

# **FIRM PERFORMANCE DURING COVID-19 PANDEMIC: THE EFFECT OF MANAGERIAL ABILITY**

## **ABSTRACT**

Covid-19 pandemic is probably the largest global public health crisis in the modern history and its impacts to the society, people, and businesses in both short- and long-term are yet to be determined. This study investigates whether and how the Covid-19 pandemic affects the firm's performance and whether firm management can divert the business disruption risks rising from this natural disaster and contribute to sustainable firm performance during the crisis period. We employ the managerial ability measure developed by Demerjian et al. (2012) and examine the US firm's productivity and profitability for the period around the Covid-19 pandemic.

The role of managers in firm performance has been widely studied. Prior research has found that management practices differ across firms and countries (Bloom and Reenen, 2007). Various reasons such as product market competition, labor market regulation, the selection process of executives (Bloom and Reenen, 2010) lead to the heterogeneity of management practices and managerial ability across firms. Demerjian et al. (2012) develop a quantitative managerial ability measure using the data envelope analysis (DEA) method. This measure captures managers' ability to efficiently convert firm resources into sales revenue relative to their industry peers.

Strategy management research attempts to focus on the firm aspects while others focus on the external environment opportunities or threats (Guerras-Martin et al. 2014). Our study of managerial ability and firm's performance during the Covid-19 Pandemic period is a unique setting to look into how do the external factors/attributes affect the internal factors, and how the internal resources (both tangible and intangible human resources) react to external threats in the management strategy.

**Keywords:** Managerial Ability, Firm Performance, Pandemic