

ABSTRACT

This study aims to analyze the effect of managerial competence on firm value, taking into account the roles of sticky costs and profitability as mediating mechanisms. The study draws on upper echelon theory, agency theory, and signaling theory to explain how managerial characteristics influence resource allocation decisions, financial performance, and market responses. The research sample comprises 119 manufacturing companies listed on the Indonesia Stock Exchange during the 2015–2023 period, yielding a total of 1,071 firm-year observations. Managerial ability was measured using the approach by Demerjian et al. (2012), sticky costs were calculated based on the model by Anderson et al. (2003), profitability was proxied by Return on Assets (ROA), and firm value was measured using Tobin's Q. Hypothesis testing was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) using WarpPLS 8.0.

The research findings indicate that managerial competence has a positive effect on firm value, but does not have a significant effect on sticky costs. Sticky costs were found to have a positive effect on profitability, suggesting that asymmetric cost behavior does not always reflect inefficiency but may be a consequence of strategic decisions to retain resources to support future performance. Mediation analysis showed that sticky costs do not mediate the relationship between managerial competence and profitability, whilst profitability mediates the effects of managerial competence and sticky costs on firm value. However, a chain mediation model involving managerial competence, sticky costs, profitability, and firm value was not supported. These findings suggest that profitability is the primary mechanism by which managerial competence and cost behavior translate into firm value, whilst sticky costs do not mediate the relationship between managerial competence and firm performance. This study contributes by offering the perspective that sticky costs can be understood not only as a form of cost inefficiency, but also as a consequence of strategic managerial decisions that impact a company's performance and value

Keywords: managerial ability, firm value, profitability, sticky cost