

The Impact of Management Characteristics on the Relationship between Product Market Competition and Management Performance¹

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Abstract

The role of managers in organizations and companies is so important that having a capable and quality manager is considered one of the competitive advantages. The tools that managers use to succeed are information that is often derived from their characteristics. The role of managers in competitive markets is also more intense. Therefore, the aim of this study is to evaluate the effect of management characteristics on the relationship between product market competition and management performance. The sample consists of 120 firms selected during 2012-2019. The data is collected through the archival method and is analyzed using structural equation modeling. The findings suggest that as market product competitiveness and management characteristics increase, management performance improves. In addition, management characteristics improve the positive relationship between competition and management performance and affects the management ability. The effectiveness of characteristics is more evident in and in markets with a higher level of competition.

Findings

Data on research variables were collected from archives. Confirmatory factor analysis (CFA), structural equation modeling (SEM), EViews 10,

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and PLS 8.8 were used to test the research hypotheses. The results of data analysis are shown in Table 1.

Table 1: CFA results for research variables

Main variable	Main variable symbol	Observable variable name	Observable variable symbol	Standardized coefficients	Load factors	Status object
Manager's performance	PER	Sales growth	SGROWTH	0.883	175.716	Confirmed
		Return on assets	ROA	0.797	55.297	Confirmed
		Market share	MARKETSHAR	0.795	48.985	Confirmed
		Return on equity	ROE	0.797	51.276	Confirmed
Product market competition	COM	Herfindahl-Hirschman Index	HHI	0.868	89.266	Confirmed
		Boon's index	BOONE	0.809	110.005	Confirmed
Management characteristics	MC	Conservatism	CONSERVATISM	0.783	47.189	Confirmed
		Optimism	OPTIMISM	0.766	43.208	Confirmed
		Overconfidence	OVERCONFIDENCE	0.762	43.876	Confirmed
		Risk-taking	RISK-TAKING	0.727	36.671	Confirmed
		Board size	BSIZE	0.767	44.004	Confirmed
		Board independence	BINDEP	0.809	54.356	Confirmed
		Experience	EXPERIENCE	0.785	49.379	Confirmed
		Management stocks	MSTOCK	0.733	36.999	Confirmed
Control variables	Size	Company size	SIZE	1	2.229	Confirmed
	Capital	Capital intensity	CAPITAL	1	3.722	Confirmed
	MTB	Market to book ratio	MTB	1	2.229	Confirmed
	AGE	Company age	AGE	1	3.0102	Confirmed

Table 2: Hypothesis test results based on standardized coefficients and significant coefficients

Path	Coefficient	Mean	Standard deviation	Test statistics	Significance level
Product market competition -> management performance	0.153	0.154	0.027	5.619	5.619
Management characteristics -> management performance	0.551	0.552	0.03	18.418	18.418
Product market competition * management characteristics -> management performance	-0.066	-0.065	0.025	2.581	2.581
Company age -> management performance	0.061	0.06	0.02	3.102	3.102
Business intensity -> management performance	0.074	0.074	0.02	3.722	3.722
MTB -> management performance	0.047	0.047	0.021	2.229	2.229
Company size -> management performance	0.098	0.097	0.021	4.623	4.623

Path coefficients for the research components were evaluated according to the results of the Table 2. It was found that the component of manager's characteristics and manager's performance had a coefficient of 0.551, which is the highest value among the components of the research. This was followed by the effect of product market competition on manager's performance with a coefficient of 0.153. The lowest coefficient was for product market competition*manager's characteristics and product performance with a negative coefficient of 0.066.

Discussion and conclusion

Managers must make decisions in a competitive environment. To have the ability for decision-making, managers must have personal and structural characteristics to enable them to make quality, beneficial decisions under the circumstances. Manager's characteristics can affect their performance and create better competitive conditions in the product market. Given that behavioral and structural characteristics apply to all managers of listed and unlisted companies on the stock exchange, the

results can be generalized to managers of other unlisted companies. There were no limitations in this research. The obtained results can be used by managers to improve performance and by other stakeholders for decision-making. For future research, it is recommended to rank manager's characteristics to provide a better backdrop for decision-making and performance improvement.

Keyword: Competition, Performance, Characteristics of Management.

JEL Classification: M12, D41

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