuring the variables are as follows:

The first hypothesis test model:

 $MSG_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CFO_{it} + \beta_6 LI_{it} + \beta_7 LOSS_{it} + \beta_8 Return_{it} + \beta_9 volatility_{it} + e_{it}$

The second hypothesis test model:

 $CAPEX_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CFO_{it} + \beta_6 LI_{it} + \beta_7 LOSS_{it} + \beta_8 Return_{it} + \beta_9 volatility_{it} + e_{it}$

The third hypothesis test model:

 $Value_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CFO_{it} + \beta_6 LI_{it} + \beta_7 LOSS_{it} + \beta_8 Return_{it} + \beta_9 volatility_{it} + e_{it}$

The fourth hypothesis test model:

 $MSG_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 HHI_{it} + \beta_3 Ability^* HHI_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 CFO_{it} + \beta_8 LI_{it} + \beta_9 LOSS_{it} + \beta_{10} Return_{it} + \beta_{11} volatility_{it} + e_{it}$

The fifth hypothesis test model:

 $CAPEX_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 HHI_{it} + \beta_3 Ability^* HHI_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 CFO_{it} + \beta_8 LI_{it} + \beta_9 LOSS_{it} + \beta_{10} Return_{it} + \beta_{11} volatility_{it} + e_{it}$

The Sixth hypothesis test model:

Value $_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 HHI_{it} + \beta_3 Ability^* HHI_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7$ Asian Research consortium www.aijsh.com

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CFO $_{it} + \beta_8 LI_{it} + \beta_9 LOSS_{it} + \beta_{10} Return_{it} + \beta_{11} volatility_{it} + e_{it}$

4-1-How to Measure Dependent and Modulating Variables

Firms' market share growth (MSG): To calculate this variable, the firms' market share growth rate compared to last year will be used. It should be noted that the firms' market share is also calculated from the ratio of each firm's net sales to the industry's sales.

Capital Expenditure (CAPEX): It is the type of expenditure from which we expect long-term benefits or more than one financial period. Therefore, to calculate this variable, changes in fixed assets compared to last year are used and scaled based on the firm's total assets at the beginning of the period.

Firm value (Value): To calculate this variable, the ratio of the market value of the firm's assets to the book value of the assets is used.

The market value of the firm's assets is equal to the market value of the shareholders' equity + the total liabilities of the firm.

Product Market Competition Adjusting Variable (HHI): To measure the product market competition variable, theHerfindahl-Hirschman Index is used, which is obtained from the following relationship:

$HHI = \sum_{i=1}^{n} \left(\frac{s_i}{s}\right)^2$

Si= Sales revenue of firm i

S: Total sales revenue of companies in the industry in which the firm operates.

n: is the number of existing companies.

4-2-How to Measure Control Variables

In this research, the control variables are as follows:

Size of the firm (SIZE): In the present study, the size of the firm is obtained from the natural logarithm of the firm'sassets.

Financial leverage (LEV): It is used to divide total debt by total assets.

Profitability (ROA): To calculate profitability, dividing net earnings by total assets is used.

Operating cash flow (CFO): extracted from the first floor of the cash flow statement and scaled by the total assets at the end of the period.

Liquidity (LI): It is used to divide current assets by current debts.

Loss of the firm (LOSS): If the firm has reported a loss in the current year, the number 1 (one) and otherwise, the number 0 (zero) is added.

Return (**Ret**): Return (Ret): To calculate the return of a firm, three factors (the difference in stock price at the end of the period compared to the beginning of the period, the amount of profit distribution during the period, the amount of capital increase) are used.

Stock price changes (volatility): To measure stock price fluctuations, the difference in stock price (stock price in the current year and the previous year) divided by the stock price of the previous year is used.

4-3- How to Measure the Independent Variable

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Management ability (Ability): Management ability in firmi in year t is measured through the model provided by Demerjian and et al. (2010 and 2006). Demerjian and et al believe that the resources of the firm that are under the control of the management include the cost of goods sold, sales and administrative expenses, research and development expenses, net fixed assets, net operating rents and intangible assets. These resources include assets (fixed and intangible) and other inputs that are not directly reported in financial statements (such as salary costs and consulting services). The output from using these resources is sales revenue. According to their model, the efficiency of all firm resources (Total efficiency _{it})it is measured from the following relationship.

 $Total \ Efficiency_{it} = \frac{Sales_{it}}{GOGS_{it} + SAExp_{it} + RD_{it} + PPE_{it} + IntngA_{it}}$

In the above relation, $Sales_{it}$ 'GOGS_{it} 'SAExp_{it} 'RDi_t 'PPE_{it} 'IntngA_{it}In order of expression: sales, cost of goods sold, sales and administrative expenses, research and development expenses, Property, machinery and equipment, intangible and tangible assets.

Demerjianand et al. (2010) believe that the efficiency of the entire firm, which is calculated using the above relationship, It indicates the efficiency of the resources at the disposal of the management and also the individual abilities of the management; because, regardless of the size of the firm, a manager who has more managerial ability will be more effective in predicting the firms mechanisms and trends and discussions and negotiations with major customers and suppliers of materials and products. The above performance index reflects the overall performance of the firm, which may be influenced by many factors, including the specific characteristics of each firm and its operating environment. Therefore, it is necessary to adjust the effect of such factors in the above index so that it can be used as a measure of management ability (Demarjian et al., 2012). The above efficiency index is a function of variables that reflect the specific characteristics of companies.

Total Efficiency_{it}= $\beta_0+\beta_1Ln$ Assets_{it}+ $\beta_2MarketShare_{it}+\beta_3CF_{it}+\beta_4LnCash_{it}+\epsilon_{it}$

In the above regression model:

Ln Assets: The natural logarithm of the book value of the firm's assets

Market Share: The market share of the firm's product in the industry (the ratio of the firm's sales to the total sales of all companies active in the relevant industry)

CF: The ratio of the firms operating cash flow to assets

Ln Cash: the natural logarithm of the firm's cash balance

The above regression model is cross-sectionally fitted through ordinary least squares regression at the level of each industry, and the residuals from the regression fit are used as a measure of management ability, which is shown in hypothesis testing models with the symbol Ability.

5- Research Findings

5-1-Descriptive Statistics of Research Variables

The results of descriptive analysis of research variables are presented in Table (1).

 TABLE (1) DESCRIPTIVE STATISTICS OF RESEARCH VARIABLES

Variable	Mean	Media n	Maximu m	Minimu m	Std. Dev.	Skewnes s	Kurtos is
(MSG)	- 0.0030	- 0.0003	0.1246	-0.1663	0.0241	-0.1319	3.1604

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(CAPEX)	0.0831	0.0107	1.8926	-0.1184	0.2676	0.7651	3.1852		
(VALUE)	3.2197	1.9965	20.976	0.9073	3.2592	0.1638	3.0821		
(ABILITY)	- 0.0014	- 0.0059	0.9046	-0.7735	0.2914	0.3232	3.6652		
(SIZE)	15.008	14.704	20.768	11.361	1.6027	0.8236	3.9132		
(LEV)	0.5471	0.5417	1.5245	0.0314	0.2150	0.3339	3.7603		
(ROA)	0.1520	0.1264	0.6819	-0.2977	0.1621	0.4380	3.4012		
(CFO)	0.1235	0.1047	0.6266	-0.3849	0.1435	0.3918	4.0006		
(LI)	1.7183	1.3960	13.455	0.3987	1.3731	4.6511	33.604		
(RET)	0.0559	0.0443	0.3094	-0.0756	0.0651	0.8698	3.6719		
(VOLATILIT Y)	1.2389	0.1112	14.769	-0.8074	2.9926	2.8872	11.346		
	Year - c	ompanies	without c	ompetition i	n the prod	uct market:	386		
(IIII_D)	Year- C	Year- Companies with competition in the product market: 464							
	Year - C	Companie	s that did 1	not report lo	sses this ye	ear: 765			
(LOSS)	Year - C	Companies	s that have	e reported log	sses this ye	ear: 85			

According to table (1), the number of company-year observations based on balanced composite data, 850 observations were equal to 170 companies in 5 years. According to descriptive statistics, the above indices can be divided into central indices, dispersion and other indices, which central indices include mean and median, dispersion indices are standard deviation index and other indices are maximum, minimum, skewness and kurtosis indices. In short, it shows the leverage ratio variable the average of the sample is 54.7% therefore, it can be said that the companies of statistical society use more debt to secure their capital structure therefore, they are in a favorable position in terms of securing credit. It also shows product market competition the year of companies without competition in the product market is 386 observations and the year of companies with competition in the product market is 464 observations. The loss of the company shows that the year of the companies that did not report losses in the current year is 765 observations and the year of the companies that reported losses in the current year is 85 observations. Regarding the negative skewness coefficient of some variables, it can be said that this indicates the existence of skewness to the right and the tendency of these variables to have smaller values. Also, positive skewness coefficients indicate that the normal distribution is longer and the data is concentrated around the mean.

5-2- Test of Normality of Distribution Of Research Dependent Variable

Since in this research, in order to estimate the model parameters, the ordinary least squares method is used and this method is based on the assumption that the dependent variable of the research has a normal distribution, so it is necessary to test the normality of the distribution of dependent variables.

TABLE (2) RESULTS OF THE STUDY OF THE NORMALITY OF THE DISTRIBUTION OF DEPENDENT VARIABLES

	K-S test results (normality)									
Variable	Mean	Std. Dev.	Maximum	Minimum	Kolmogorov- Smirnov Z	Sig. (2- tailed)				
(MSG)	- 0.0030	0.0241	0.1246	-0.1663	1.099	0.191				
CAPEX)	0.0831	0.2676	1.8926	-0.1184	1.039	0.201				
(VALUE)	3.2197	3.2592	20.976	0.9073	0.968	0.325				

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According to table (2), after the normality test, the significance level of the Z statistic of the KS test for the dependent variables (growth of the company's market share, capital expenditures and company value) increased to above 0.05. Therefore, the H0 hypothesis that the distribution of the dependent variables is normal is accepted and it is telling that the dependent variables of the research have a normal distribution. Therefore, parametric statistical methods are used to test hypotheses.

5-3- Examining the Correlation between Research Variables

In this section, using Pearson's correlation coefficient, the relationship between the research variables and the existing correlation between them is investigated. The matrix of correlation coefficients between research variables is presented in table (3).

Correlatio		CAPE	VALU	ABILI							VOL
n	MSG	Х	E	TY	SIZE	LEV	ROA	CFO	LI	RET	AT
MSG	1.0000 00										
CAPEX	0.0098 01 0.7754	1.0000 00)								
VALUE	0.0157 47 0.6466	0.0936 64 0.0063	51.0000 00 3								
ABILITY	0.0917 20 0.0072	0.0301 77 0.2455	0.1481 59 50.0000	1.0000 00 							
SIZE	- 0.0082 76 0.8096	0.0959 18 0.0051	- 90.0890 77 10.0094	- 0.0006 87 0.9840	1.0000 00 						
LEV	- 0.0929 75 0.0067	- 0.1929 73 0.0000	- 90.1835 97)0.0000	- 0.0895 47 0.0090	- 0.0614 48 0.0734	1.0000 00 					
ROA	0.0743 54 0.0302	0.0162 14 0.6369	20.2607 28 90.0000	0.4594 21 0.0000	0.2746 63 0.0000	- 0.6563 07 0.0000	1.0000 00)			
CFO	0.0377 34 0.2718	- 0.0426 66 0.2140	50.0261 35)0.4467	0.0241 32 0.4823	0.1558 26 0.0000	- 0.2499 30 0.0000	0.4734 32 0.0000	- 1.0000 00))		

TABLE (3) PEARSON CORRELATION COEFFICIENT RESULTS

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LI	0.1071 07 0.0018	0.0379 94 0.2685	0.1687 21 0.0000	0.2176 77 0.0000	- 0.0348 45 0.3102	- 0.6295 82 0.0000	0.4884 60 0.0000	0.0788 41 0.0215	1.0000 00 		
RET	0.0219 22 0.5233	0.1762 88 0.0000	20.5150 27 00.0000	0.1377 23 0.0001	0.0603 83 0.0785	- 0.1783 93 0.0000	0.3009 37 0.0000	0.0426 76 0.2139	0.1515 02 0.0000	1.0000 00 	
VOLATIL ITY	- .0.0151 27 0.6596	0.1058 37 0.0020	0.4361 27 0.0000	0.0839 51 0.0144	- 0.0619 38 0.0711	- 0.0463 25 0.1772	0.1093 40 0.0014	- 0.0713 31 0.0376	0.0836 13 0.0148	0.7522 34 0.0000	1.000 00

5-4-The Results of the Test of Research Hypotheses

Considering that this research has six hypotheses. Therefore, the results of the regression default test and finally the hypothesis test are presented for each main hypothesis.

5-4-1- The results of F-Limer statistics for research hypotheses

In order to determine which method (consolidated or panel data) should be used to fit the model, we should test the F-test of Limer. Considering that the significance level of F-limer statistic is lower than the accepted error level (5 percent), therefore, the panel data method is preferable to the pooled data method.

Research hypotheses	Statistic value	Prob.	Research hypotheses	Statistic value	Prob.
Hypothesis 1	2.018	Prob. 0.000	Hypothesis 4	1.571	Prob. 0.000
Hypothesis 2	7.582	Prob. 0.000	Hypothesis 5	7.437	Prob. 0.000
Hypothesis 3	3.823	Prob. 0.000	Hypothesis 6	3.930	Prob. 0.000

TABLE (4) RESULTS OF F-LIMER STATISTICS FOR RESEARCH HYPOTHESES

5-4-2- The Results of H-Hausman Statistics for Research Hypotheses

There are two methods for estimating the model using panel data, which are fixed effects and random effects. Determining which of these two methods should be used for a sample of data is done through the Hausman test. Since the significance level of the H-Hausman statistic is lower than the accepted error level (5 percent), therefore, the regression method with fixed effects is preferable to the regression method with random effects.

TABLE (5) HUSMANSTATISTIC RESULTS FOR RESEARCH HYPOTHESES

Research hypotheses	Statistic value	Prob.	Research hypotheses	Statistic value	Prob.
Hypothesis 1	18.366	Prob. 0.031	Hypothesis 4	20.065	Prob. 0.044

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Hypothesis 2	284.120	Prob.	Hypothesis	201 242	Prob.
		0.000	5	201.245	0.000
Uymothesis 2	152 007	Prob.	Hypothesis	151 121	Prob.
Hypothesis 3	155.997	0.000	6	134.434	0.000

5-4-3- The results of White statistics for research hypotheses

One of the important issues that we deal with in econometrics is the issue of heterogeneity of variance. Variance heterogeneity means that in estimating the regression model, the values of the error sentences have unequal variances. If the significance level of White statistic is higher than the acceptable error level, we are not faced with heterogeneity of variance. But if the significance level of White statistic is lower than the acceptable error level, heterogeneity of variance will occur, on this basis, the problem of heterogeneity of variance is solved by the adjusted least squares method.

 TABLE (6) WHITESTATISTIC RESULTS FOR RESEARCH HYPOTHESES

Research hypotheses	Statistic value	Prob.	Research hypotheses	Statistic value	Prob.
Hypothesis 1	1.802	Prob. 0.000	Hypothesis 4	2.293	Prob. 0.044
Hypothesis 2	13.791	Prob. 0.000	Hypothesis 5	11.443	Prob. 0.000
Hypothesis 3	2.041	Prob. 0.000	Hypothesis 6	1.853	Prob. 0.000

5-4-4-The results of Godfrey test for Research Hypotheses

One of the important issues we deal with in econometrics is autocorrelation. In the science of statistics; autocorrelation describes a stochastic process of correlation between process values at different time points as a function of two times or time differences. Considering that the significance level of Godfrey statistic is higher than the acceptable error level, the regression does not have the problem of autocorrelation.

 TABLE (7) GODFREY TEST RESULTS FOR RESEARCH HYPOTHESES

Research hypotheses	Statistic value	Prob.	Research hypotheses	Statistic value	Prob.
Hypothesis 1	3.122	Prob. 0.095	Hypothesis 4	2.821	Prob. 0.105
Hypothesis 2	1.109	Prob. 0.330	Hypothesis 5	0.823	Prob. 0.439
Hypothesis 3	3.522	Prob. 0.089	Hypothesis 6	2.159	Prob. 0.122

5-5-The Results of Hypothesis Testing

5-5-1-The Results of the First Main Hypothesis Test

Hypothesis 1 There is a significant relationship between managerial ability and the growth of the Firm'smarket share.

 $MSG_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CFO_{it} + \beta_6 LI_{it} + \beta_7 LOSS_{it} + \beta_8 Return_{it} + \beta_9 volatility_{it} + e_{it}$

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TABLE (8) MODEL ESTIMATION RESULTS FOR THE FIRST RESEARCH HYPOTHESIS

Variable	Coefficient	t-Statistic	Prob.	Centered VIF
(ABILITY)	0.005851	4.699276	0.0000	1.239049
(SIZE)	-0.001724	- 5.504991	0.0000	1.208184
(LEV)	-0.006097	- 3.530908	0.0004	1.735219
(ROA)	0.009825	3.833861	0.0001	1.726430
(CFO)	0.005668	3.905716	0.0001	1.495988
(LI)	0.000577	2.114409	0.0348	1.443526
(LOSS)	-0.003164	- 3.001287	0.0028	1.416677
(RET)	-0.000313	- 0.102627	0.9183	1.431669
(VOLATILITY)	-7.910005	- 1.257708	0.2089	1.455502
С	-0.025300	- 5.924000	0.0000	-
	F-statistic	3.169	Durbin-Watson	2 1 2 7
P	rob (F-statistic)	0.000	stat	2.121
	R-squared	0.365	Jarque-Bera Probability	12.125 0.099

Based on the results of the first hypothesis test (Table 8), given that the F statistic (0.000) has a significance level below (5%), therefore, the regression has explanatory power. The coefficient of determination of the model also showed that 36.5 percent of the changes in the Growth of the company's market share variable are explained by the variables inserted in the model. Also, in examining the assumptions of classical regression, the results of the Jarque-Beratest showed that the residuals obtained from the estimation of the model have a normal distribution at the 95% confidence level, so that the significance level of this test was greater than 0.05 (0.099). Also, due to the fact that the value of Durbin-Watson model was between 1.5 and 2.5 (2.127), it can be said that there is no problem of autocorrelation of the residuals in the model. Finally, according to the significance level of the managerial ability variable (independent variable) which is below 0.05 (0.000) Therefore, there is a positive and significant relationship between management ability and the growth of the company's market share. Therefore, the first hypothesis is confirmed. Among the control variables, there is a significant positive relationship between profitability, operating cash flow and liquidity with the growth of the company's market share. There is a negative and significant relationship between the size of the company, financial leverage and loss of the company with the growth of the company's market share. Finally, with the collinearity test between the research variables, the value of the VIF statistic (variance inflation factor) for all variables was smaller than 5, indicating the absence of an extreme collinearity problem of the research variables.

5-5-2-The Results of the Second Main Hypothesis Test

Hypothesis 2 There is a significant relationship between managerial ability and capital expenditures.

 $CAPEX_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CFO_{it} + \beta_6 LI_{it} + \beta_7 LOSS_{it} + \beta_8 Return_{it} + \beta_9 volatility_{it} + e_{it}$

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TABLE (9) MODEL ESTIMATION RESULTS FOR THE SECOND RESEARCH HYPOTHESIS

Variable	Coefficient	t-Statistic	Prob.	Centered VIF
(ABILITY)	0.057413	1.874894	0.0951	1.239049
(SIZE)	0.162630	12.15910	0.0000	1.208184
(LEV)	-0.354529	- 7.664960	0.0000	1.735219
(ROA)	-0.014219	- 0.259644	0.7952	1.726430
(CFO)	-0.021971	- 0.991001	0.3220	1.495988
(LI)	-0.026786	- 5.634641	0.0000	1.443526
(LOSS)	-0.007319	- 0.816138	0.4147	1.416677
(RET)	0.146916	2.445925	0.0147	1.431669
(VOLATILITY)	0.003210	2.775143	0.0057	1.455502
С	-2.108366	- 11.94314	0.0000	-
	F-statistic	5.333	Durbin-	1 818
Pi	rob (F-statistic)	0.000	Watson stat	1.010
	R-squared	0.588	Durbin-	11.320
	1		Watson stat	0.109

Based on the results of the second hypothesis test (Table 9), given that the F statistic (0.000) has a significance level below (5%), therefore, the regression has explanatory power. The coefficient of determination of the model also showed that 58.8 percent of the changes in the capital expenditure variable are explained by the variables inserted in the model. Also, in examining the assumptions of classical regression, the results of the Jarque-Beratest showed that the residuals obtained from the estimation of the model have a normal distribution at the 95% confidence level, so that the significance level of this test was greater than 0.05 (0.109). Also, due to the fact that the value of Durbin-Watson model was between 1.5 and 2.5 (1.818), it can be said that there is no problem of autocorrelation of the residuals in the model. Finally, due to the lack of significance level of managerial ability variable (independent variable) which is above 0.05 (0.095). Therefore, there is no significant relationship between management ability and capital expenditure. Therefore, the second hypothesis is not confirmed. But from the control variables, there is a significant positive relationship between company size, stock returns, and stock price changes with capital expenditures. There is a significant negative relationship between financial leverage and liquidity with capital expenditures. Finally, with the collinearity test between the research variables, the value of the VIF statistic (variance inflation factor) for all variables was smaller than 5, indicating the absence of an extreme collinearity problem of the research variables.

5-5-3-The results of the thirdmain hypothesis test

Hypothesis 3 There is a significant relationship between management ability and firm value.

 $Value_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CFO_{it} + \beta_6 LI_{it} + \beta_7 LOSS_{it} + \beta_8 Return_{it} + \beta_9 volatility_{it} + e_{it}$

TABLE (10) MODEL ESTIMATION RESULTS FOR THE THIRD RESEARCH HYPOTHESIS

Variable	Coefficient	t-Statistic	Prob.	Centered VIF
(ABILITY)	0.628485	2.226058	0.0263	1.239049
(SIZE)	-1.436695	- 14.14410	0.0000	1.208184
(LEV)	-1.549064	- 3.333194	0.0009	1.735219
(ROA)	3.420608	4.950120	0.0000	1.726430
(CFO)	0.885821	2.523636	0.0118	1.495988
(LI)	0.029469	0.353082	0.7241	1.443526
(LOSS)	-0.274631	- 1.735363	0.0831	1.416677
(RET)	5.389937	5.639566	0.0000	1.431669
(VOLATILITY)	0.257456	11.86719	0.0000	1.455502
С	-20.41712	- 13.25973	0.0000	-
F-statistic		13.873	Durbin-	2,000
Prob (F-statistic)		0.000	Watson stat	2.099
	R-squared	0.786	Jarque-Bera Probability	10.252 0.116

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Based on the results of the third hypothesis test (Table 10), given that the F statistic (0.000) has a significance level below (5%), therefore, the regression has explanatory power. The coefficient of determination of the model also showed that 78.6 percent of the changes in the company value variable are explained by the variables inserted in the model. Also, in examining the assumptions of classical regression, the results of the Jarque-Bera test showed that the residuals obtained from the estimation of the model have a normal distribution at the 95% confidence level, so that the significance level of this test was greater than 0.05 (0.116). Also, due to the fact that the value of Durbin-Watson model was between 1.5 and 2.5 (2.099), it can be said that there is no problem of autocorrelation of the residuals in the model. Finally, according to the significance level of the managerial ability variable (independent variable) which is below 0.05 (0.026). Therefore, there is a positive and significant relationship between management ability and company value. Therefore, the third hypothesis is confirmed. Among the control variables, there is a significant negative relationship between company size and financial leverage with company value. There is a significant positive relationship between profitability, operating cash flow, Returnand stock price changes with company value. Finally, with the collinearity test between the research variables, the value of the VIF statistic (variance inflation factor) for all variables was smaller than 5, indicating the absence of an extreme collinearity problem of the research variables.

5-5-4-The Results of the Fourth Main Hypothesis Test

Hypothesis 4 Product market competition has a significant effect on the relationship between managerial ability and firm market share growth.

 $MSG_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 HHI_{it} + \beta_3 Ability^* HHI_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 CFO_{it} + \beta_8 LI_{it} + \beta_9 LOSS_{it} + \beta_{10} Return_{it} + \beta_{11} volatility_{it} + e_{it}$

TABLE (11) MODEL ESTIMATION RESULTS FOR THE FOURTH RESEARCH HYPOTHESIS

Variable	Coefficient	t-Statistic	Prob.	Centered VIF
(ABILITY)	0.003795	2.449968	0.0115	2.342739
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(HHI_D)	-0.000471	- 0.730679	0.4652	1.093079
(Ability*HHI)	0.004255	2.430040	0.0123	2.547996
(SIZE)	-0.001388	- 4.247000	0.0000	1.237529
(LEV)	-0.005667	- 3.030775	0.0025	1.380948
(ROA)	0.008904	3.510146	0.0005	1.454193
(CFO)	0.005038	3.493316	0.0005	1.499755
(LI)	0.000607	2.255448	0.0244	1.486914
(LOSS)	-0.003242	- 3.053327	0.0024	1.430311
(RET)	0.001476	0.469916	0.6386	1.440466
(VOLATILITY	-9.400005	- 1.514298	0.1304	1.462054
С	-0.020457	- 4.566656	0.0000	-
F-statistic		3.046	Durbin-	2 245
Prob (F-statistic)		0.000	Watson stat	2.243
	R-squared	0.355	Jarque-Bera Probability	12.125 0.099

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Based on the results of the fourth hypothesis test (Table 11), given that the F statistic (0.000) has a significance level below (5%), therefore, the regression has explanatory power. The coefficient of determination of the model also showed that 35.5 percent of the changes in the growth of the company's market share variable are explained by the variables inserted in the model. Also, in examining the assumptions of classical regression, the results of the Jarque-Bera test showed that the residuals obtained from the estimation of the model have a normal distribution at the 95% confidence level, so that the significance level of this test was greater than 0.05 (0.099). Also, due to the fact that the value of Durbin-Watson model was between 1.5 and 2.5 (2.245), it can be said that there is no problem of autocorrelation of the residuals in the model. Finally, according to the significance level of the variable of managerial ability and product market competition (independent variable) which is below 0.05 (0.000). Therefore, product market competition has a positive and significant effect on the relationship between management ability and the growth of the company's market share. Therefore, the fourth hypothesis is confirmed. Among the control variables, there is a significant positive relationship between profitability, operating cash flow and liquidity with the growth of the company's market share. There is a negative and significant relationship between the company size, financial leverage and loss of the company with the growth of the company's market share. Finally, with the collinearity test between the research variables, the value of the VIF statistic (variance inflation factor) for all variables was smaller than 5, indicating the absence of an extreme collinearity problem of the research variables.

5-5-5-The Results of the Fifth Main Hypothesis Test

Hypothesis 5 Product market competition has a significant effect on the relationship between managerial ability and capital expenditures.

 $CAPEX_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 HHI_{it} + \beta_3 Ability^* HHI_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 CFO_{it} + \beta_8 LI_{it} + \beta_9 LOSS_{it} + \beta_{10} Return_{it} + \beta_{11} volatility_{it} + e_{it}$

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TABLE (12) MODEL ESTIMATION RESULTS FOR THE FIFTH RESEARCH HYPOTHESIS

Variable	Coefficient	t-Statistic	Prob.	Centered VIF
(ABILITY)	0.051655	1.351800	0.1651	2.342739
(HHI_D)	-0.020307	- 1.990402	0.0470	1.093079
(Ability*HHI)	0.010104	0.320961	0.7483	2.547996
(SIZE)	0.162839	12.21767	0.0000	1.237529
(LEV)	-0.357166	- 7.553175	0.0000	1.380948
(ROA)	-0.021387	- 0.389064	0.6974	1.454193
(CFO)	-0.023309	- 1.082152	0.2796	1.499755
(LI)	-0.026842	- 5.863392	0.0000	1.486914
(LOSS)	-0.002605	- 0.263115	0.7925	1.430311
(RET)	0.131941	2.185474	0.0292	1.440466
(VOLATILITY)	0.003050	2.618462	0.0090	1.462054
C	-2.098648	- 11.94961	0.0000	-
F-statistic		8.122	Durbin-	1.976
Prob (F-statistic)		0.000	Watson stat	1.020
R-squared		0.686	Jarque-Bera Probability	11.320 0.109

Based on the results of the fifth hypothesis test (Table 12), given that the F statistic (0.000) has a significance level below (5%), therefore, the regression has explanatory power. The coefficient of determination of the model also shows that 68.6% of the changes in the capital expenditure variable are explained by the variables entered in the model. Also, in examining the assumptions of classical regression, the results of the Jarque-Bera test showed that the residuals obtained from the estimation of the model have a normal distribution at the 95% confidence level, so that the significance level of this test was greater than 0.05 (0.109). Also, due to the fact that the value of Durbin-Watson model was between 1.5 and 2.5 (1.826), it can be said that there is no problem of autocorrelation of the residuals in the model. Finally, due to the lack of significance level of managerial ability variable and product market competition (independent variable) which is above 0.05 (0.743). Therefore, product market competition has no significant effect on the relationship between managerial ability and capital expenditure. Therefore, the fifth hypothesis is not confirmed. But from the control variables, there is a significant positive relationship between company size, stock returns, and stock price changes with capital expenditures. There is a significant negative relationship between financial leverage and liquidity with capital expenditures. Finally, with the collinearity test between the research variables, the value of the VIF statistic (variance inflation factor) for all variables was smaller than 5, indicating the absence of an extreme collinearity problem of the research variables.

5-5-6-The Results of the Sixth Main Hypothesis Test

Hypothesis 6 Product market competition has a significant effect on the relationship between

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managerial ability and firm value.

 $Value_{it} = \beta_0 + \beta_1 Ability_{it} + \beta_2 HHI_{it} + \beta_3 Ability^* HHI_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 CFO_{it} + \beta_8 LI_{it} + \beta_9 LOSS_{it} + \beta_{10} Return_{it} + \beta_{11} volatility_{it} + e$

Variable	Coefficient	t-Statistic	Prob.	Centered VIF
(ABILITY)	1.450186	3.991137	0.0001	2.342739
(HHI_D)	-0.302375	- 2.145445	0.0323	1.093079
(Ability*HHI)	1.067150	3.009993	0.0027	2.547996
(SIZE)	-1.472861	- 14.35559	0.0000	1.237529
(LEV)	-1.167855	- 2.564008	0.0106	1.380948
(ROA)	2.983416	4.461460	0.0000	1.454193
(CFO)	0.897696	2.662344	0.0079	1.499755
(LI)	0.047285	0.565686	0.5718	1.486914
(LOSS)	-0.304873	- 1.926318	0.0545	1.430311
(RET)	5.201035	5.813794	0.0000	1.440466
(VOLATILITY)	0.256482	12.10634	0.0000	1.462054
С	-20.47289	- 13.29867	0.0000	-
F-statistic		13.486	Durbin-Watson	2 085
Prob (F-statistic)		0.000	stat	2.005
R-squared		0.783	Jarque-Bera	10.252
K Squared			Probability	0.116

TABLE (13) MODEL ESTIMATION RESULTS FOR THE SIXTH RESEARCH HYPOTHESIS

Based on the results of the sixth hypothesis test (Table 13), given that the F statistic (0.000) has a significance level below (5%), therefore, the regression has explanatory power. The coefficient of determination of the model also shows that 78.3% of the changes in the company value are explained by the variables included in the model. Also, in examining the assumptions of classical regression, the results of the Jarque-Bera test showed that the residuals obtained from the estimation of the model have a normal distribution at the 95% confidence level, so that the significance level of this test was greater than 0.05 (0.116). Also, due to the fact that the value of Durbin-Watson model was between 1.5 and 2.5 (2.085), it can be said that there is no problem of autocorrelation of the residuals in the model. Finally, according to the significance level of the variable of managerial ability and product market competition (independent variable) which is below 0.05 (0.002). Therefore, product market competition has a positive and significant effect on the relationship between managerial ability and company value. Therefore, the sixth hypothesis is confirmed. Among the control variables, there is a significant negative relationship between company size and financial leverage with company value. There is a significant positive relationship between profitability, operating cash flow, Returns and stock price changes with company value. Finally, with the collinearity test between the research variables, the value of the VIF statistic (variance inflation factor) for all variables was smaller than 5, indicating the absence of an extreme collinearity problem of the research variables.

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6- CONCLUSIONS AND RESEARCH SUGGESTIONS

Management ability is one of the most important strategic parts of companies in order to create value for shareholders. With effective management, shareholders can get the maximum return from their investment. According to the above topics, in this research, the impact of product market competition on the relationship between managerial ability and company characteristics has been investigated. The findings of the research show that there is a positive and significant relationship between managerial ability and the growth of market share and company value. But there is no significant relationship between management ability and capital expenditure. Also, product market competition has a positive and significant effect on the relationship between management ability, market share growth and company value. But product market competition does not have a significant effect on the relationship between managerial ability and capital. expenditure. In relation to the analysis of the results of the confirmed assumptionsCapable managers make quality estimates based on their knowledge and understanding, they identify profitable projects and by investing in them, they also improve operating cash flows. This can lead to favorable performance and ultimately high value for the company. Also, in economic enterprises with capable managers, information asymmetry is less, in other words, managers are able to better convey the inherent value of the company to investors by reducing information asymmetry. Therefore, investors understand the value of such a company well and pay a higher price to buy its shares according to the added value created. On the other hand, competition in the product market is presented as an extra-organizational governance mechanism and an important and vital factor in making decisions of company managers, and it also plays a role as a component affecting the value of companies' shares. It should be noted that intense competition in the product market motivates managers to behave efficiently. In the following, we can see the results of hypotheses that have not been confirmed. Analyzed in this way, in general, investment leads to the growth and financial security of the economic unit. Therefore, it should be done based on the framework and needs of the organization, otherwise the company can deviate from the desired investment amount and this will lead to the inefficiency of the investment. Accordingly, when the management has obvious characteristics and the level of investment is not optimal and desirable, this affects the cost of capital and deviates from the effective levels of management ability.

Next, because the results of this research can be used in the decision-making process, this research is applied in terms of purpose. Therefore, suggestions for each of the beneficiaries of the research are briefly stated. According to the results, users of financial statements should always pay attention to variables such as managerial ability and product market competition when analyzing, because these variables lead to an increase in the value of the economic unit and the growth of the company's market share. Considering that the managers are looking for the trust of the beneficiaries, it is suggested to them accordingly. In order to create value and increase the shareholders' wealth, they should play their positive role in the management of the company, because the success and failure of the organization depends on their decisions. Considering the role of competition in the product market, it is suggested to strengthen this importance because the competition in the product market leads to more efforts by the management to meet the expectations of the stakeholders. Considering the positive influence of management ability on the characteristics of the company, it is suggested to the government to use capable managers for the management of state-owned companies (which play an important role in the economic development of the country). It is suggested to the stock exchange organization to use legal tools to force the companies in order to hire capable managers of the listed companies.

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