



The Effect of Managerial Ability on Financial Reporting Timeliness: Egypt Evidence

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Abstract

Purpose: The main objective of this study is to measure the effect of managerial ability on financial reporting timeliness in Egypt.

Methodology: We analyzed a sample of Egyptian firms listed on the EGX100 index, the final sample was 62 firms during the period 2014 - 2018, we measured managerial ability depending on data envelope analysis (DEA) presented by Demerjian et al. (2012). The data was analyzed through the OLS method.

Findings: Under the resource-based theory, we expect that higher ability managers own the utmost human capital, they are more able to maintain good internal control systems and provide higher earnings quality. Consequently, we predict that higher ability managers provide financial statements in a timely manner. The results confirm a negative relationship between managerial ability and financial reporting lag.

Originality/Value: Our results provide insights to researchers, investors, regulators, auditors, and other stakeholders in emerging economies to understand and perceive the implications of managerial ability on financial reporting timeliness.

1- Introduction:

Managerial ability is one of the most important variables that has been investigated extensively in recent years as a valuable resource that has a significant positive impact on earnings quality and firm value, although there is a theoretical assumption and empirical evidence consistent with this perspective (Coff, 1999; Holcomb et al. 2009; Demerjian et al. 2013; Chen et al. 2015; Arora et al. 2017; García-Meca and García-Sánchez 2018; García-Sánchez and García-Meca 2018). Nevertheless, there is a literature stream that supports the opportunism hypothesis for high-ability managers (Baik et al. 2012; Mishra, 2014; Andreou et al. 2016; Yung and Chen, 2017; Habib and Hasan, 2017).

Under the resource-based theory, the managerial ability is a resource that enhances competitive advantages for the firms, high ability managers have better knowledge, experience (Coff, 1999; Holcomb et al. 2009), they are more able to achieve investment efficiency (García-Sánchez and García-Meca 2018), innovation success and higher growth rates (Holbrook et al. 2000; Chen et al. 2015). A stream of literature that has examined the impact of managerial ability on accounting and disclosure policies was consistent with resource-based theory, confirming a positive impact of managerial ability on both earnings quality (e.g; Demerjian et al. 2013; García-Meca and García-Sánchez 2018), and financial reporting timeliness (Abernathy et al. 2018).

However, there is another stream of literature that is consistent with the opportunism hypothesis for managerial ability, Baik et al. (2012) and Hassanzadeh et al. (2013) confirm a negative relationship between earnings quality and managerial ability. Andreou et al. (2016); Yung and Chen, (2018) confirm that the higher ability managers are more risk-taking, and more likely to overinvestment (Habib and Hasan, 2017).

Consequently examining the impact of managerial ability on financial reporting timeliness contributes to addressing the research gap in the literature that investigates the accounting implications of managerial ability in general and in emerging markets in particular. The peculiarity of emerging markets due to their weakness of both investor protection and corporate governance systems may increase the likelihood of opportunistic behaviors for higher ability managers (Baik et al. 2012). Theoretical evidence considering managerial ability as one of the most important resources in the firm, however, the empirical results are not fully confirmed this perspective and it still needs to investigate the relationships in the emerging markets, that will be beneficial to auditors, boards, investors, and regulators (Demerjian et al. 2020).

We contribute to the literature that examines the accounting implications of managerial ability in emerging economies. Within our knowledge, it is the first study that examines the effect of managerial ability on financial reporting timeliness in Egypt, our results are based on a sample of non-financial firms from Egypt as one of the oldest and biggest emerging markets in the Middle East and Africa. We find robust evidence confirming a negative effect of managerial ability on financial reporting lag in Egypt. The results shed light on the value-added of managerial ability in financial reporting timeliness context in the emerging markets.

The remainder of this paper will organize as follows. Section 2; background and hypothesis development. Section 3; research design. Sections 4; empirical results. Sections 5; discussion, conclusion, and future research.

2- Background and Hypothesis Development:

2.1 Managerial Ability:

A stream of research was spawned under upper echelons theory (Hambrick and Mason's 1984), providing consistent evidence that individual characteristics of the managers can affect firm decisions, such as investment and financial decisions, organizational practices, and firm's performance (Bertrand and Schoar 2003). Bamber et al. (2010) confirm that manager's background and their experience affect significantly on voluntary disclosures policies in the firms. Ge et al. (2011); and DeJong and Ling (2013) confirming a significant effect of individual characteristics of managers on accounting and disclosure policies in the firms.

Managerial ability is considered as one of the most important characteristics of managers that have been examined in recent accounting literature. It refers to the extent that managers can understand a firm's economic position, the industry's circumstances, and their ability to accurately assess both future opportunities and firm performance (Arora et al. 2017). High ability managers have experience and skills qualifying them to make good decisions that contribute to economic efficiency, the most important skills that lead to managerial ability are (Katz, 1974); [1] *Human skills*; it mean the quality possessed by a manager to work effectively with others and motivate individuals and groups; [2] *Technical skills*; it mean technical knowledge of the different jobs, negotiating ability, and handling with technology and discipline tools such as; accounting information systems in general and internal control systems in particular; [3] *Conceptual skills*; it mean the ability to see the firm as a single unit, and perceive the relationships between the various functions in the firm, in addition, the ability to understand concepts, develop ideas and achieve strategies. Consequently, the

managerial ability is resultant of learning and accumulated experience, which helps managers to understand the economic position of the firm and industry's structure to which it belongs, this enables them to assess the available opportunities and the future performance of the firm accurately (Bertrand and Schoar, 2003; Holcomb et al. 2009; Demerjian et al. 2012; Wang, 2013).

Resource-based theory confirms that managerial ability is a resource that adds value to the firms through efficient use of resources, enhancing firms' competitive advantages (Holcomb et al. 2009). Under the efficiency hypothesis, researchers argue that higher ability managers have better knowledge, experience, and performance than other managers (Coff, 1999; Holcomb et al. 2009). Many empirical results are consistent with this hypothesis. García-Sánchez and García-Meca (2018) confirm a positive relationship between managerial ability and investment efficiency. Holbrook et al. (2000); Chen et al. (2015), confirm an increase in innovation success and growth rates in firms as managerial ability increase. Moreover, firms with higher ability managers provide higher earnings quality and are less likely to prone to financial restatements (Demerjian et al. 2013). These firms also adhere to timely disclosure and have less probability of financial reporting lag (Abernathy et al. 2018). Also, they issue more accurate earnings forecasts, and investors in financial markets are more responsive to these expectations, which in turn improve stock market returns (Hayes and Schaefer, 1999; Baik et al. 2011; Luo and Zhou, 2017), decrease the information risks contributing to lower cost of debt (De Franco et al. 2017). In addition, the literature confirms that higher ability managers are committing income smoothing practices in a path of utilitarianism devoid of opportunism which improves the earnings informativeness and stock prices informativeness (Baik et al. 2019; Demerjian et al. 2020).

On the contrary, other literature supports the opportunistic hypothesis, it confirms lower earnings quality for higher ability managers (Francis et al. 2008; Malmendier and Tate, 2009; Baik et al. 2012). They are more risk-taking (Andreou et al. 2016; Yung and Chen, 2018), committing inefficient investments as a result of overinvestment behaviors (Habib and Hasan, 2017). Accordingly, firms with higher ability managers are suffering from higher agency problems which ultimately increase both stock price crash risk and cost of capital (Mishra, 2014; Habib and Hasan 2017).

2.2 Managerial Ability and financial reporting timeliness:

The managerial ability has been examined dramatically in recent research in accounting and auditing, especially after developing an empirical measure for managerial ability by Demerjian et al. (2012). A stream of literature investigated the effect of managerial ability

on earnings quality based on the resource-based theory which assumes that managerial ability is the most important resource in the firm that enhances efficient use for the resources and achieves competitive advantages (Holcomb et al. 2009).

Some literature is consistent with the efficiency hypothesis, confirming that higher ability managers are more likely to establish and maintain more effective internal control, which increases their ability to monitor financial reporting quality (Lee 2015). Consistent with this result, some literature finds a positive relation between managerial ability and earnings quality in the developed and emerging economies (e.g; Demerjian et al. 2013, Huang and Sun 2017; Petkevich and Prevost 2018; Sales et al. 2015; Wang et al. 2017; SeTin and Murwaningsari 2018). However, other literature confirms a negative relation between managerial ability and earnings quality (Baik et al. 2012; Hassanzadeh et al. 2013), this negative relation is moderated by the strength of investor protection systems (Baik et al. 2012).

In conjunction with an emerging literature that examines the implications of managerial ability on disclosure and accounting policies under resource-based theory, it is expected that higher ability managers may provide financial statements in a timeliness manner. Financial reporting timeliness is one of the most important qualitative characteristics of financial statements. It happens when providing information in the time frame imposed by the regulatory bodies and which enables the user to make economic decisions (FASB 1980). Owusu-Ansah (2000) argues that timely disclosure is an important tool for limiting insider trading, reducing information asymmetry, and limiting opportunities to spread leaks and rumors about the firms and their financial performance in emerging markets. Financial reporting timeliness is of interest to managers, researchers, regulators, and auditors (Abernathy et al. 2017). Investors prefer a shorter period because it helps them to adjust their investment decisions in a timely manner (Habib and Bhuiyan 2011).

Whittered and Zimmer (1984) also noted that the increasing delay in issuing the financial reporting is concurrent with the issuance of a qualified audit report or the existence of financial problems in the firms. Under the resource-based theory, the higher ability managers are more likely to provide financial statements in a timely manner, as they are more knowledgeable of their business, which drives them to do better judgments and estimates (Demerjian et al. 2013). In addition, they are more likely to apply and understand complex standards, which in turn, increases their confidence in the internal control system (Plumlee and Yohn 2010). Abernathy et al. (2018) investigate a sample of U S firms from

2003 to 2014, the results confirm a negative relationship between managerial ability and financial reporting lag. Accordingly, our hypothesis will be as follows:

H1: There is a positive effect of managerial ability on financial reporting timeliness in Egypt.

3-Research Design:

3.1 Sample and Data collection:

We examine Egyptian firms listed on EGX100 from 2014 to 2018, we collect data manually from the annual report, financial services firms are excluded due to the uniqueness of earnings-generating processes and their asset structure, utility firms also excluded because of the regulation for its output price. Data envelop analysis (DEA) requires a sufficient number of observations to provide a valuable estimation, we require large observations in each industry to estimate DEA, industries with observations less than 25 observations are excluded. Consequently, the final sample was 310 observations for 62 firms. Table no. (1) Shows the sample distributed by industries.

Table (1): Sample distributed according industry

	Industry	Firms	Observations	%
1	Food, Beverages and Tobacco	11	55	17.74%
2	Construction & materials	9	45	14.52%
3	Industrial Goods, Services and Automobiles	7	35	11.29%
4	Travels and leisure	5	25	8.06%
5	Real Estate	11	55	17.74%
6	Personal & household	6	30	9.68%
7	Basic Resources	6	30	9.68%
8	Chemicals	7	35	11.29%
	Total		310	100%

3.2 Measuring variables:

3.2.1 Managerial Ability:

We depend on the data envelope analysis (DEA) to measure managerial ability, it is a non-parametric method presented by Demerjian et al. (2012) to measure the relative efficiency of decision-making units (DMUs). DEA is a technique relies on linear programming to create efficiency boundary for specific DMUs to maximize the ratio of outputs to inputs, this technique assigns one to the most efficient DMUs, which are on the boundary, and assigns less than one values to an inefficient DMUs, assigning efficiency scores for an inefficient unit depends on the distance of DMUs from the boundary. We follow Demerjian et al. (2012), applying two-step methods, the first step solve the optimization problem by applying DEA technique that maximizes an output variable based on seven input variables as follow:

$Max \theta = Sales$

$$\times [v_1 CoGS + v_2 SG\&A + v_3 PPE + v_4 OpsLease + v_5 R\&D + v_6 Goodwill + v_7 OtherIntan]^{-1} Model (1)$$

According to model (1), sales revenue is our sole outputs, however, we depend on seven inputs as follow; COGS is the cost of goods sold, SG&A is selling, administrative and general expenses, PP&E is net property, plant, and equipment, OpsLease is capitalized operating leases, R&D is research and development expenses, Goodwill is purchased goodwill, OtherIntan is goodwill and other intangible assets purchased. Due to the Shortcoming of information in the financial statements about some of the previous items in the majority of observations in our sample, such as; OpsLease, R&D, Goodwill, and OtherIntan. So that, we depend on the most important inputs available in our sample, and therefore our final efficiency model will be as follow:

$$Max \theta = Sales \times [v_1 CoGS + v_2 SG\&A + v_3 PPE]^{-1} Model (2)$$

Model (2) contributes to measureing overall efficiency in firms, it captures the efficiency drivers of the firms and managers together, to reduce the overstating or understating in managerial efficiency, the overall efficiency of the firms will be analyzed into the efficiency related to the firms and those related to managerial efficiency. Accordingly, The following Tobit model was estimated for each industry to purge the characteristics of the firm (Demerjian et al. 2012; Baik et al. 2019):

$Firm\ Efficiency_i$

$$= \alpha + B_1 Ln(Total\ Assets)_{it} + B_2 Market\ Share_{it} + B_3 FCF\ Indicator_{it} + B_4 Ln(Age)_{it} + B_5 Ind.\ concentration_{it} + B_6 Foreign\ Currency_{it} + B_7 Year + \varepsilon_i Model (3)$$

Where $Ln(Total\ Assets)_{it}$ is the natural logarithm of total assets for firm (i) in the year (t). $Market\ Share_{it}$ is the market share for the firm (i) in the year (t), measured by the ratio of firms' sales to total industry sales. FCF_{it} is a dummy variable equal one if the firm (i) in the year (t) has positive free cash flows, zero otherwise. $Ln(Age)_{it}$ is the natural logarithm of firm age for the firm (i) in the year (t). $Ind.\ concentration_{it}$ is industry concentration, calculated as the ratio of total firm sales to sum of industry's sales squares. $Foreign\ Currency_{it}$ is a dummy variable equal one if the firm (i) in the year (t) has reported positive value for foreign currency adjustment, zero otherwise. $Residuals_{it}$ is residual from the equation which reflects managerial ability score.

3.2.2 Financial reporting timeliness:

We follow Afify (2009) and Abernathy et al. (2018), to measure financial reporting timeliness depending on financial reporting lag ($FRLag_1$), which calculated as the number of days elapsed between the end of the year and signing the audit report, we also depend on industry-adjusted financial reporting lag ($FRLag_2$) which measured by the financial reporting lag less the industry mean values of financial reporting lag.

3.2.3 Control variables:

We incorporate some control variables in our model, the control variables relate to firm size, firm's profitability, leverage, firm's growth, audit firm size (Afify 2009; Habib and Bhuiyan 2011; Abernathy et al. 2018). Earnings management is incorporated as control variables measured by the cross-sectional version of the Jones (1991) model presented by Becker et al. (1998). In addition, we control for auditor opinion and foreign currency income, industries type, and years.

3.3 Empirical Design:

To test our hypothesis, we estimate the following ordinary least squares (OLS) model:

$$FRLag_{it} = \alpha + B_1(MA_{it}) + B_2(FirmSize_{it}) + B_3(ROE_{it}) + B_4(Lev_{it}) + B_5(Growth_{it}) \\ + B_6(Aud_Size_{it}) + B_7(Disc_Acc_{it}) + B_8(Opinion_{it}) + B_9(Foreign_{it}) \\ + B_{10}(Industries) + B_{11}(Years)Model \quad (4)$$

Where $FRLag_{it}$ is financial reporting lag, we depend on two methods to measure financial reporting lag, the first one is $FRLag_{1it}$ calculated as the number of days elapsed between the end of the year and signing the audit report, the second one is $FRLag_{2it}$ is industry-adjusted financial reporting lag which measured by the financial reporting lag less the industry mean value of financial reporting lag. The MA_{it} is managerial ability measured as shown in section (3.2). ROE_{it} is the return on equity for the firm (i) in the year (t). $Firm Size_{it}$ is a the natural logarithm for total assets for the firm (i) in the year (t). Lev_{it} is the firm's leverage for the firm (i) in the year (t), measured as total liabilities divided by lag total assets. $Growth_{it}$ is a percentage change of sales for the firm (i) in the year (t). Aud_Size_{it} is a dummy variable equal one if the firm (i) in the year (t) audited by big4 auditor, zero otherwise. $Disc_Acc_{it}$ is the absolute value of discretionary accruals for if the firm (i) in the year (t), we follow Becker et al. (1998) who calculate discretionary accruals depending on a cross-sectional version of the Jones 1991 model. $Opinion_{it}$ is a dummy variable equal (1) if the firm (i) in the year (t) has a qualified opinion, zero otherwise. $Foreign_{it}$ is a dummy variable equal (1) if the firm (i) in the year (t), reports a positive value for foreign currency adjustment, zero otherwise.

4-Empirical Results:

4.1 Descriptive Statistics and Correlations:

Table (2) provides descriptive statistics for the variables used in the regression tests based on the full sample. The mean (median) of MA_{it} is 0.675 (0.892), this indicates increase managerial ability in our sample. The mean (median) of $FRLag_{1it}$, and $FRLag_{2it}$ is 76.351, 2.065 (72, -2.213) respectively, this indicates that firms in the sample are experienced an increase in financial reporting lag. The mean (median) of $FirmSize_{it}$ is 20.949 (20.745), the mean (median) of ROE_{it} is 0.145 (0.0811). The mean (median) of Lev_{it} is 0.414 (0.393) this indicates an increase in the debt to total assets ratio in our sample. The mean (median) of $Growth_{it}$ is 0.103 (0.076). The mean (median) of discretionary accruals ($Disc_Acc_{it}$) is 0.071 (0.047).

Table (2): Descriptive statistics for the full sample

	Mean	S.E Mean	Median	STD	Minimum	Maximum
$FRLag_{1it}$	76.351	1.317	72.000	23.196	18.000	132.000
$FRLag_{2it}$	2.065	1.344	-2.213	23.669	-54.930	62.110
MA_{it}	0.675	0.025	0.892	0.446	-0.370	1.490
$FirmSize_{it}$	20.949	0.102	20.745	1.803	17.040	25.160
ROE_{it}	0.145	0.012	0.0811	0.215	-0.380	0.640
Lev_{it}	0.414	0.014	0.393	0.259	0.000	1.000
$Growth_{it}$	0.103	0.026	0.076	0.460	-0.850	1.020
$Disc_Acc_{it}$	0.071	0.003	0.047	0.063	0.000	0.220

Frequencies					
Aud_Size_{it}		$Opinion_{it}$		$Foreign_{it}$	
Big 4	Non Big 4	qualified	unqualified	Non-zero	Zero value
118	192	117	193	234	76
38.1%	61.9%	37.7%	62.3%	75.5%	24.5%

Table (3) provides a Pearson correlation matrix between variables. The results show that managerial ability (MA_{it}) does not relate to the first proxy for financial reporting lag ($FRLag_{1it}$). However, there is a negative relation between managerial ability (MA_{it}) and adjusted lag ($FRLag_{2it}$) this relation is significant at 5% level. There is a negative relation between managerial ability (MA_{it}) and opinion $_{it}$ at 1% level, which indicates that as the managerial ability increases the probability of a qualified audit report being issued will be decreased. There is a negative relation between managerial ability (MA_{it}) and $Disc_Acc_{it}$ at 1% level, which indicates that as managerial ability increase the discretionary accruals decreased (earnings quality increased).

Table (3): Pearson correlation matrix between variables

	1	2	3	4	5	6	7	8	9	10	11
1- FRLag _{1it}	1										
2- FRLag _{2it}	0.918***	1									
3- MA _{it}	-0.022	-0.131**	1								
4- FirmSize _{it}	0.118**	0.144**	0.138**	1							
5- ROE _{it}	-0.075	-0.108*	0.069	0.080	1						
6-Lev _{it}	0.119**	0.013	-0.109*	-0.017	0.358***	1					
7-Growth _{it}	-0.027	-0.017	0.000	0.079	0.156***	0.104*	1				
8- Aud_Size _{it}	-0.053	-0.111*	0.211***	0.239***	-0.101*	-0.021	0.060	1			
9- Disc_Acc _{it}	-0.127**	-0.089	-0.226***	-0.037	0.118**	-0.022	0.001	-0.122**	1		
10- Opinion _{it}	0.249***	0.279***	-0.147***	-0.017	0.183***	0.145**	-0.008	-0.460***	0.165***	1	
11- Foreign _{it}	0.094*	0.052	-0.075	0.024	0.080	0.009	-0.022	-0.017	0.252***	0.150***	1

***, **, * Indicate two-tailed significance at the 0.01, 0.05 and 0.10 levels, respectively.

4.2 Regression Results for the effect of managerial ability on financial reporting timeliness:

Table 4, shows the (OLS) results about the effect of managerial ability on financial reporting timeliness. It is clear from the table; Fisher’s F values are significant in the models, adjusted R² varies between 0.259 for (FRLag_{1it}) and 0.171 for (FRLag_{2it}). This confirms that our regression models seem to be satisfactory.

The results provide evidence that managerial ability (MA_{it}) has a significantly negative effect on financial reporting lag (FRLag_{1it} and FRLag_{2it}) at 1% and 5% level, respectively. This provides support to H1. Regarding control variables, that firm size (firmsize_{it}) and auditor opinion (opinion_{it}) have a significantly positive effect on financial reporting lag (FRLag_{1it} and FRLag_{2it}) at 1% level. Return on equity (ROE_{it}) has a significantly negative effect on financial reporting lag (FRLag_{1it} and FRLag_{2it}) at 10% and 1% level, respectively. Discretionary accruals (Disc_Acc_{it}) have a significantly negative effect on financial reporting timeliness (timeliness₂) at 1% level. Leverage (Lev_{it}), Foreign income (Foreign_{it}), firm growth (Growth_{it}) and auditor size (Aud_Size_{it}) have an insignificant effect on financial reporting lag (FRLag_{1it} and FRLag_{2it}).

Table (4): OLS regression to test the effect of managerial ability on financial reporting timeliness

	FRLag _{1it}				FRLag _{2it}			
	Coefficient	t-value	Sig.	VIF	Coefficient	t-value	Sig.	VIF
Constant	30.881	2.010	0.045		-45.134	-2.972	0.003	
MA _{it}	-15.452	-3.281	0.001	3.428	-6.855	-2.328	0.021	1.152
FirmSize _{it}	1.983	2.823	0.005	1.244	2.381	3.338	0.001	1.102
ROE _{it}	-11.758	-1.927	0.055	1.344	-16.895	-2.641	0.009	1.267
Lev _{it}	0.872	0.160	0.873	1.544	2.095	0.403	0.687	1.212
Growth _{it}	-2.533	-0.997	0.319	1.059	-0.872	-0.320	0.749	1.047
Aud_Size _{it}	-2.212	-0.752	0.453	1.586	-1.222	-0.407	0.684	1.418
Disc_Acc _{it}	-43.472	-1.428	0.154	2.876	-59.291	-2.842	0.005	1.160
Opinion _{it}	13.850	4.797	0.000	1.523	14.319	4.819	0.000	1.385
Foreign _{it}	3.434	1.050	0.294	1.537	2.523	0.849	0.397	1.092
observations		310				310		
Industry Dummies		yes				No		
Year Dummies		yes				yes		
F. Test		6.399***				5.917***		
R ²		0.307				0.206		
Adjusted R ²		0.259				0.171		

***, **, * Indicate two-tailed significance at the 0.01, 0.05 and 0.10 levels, respectively.

4.3 Additional analysis:

We extended our model (4) to incorporate corporate governance as a control variable, Afify (2009) shows that board independence has a significant effect on financial reporting timeliness in Egypt. Table 5, shows the results of testing our hypothesis (H1) after controlling the board independence, measured by the ratio of the number of outside directors to the total number of directors, and board duality. The results confirm that managerial ability (MA_{it}) has a significantly negative effect on financial reporting lag ($FRLag_{1it}$ and $FRLag_{2it}$) at 1% and 5% level, respectively. These results are consistent with the previous results in our main analysis (section 4.2), which support our hypothesis (H1). The results also show that board independence variables (%Outside Directors and duality) have an insignificant effect on financial reporting lag ($FRLag_{1it}$ and $FRLag_{2it}$).

Table (5): OLS regression to measure the effect of managerial ability on financial reporting timeliness after controlling the board independence

	FRLag _{1it} dependent variable				FRLag _{2it} dependent variable			
	Coefficient	t-value	Sig.	VIF	Coefficient	t-value	Sig.	VIF
Constant	34.589	1.989	0.048		-40.689	-2.396	0.017	
MA_{it}	-15.057	-3.160	0.002	3.494	-6.671	-2.224	0.027	1.192
$FirmSize_{it}$	1.967	2.784	0.006	1.253	2.392	3.341	0.001	1.108
ROE_{it}	-11.129	-1.806	0.072	1.364	-16.115	-2.502	0.013	1.281
Lev_{it}	-0.330	-0.059	0.953	1.636	0.618	0.115	0.909	1.298
$Growth_{it}$	-2.365	-0.927	0.355	1.065	-0.709	-0.260	0.795	1.050
Aud_Size_{it}	-2.477	-0.832	0.406	1.617	-1.828	-0.598	0.550	1.469
$Disc_Acc_{it}$	-46.476	-1.514	0.131	2.912	-58.026	-2.769	0.006	1.168
$Opinion_{it}$	14.051	4.756	0.000	1.588	14.726	4.829	0.000	1.456
$Foreign_{it}$	2.821	0.823	0.411	1.681	2.040	0.666	0.506	1.156
%Outside Directors	-0.382	-0.052	0.958	1.342	0.108	0.014	0.989	1.251
Duality	-2.588	-0.887	0.376	1.455	-3.246	-1.124	0.262	1.227
observations		310				310		
Industry Dummies		yes				No		
Year Dummies		yes				yes		
F. Test		5.830***				5.205***		
R ²		0.309				0.210		
Adjusted R ²		0.256				0.170		

***, **, * Indicate two-tailed significance at the 0.01, 0.05 and 0.10 levels, respectively.

4.4 Robustness Check:

To check the validity of our results, we depend on industry-adjusted (MA_{it}), managerial ability is measured as a dummy variable equal one if (MA_{it}) is bigger than the industry mean. Table 6, shows the (OLS) regression to test the effect of managerial ability on financial reporting timeliness depending on (MA_{it}) as a dummy variable. Adjusted R^2 is 0.244 (was 0.259 in the first analysis) for $FRLag_{1it}$, and 0.172 for $FRLag_{2it}$ (was 0.259 in the first analysis). Fisher's F values still significant in the models. The results confirm that managerial ability (MA_{it}) has a significantly negative effect on financial reporting lag ($FRLag_{1it}$ and $FRLag_{2it}$) at 5% in both cases.

Table (6): Managerial ability and financial reporting timeliness, robustness check

	FRLag _{1it} dependent variable				FRLag _{2t} dependent variable			
	Coefficient	t-value	Sig.	VIF	Coefficient	t-value	Sig.	VIF
Constant	35.296	2.135	0.034		-43.920	-2.617	0.009	
MA_Dummy _{it}	-5.812	-2.343	0.020	1.171	-6.135	-2.397	0.017	1.092
FirmSize _{it}	1.909	2.674	0.008	1.261	2.538	3.520	0.001	1.126
ROE _{it}	-11.824	-1.906	0.058	1.360	-18.105	-2.851	0.005	1.249
Lev _{it}	2.534	0.456	0.649	1.581	2.498	0.470	0.639	1.266
Growth _{it}	-1.503	-0.585	0.559	1.063	-0.226	-0.083	0.934	1.051
Aud_Size _{it}	-3.060	-1.011	0.313	1.647	-3.884	-1.279	0.202	1.453
Disc_Acc _{it}	-47.159	-1.524	0.128	2.912	-50.066	-2.441	0.015	1.122
Opinion _{it}	13.325	4.426	0.000	1.624	14.088	4.583	0.000	1.483
Foreign _{it}	2.431	0.705	0.481	1.676	3.171	1.023	0.307	1.188
%Outside Directors	-0.371	-0.050	0.960	1.352	0.145	0.019	0.985	1.245
Duality	-3.309	-1.128	0.260	1.448	-3.535	-1.225	0.222	1.228
observations		310				310		
Industry Dummies		yes				No		
Year Dummies		yes				yes		
F. Test		5.544***				5.271***		
R ²		0.298				0.212		
Adjusted R ²		0.244				0.172		

***, **, * Indicate two-tailed significance at the 0.01, 0.05 and 0.10 levels, respectively.

5-Discussion, Conclusion, and Future Research:

Managerial ability is a research topic that has attracted attention in recent research as one of the important resources that add real value to firms' performance and support firms' competitive advantages. Theoretical evidence confirms the importance of managerial ability for firms, however, this has not been fully confirmed at the empirical level. Some research results confirm a positive effect of managerial ability

on earnings quality (Demerjian et al. 2013; Huang and Sun 2017; Sales et al. 2015; Wang et al. 2017; García-Meca and García-Sánchez 2018; Petkevich and Prevost 2018). However, other research confirms the opportunism hypothesis for higher ability managers, this research confirms a negative relation between managerial ability and earnings quality (Baik et al. 2012; Hassanzadeh et al. 2013).

We extended the research that examines the effect of managerial ability on financial reporting quality, by examining the effect of managerial ability on financial reporting timeliness. Under the resource-based theory, we expect that higher ability managers will provide financial reporting in a timeliness manner, so that we expect a negative relationship between managerial ability and financial reporting lag in Egypt (H1). We run (OLS) regression for model (4) to test our hypothesis.

The results are consistent with our hypothesis; we find a negative effect of managerial ability on financial reporting timeliness across all analyses. This is consistent with the results provided by Abernathy et al. (2018) who test the relationship in the United States. Despite the low investor protection in Egypt as one of the emerging economies, our results are consistent with the efficiency hypothesis for managerial ability, this results confirm that managerial ability is one of the important resources which add value in emerging economies. Consequently, we recommend future research to confirm the implications of managerial ability in emerging economies such as; the effect of managerial ability on tax avoidance, future performance, firm value, corporate risk-taking, and cost of capital.

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