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Sustainable Drivers of Financial Success in Nigeria's Non-Financial Sector: A Managerial Perspective

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ABSTRACT

This study examines the determinants of financial performance from a managerial perspective capturing managerial outcomes such as managerial hubris, meetings, risk and compensation. This study utilises the ex post facto methodology. Using a panel ordinary least square regression, the findings demonstrate that a higher frequency of board meetings has a detrimental effect on financial performance, resulting in a 3% decline for each additional meeting. This is a result of an abundance of meetings, mental exhaustion from making too many decisions, and excessive control over tasks and processes. Managerial remuneration has a negative influence on financial performance, resulting in a 21% decline for each unit increase. Nevertheless, despite a substantial 83% decline in performance, management hubris does not have a meaningful impact on financial outcomes. Finally, exercising careful and wise decision-making while taking risks promotes the development of new ideas and the capacity to adjust to new circumstances, resulting in a significant 29% growth. The study's findings indicate that implementing strategic risk management may improve financial performance. This suggests that pay should be in line with long-term goals and that fostering a culture of transparent communication and efficient governance is crucial for minimising adverse effects and fostering sustainable growth outcomes.

Keywords: Upper Echelon Theory, Behavioural Finance, Managerial characteristics, Hubris, Board Diligence
JEL Classifications: M0, M5, M14

1. INTRODUCTION

In today's globalised market, competition is fiercer than ever (Kareska, 2023). Global competition has increased due to the lowering of trade barriers, the proliferation of technology, and the decline in the cost of communication and transportation (Ogunjobi et al., 2023). The complexity of management skills in relation to industrial competitiveness has been the subject of debates in light of changes in the global market, the accomplishment of the European Union, and the growing economies of Eastern European nations. To be competitive in today's global and domestic markets, businesses must seek methods and strategies to improve their financial performance (Babayev and Balajayeva, 2023). For developing nations like Nigeria, where businesses may reinvest their earnings to broaden their customer base, this is particularly true.

In the international business literature, there are a number of empirical and conceptual works on competitiveness. Notwithstanding, how the performance outcomes of these businesses should be evaluated and what elements determine sustainable corporate success are, however, still the theme of debate in a variety of academic disciplines. Companies and businesses over the years have experienced financial issues while some have liquidated due to lack of solvency (Rejimon and Usha, 2024). Many publicly traded companies have declared bankruptcy because of the Nigerian economy's escalating non-productivity and other underlying difficulties (Faith and James, 2024). Thus, while the majority of NSE-listed companies have experienced rising fortunes over time, a multitude of companies have experienced declining fortunes or have even been delisted (Orji and John-Akamelu, 2023). Due to this phenomenon, the majority of attention devoted to rescuing

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or even liquidating struggling businesses has centred on financial restructuring.

There was a paucity of empirical scholarships regarding the relationship amid managerial capabilities and firm outcomes. A plausible explanation is that managers can make a difference in corporate performance (Heubeck, 2023). For a long time, researchers failed to consider management heterogeneity when trying to explain business strategies and results. This is because the majority of empirical studies relied only on factors at the company, industry, or market level. The character traits of managers also come to bear in achieving investors' expectations on performance, which invariably guarantees the going concern status of the firm (Asaolu, 2023). There are irrational directors in the world, but there are also prudent managers who react to irrational investors, according to theory. However, there has been a lack of focus on how aspects related to management decision-making impact a company's financial success.

This underlying focus fills the research gap by centering on managerial factors that affect performance outcomes. From literature, it can be seen that most researchers have focused on other variables such as liquidity, profitability, revenues, and leverage (Okere et al., 2018); board characteristics (Palaniappan, 2017); ownership and board structure (Paniagua et al., 2018); intellectual capital (Ozkan & Zeytinoglu, 2024); board characteristics (Palaniappan, 2017); Ownership and Board Structure (Paniagua et al., 2018); Volume of Deposits and Oil Prices (Alharthi, 2022). In addition, assessments of literature on financial performance outcomes have naturally focused on traditional determinants as well as elements that impact corporate financial performance, despite the fact that these are frequently extremely extensive and exhaustive. This study aims to apply a comprehensive framework to the situation of Nigerian enterprises and their financial outcomes.

This research break new ground by centering their attention on the decision-making, skills, and attitude of managers as modern drivers of financial success. From a methodological standpoint, the research records In order to acquire solid and trustworthy results, it adopted panel data analysis and other applicable econometric analyses. This study uses a more current data set than earlier research in the Nigerian context, and it focusses on non-financial entities quoted on the Nigerian stock market rather than banks and other financial organisations. The study's fundamental objective is to improve financial performance, agency costs, and corporate governance by investigating how a diverse board affects productivity, profitability, and sustainability. Policymakers may use the results to push for more diverse and inclusive board structures and to advance gender parity and inclusion in the workplace.

2. LITERATURE REVIEW

Within contemporary organisations, the board executives has the obligation of appointing senior management in the representation of shareholders. This includes establishing executive remuneration packages that serve as incentives for executives to undertake risks (Schoonjans et al., 2024). Managerial risk plays a crucial role in determining the level of corporate performance (Qian et al., 2023). This is because pursuing endeavours with a high likelihood of failure demands a substantial investment of money, time, or resources. Managers who are more inclined to take risks often get better innovation outcomes, but they may face agency costs when they choose to pass on possibilities that offer high rewards but also come with significant risks (Wilden et al, 2023).

Implementing effective compensation plans may motivate leaders to embrace prudent finance and investment tactics, enhancing corporate worth via the adoption of strong financial and investment methods (Kasun, 2024). Employees are eligible for bonuses or incentives depending on their performance over the previous year, in addition to their normal wages (Fulmer et al., 2023). The committee responsible for determining the yearly bonus considers factors such as work responsibilities, the applicant's level of seniority and experience, and the industry's median wage. Stock options have been a prominent component of CEO remuneration since the 1950s, and their proportion of overall pay has consistently increased since the 1990s.

An actively involved board is advantageous for shareholders as its members demonstrate a higher level of commitment to the company's activities and is a crucial measure of effective corporate governance (Black and Yahaya, 2024). In order for corporate boards to achieve success, directors must demonstrate unwavering commitment to their responsibility of providing guidance and oversight to management (Gutterman, 2023). This entails regular attendance at board meetings and active engagement in discussions and deliberations. Board diligence plays a vital role in corporate governance as it directly impacts the development and execution of strategies (Thompson and Alleyne, 2023).

Research has shown that board meetings may have a beneficial influence on a company's profitability, manipulation of results, and the quality of its financial statements (Joecks et al., 2024). Directors' dedication towards their obligations may also be assessed by their attendance at board meetings. There are two contrasting perspectives regarding the connection between board activity and firms' performance. One viewpoint suggests that the frequency of board meetings serves as an indicator of board effectiveness, resulting in enhanced corporate management control and improved financial and non-financial outcomes (Cai et al., 2023). Conversely, the opposing viewpoint argues that a high number of meetings may indicate a lack of effectiveness within the board, leading to negative impacts on firms' performance (Abubakar et al., 2023).

Additionally, the hubris hypothesis, derived from ancient Greek mythology, posits that rational managers are able to handle irrational investors, yet it acknowledges the existence of irrational managers as well (Sadler-Smith, 2024). The hubris hypothesis notion is a key driver behind the decision to pursue mergers and acquisitions (M and A), takeovers, and other forms of consolidation or strategic alliances in the field of management exhibiting an excessive amount of confidence in their abilities to find, accept, and handle prospective goals, which may not be advantageous in

the long term. This implies that managers are driven by individual motivations rather than financial rewards (Akstinaite and Lewis, 2024). Some managers' display of a proud acquirer's attitude indicates that they are disregarding the concept of the winner's curse, which explains the occurrence of illogical assessments to bid excessively, despite unfavourable circumstances (Asaolu, 2023).

The upper-echelon hypothesis posits that hubris can contribute to significant achievements in performance, the pursuit of innovation, and the introduction of new products (Picone et al., 2024). Managers with excessive pride hinder their ability to anticipate future events strategically because of their biased view of themselves, excessive self-reliance, and unwarranted confidence (Roe, 2023). They exhibit less sensitivity to both present and future settings, displaying a tendency to overestimate the resources at their organisations' disposal, while simultaneously neglecting to adequately consider the existing situation.

Furthermore, overconfident managers give excessive importance to information that confirms their pre-existing preconceptions (Marzouki and Ben Amar, 2024). This tendency may restrict their perspective and prevent them from accepting other opinions. Thereby hindering the development of strategic foresight and resulting in choice biases and inefficient decision-making. In addition, managers with excessive pride may overstate their previous accomplishments, resulting in their expertise becoming obsolete and less useful for forecasting future situations (Bachkirov, 2023).

Financial performance refers to the successful completion of a work, and a performance review is undertaken to assess if the anticipated results have been achieved and provide potential solutions for any shortcomings. According to Jiang et al. (2024), there are four specific variables contributing to the overall performance of a bank: Organisational efficiency, human resource efficiency, financial and market success, and product/service performance and customer satisfaction. Assessing performance should be based on the successful attainment of management and investor objectives (Korhonen et al., 2023). Performance criteria like as size, deposit volume, and profitability are seen as more dependable. Return on Equity capital (ROE) and Return on Assets (ROA) are metrics used to assess the level of profitability. On the other hand, Return on Assets (ROA) evaluates the ability of a company's assets to create profits without the need for further capital (Himawari and Mohammad, 2023).

2.1. Theoretical Review

Corporate managers' assessments of situations and decision-making are heavily influenced by their own experiences, values, and personalities, according to the core premise of upper echelons theory (Short and Hubbard, 2023; Hambrick, 2007). The upper echelons theory (UET) proposed by Hambrick and Mason (1984) is widely recognised as a pivotal theory in the field of strategic management. Numerous studies (e.g., Looser, 2024; Riera and Iborra, 2023) have been inspired by this theory to investigate how the personalities and backgrounds of CEOs affect their perspectives, decisions, and actions and thus the outcomes of their respective businesses. Individual managers' interpretations of the strategic situations they face may be influenced by personal characteristics such as experience and personality (Aabo et al., 2024; Cuppello et al., 2023), according to the upper echelons theory, which suggests that such interpretations influence the decision-making process of executive managers.

Scholars have been open-ended in their theories on the influence of executive traits and cognitive functions (Lautenbach et al., 2024). For instance, Lou et al. (2024) hypothesise that CEOs' cognitive processes shift when they gain public notoriety, leading them to be less deliberate but more confident in their choices. The authors elaborate on how certain personality traits (such as narcissism) amplify these effects and how certain environmental factors (such as politics) may limit the influence of cognitive shifts on behavioural outcomes.

Elrehail et al. (2023) delve a little more towards dissecting many facets of thought. They present the idea of "managerial cognitive capability," which they define as the ability of a manager to create, retrieve, and alter knowledge systems (i.e., to engage in "mental activities"). The researchers detail how managers' levels of this cognitive capacity affect their receptivity to and pursuit of environmental chances, which in turn influences strategic shifts and business outcomes. This study argues that the methods utilised in recent UET studies examining executive personality can be reasonably applied to studies of executive cognition. Historiometric examination (i.e., investigation of biographies as well as other historically relevant content; Resick et al., 2023) or content analysed other widely available information have also been reviewed to gain comprehension into the thought systems of executives.

The use of such technology paves the way for significant investigation into how biological and neurological bases of cognition influence executive decision-making (Raj et al., 2023). These data should supplement conventional measures rather than replace them and researchers should keep in mind the socially integrated element of organisational life. Scholars unfamiliar with these technologies should work along with researchers experienced in handling such problems.

The UET is widely recognised as a seminal theory in the field of corporate management studies. However, as both the body of literature and the evaluations of that literature have grown in size and complexity, so too discusses the most fundamental conceptual and methodological criticisms. Particularly, earlier evaluations urged paying more attention to how executive qualities affect performance outcomes. Scholars, according to critics can gain a deeper insight into how leaders can and should function inside their organisations to promote positive results if they take the time to evaluate managerial behaviours.

2.2. Empirical Review

Okpo et al. (2023) research was to investigate if the remuneration packages provided to executive directors in deposit money institutions had the ability to incentivise them to improve their productivity. Using correlation and regression models covering the period of 2015-2019 revealed a positive link amid managerial

compensation and corporate performance. Notwithstanding, this is in contrast with the findings of Omotola (2023) which revealed a negative relationship.

Lubis and Ningsi (2022) examined the impact of government size, balancing finances, and economic development on the financial performance of Indonesian districts/cities. They used secondary data and conducted a basic regression analysis. Basheer et al. (2022) investigated the impact of return on equity (ROE), return on assets (ROA), leverage ratio (DTE), working capital ratio (WCR), and gross profit ratio (GRPM) on earnings per share (EPS) and market-to-book value ratio (MBV) for Iraqi oil and gas companies between 2010 and 2021.

Saha and Bishwas (2021) examined the factors that influence the financial performance of commercial banks in Bangladesh by using panel data regression models, doing a Hausman test, and conducting trend analysis. Zhang and Lee (2021) investigated the mediation channels that influence the financial performance of intelligent manufacturing companies associated with the Fourth Industrial Revolution, using structural equation modelling (SEM). The study revealed that the combination of intensified investment in corporate research and development (R and D) and enough liquidity is associated with favourable financial performance. However, only focusing on innovation initiatives does not provide the same positive outcomes.

Morara and Sibindi (2021) conducted a study on the factors that influence the financial success of insurance companies in South Africa. They used panel data techniques to analyse data from 37 general insurers and 16 life insurers, covering the period from 2009 to 2018. Le Thi Kim et al. (2021) examined how micro and macro variables influenced the performance of food processing enterprises in Vietnam between 2014 and 2019. In Kachumbo (2020) research, it was discovered that the financial performance of commercial banks in Kenya is greatly affected by capital adequacy and client numbers, especially following the introduction of financial technology.

Matar and Eneizan (2018) discovered that there is a positive association between liquidity, profitability, and sales with return on assets. Conversely, leverage and company size have negative correlations with return on assets. The study conducted by Ramli et al. (2018) discovered a strong and positive relationship between the amount of debt a company has and its financial success in Malaysia and Indonesia. The researchers observed that companies in these countries use external funding to improve their overall performance. In Shrestha (2023) research, it was discovered that managerial efficiency, asset quality, and operational efficiency have a good influence on financial performance in Nepalese commercial banks. However, the capital ratio has a negative effect on return on assets (ROA).

The research conducted by Ayako et al. (2015) discovered that corporate governance has a beneficial effect on business performance, but leverage has a notable adverse effect. The research conducted by Gholipour et al. (2017) revealed that Iran's real estate broking business experiences substantial advantages as a result of international economic and financial restrictions. According to a research conducted by Assagaf and Ali (2017), it was discovered that government subsidies have a negative effect on financial performance. On the other hand, strategic profitability and capital structure factors have a favourable influence on performance.

Mitra and Adhikary (2017) conducted a study on the factors that influence the financial performance of textile industry companies listed on the dhaka stock exchange (DSE). They used a panel dataset and used the ordinary least square (OLS) technique for analysis. The research revealed that asset turnover (ATO) and profit margin have a large and favourable influence on return on assets (ROA), but leverage, cash holding, and company age had a negative effect on it. Chawla and Manrai analysed the financial performance of 35 manufacturing companies in India that are listed on the stock market. They used a regression model and descriptive statistics for their examination. The findings indicate that the debt-to-equity ratio, current ratio, and business size have a substantial impact on the return on assets (ROA).

Amene and Alemu (2019) conducted a study to evaluate the impact of bank-specific and macroeconomic factors on the financial performance of private commercial banks in Ethiopia. They used multiple linear regression modelling using panel data. Odhiambo (2019) conducted a descriptive study to evaluate the factors that influence the financial performance of Savings and Credit Cooperative Societies in Nakuru town, Kenya.

Ngumo et al. (2020) et al. (2017) investigated the factors that influence the financial performance of microfinance banks in Kenya. They used a descriptive study methodology and conducted regression analysis. According to Batchimeg (2017), the factors that significantly influence financial performance include capital structure, cost structure, and profitability. Nugraha et al. (2021) examined the potential impact of cash and loan deposits on the return on assets (ROA) of Indonesian banks. They used multiple regression analysis and descriptive statistics to analyse the data. Teshome et al. (2018) discovered a substantial positive correlation between bank size and financial performance. In their study, Assagaf and Ali (2017) discovered that government subsidies have a detrimental impact on the financial performance of State-Owned Enterprises (SOEs), hence impeding their ability to function autonomously without government assistance.

3. METHODOLOGY

This investigation adopts an ex-post facto research approach in order to offset its inherent bias in data gathering. In this analysis, all non-financial organisations that are listed on the Nigerian stock exchange as of 2023 are considered the population. A total of 106 entities from 10 different industries make up the study's population. In order to ensure that generalisations about Nigerian stock market firms are correct, this study focuses on non-financial organisations. This is because, in comparison to other publicly traded companies, financial institutions, and banks in particular, are renowned for engaging in Corporate Governance to varied degrees. For this reason, the research excluded banking institutions

in favour of non-financial institutions listed on the Nigerian stock exchange.

Using the convenience sampling approach, the research used 10 businesses listed on the Nigerian stock market. To guarantee fair representation and a balanced distribution, firms were chosen from across all industries. Information from these companies was culled from their annual reports spanning the fiscal years 2013-2022.

Panel ordinary least squares regression and descriptive statistics were used to examine the data collected for this investigation. Time series and cross-sectional data were both used in the panel data approach. To get a better understanding of the data, the study used descriptive statistics to calculate key metrics like averages and standard deviations. A correlation analysis was conducted to ensure that the selected variables did not exhibit multicollinearity. In order to differentiate between the fixed effect and random effect models in the regression, a Hausman Test was also conducted.

3.1. Model Specifications

This study employed a modified version of the econometric model of Ayako et al. (2015). The Econometric model is depicted below:

$$ROE_{it} = \alpha_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 LEV_{it} + \beta_4 LIQ_{it} + \beta_5 FRMSIZ_{it} + \varepsilon_{it} \quad (1)$$

As a result, we created a basic definitional model to serve as the basis for our investigation. Here is how this model works:

$$ROEit = \alpha 0 + \beta 1MCOMPit + \beta 2MRISKit + \beta 3MHUBit + \beta 4MBMEETit + \beta 5FSIZEit + \varepsilon it \quad (2)$$

Where:
ROE_{it}= Returns on equity
α_0= Intercept of the regression
$MCOMP_{it}$= Managerial compensation
$MRISK_{it}$= Managerial risk
$MHUB_{it}$= Managerial Hubris
$MBMEET_{it}$: Managerial meetings
$FSIZE_{it}$= Firm size
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = coefficients of the regression
εit = Error term.

3.2. Data and Research Variables

Table 1 below shows the measurement of variables and their definitions.

4. DATA ANALYSIS AND INTERPRETATION

4.1. Descriptive Analysis

The dataset's descriptive statistics analysis is shown in Table 2. This demonstrates the kind of the data used in this investigation. The variables' means and medians reveal the averages of the two mid numbers in each dataset, or the middle number in each dataset, and the middle number in each dataset, respectively. In Nigeria, the results reveal that standard deviations of all volatile variables have been highly unstable from 2013 to 2022. There is a lot of dispersion around the mean, as seen by the standard deviation. The results are also quite unpredictable, according to it.

It is clear from the Jacque-Bera statistics that the values are far from zero. As a result, we can rule out the possibility that the data in the sample is normally distributed. It is also clear that the data set is not normally distributed since a few of the Jacque bera P-values are statistically significant. Some of the values in the dataset are right-skewed, while others are left-skewed, suggesting skewness and kurtosis. With kurtosis values larger than one, we can see that the data follows a leptokurtic distribution.

4.1.2. Multi-collinearity test

The outcome of a correlational analysis is shown in Table 3. A correlation study was carried out in order to evaluate the possibility of multi-collinearity among the independent variables. A lack of multi-collinearity is evident since no variables exhibit a correlation coefficient higher than 0.8. Any correlation more than 0.80 is likely to indicate significant multi-collinearity, as stated by Okere et al. (2018). There is no evidence of multi-collinearity, according to the correlation analysis.

Hausman test			
Correlated random effects-Hausman test			
Test summary	**χ^2. statistic**	**χ^2. d.f.**	**Probability**
Cross-section random	186.087060	5	0.0000

Source: Researchers computation (2024)

Table 1: Measurement of variables

Variable	Definition	Source
Independent variables		
Managerial compensation	An executives overall remuneration and pay transformed into its natural logarithm. Consisting of Salaries, bonuses, commissions, stock awards, pensions, health insurance, club dues, transport, utilities, rent, allowances, provident funds, incentive schemes, etc.	Goldman et al., (2024)
Managerial risk	The riskiness of policies: Denoted by total Liabilities as a ratio to total assets	Wolf and Karszes (2023)
Managerial hubris	CEO Relative Compensation Denoted as the salary of the CEO as a ratio to the salary of the top three executives	Li and Sullivan (2022); Zhang et al. (2020)
Managerial meetings	Denoted as the frequency of board meetings in a financial period	Eluyela et al. (2018)
Firm size	Natural logarithm of total asset	Okere et al. (2024)
Dependent variables		
Financial performance	Returns on Equity (ROE) Ratio of Equity over total assets	Hoang and Nguyen (2021)

Source: Authors compilation (2024)

Table 2: Summary of descriptive statistics

Test	FSIZE	MBMEET	MCOMP	MHUB	MRISK	ROE
Mean	7.571023	5.060000	5.407622	0.019300	0.509865	1.156700
Median	7.679604	5.000000	5.408889	0.000000	0.476225	0.125000
Maximum	8.679317	9.000000	6.484399	0.380000	0.947919	16.11000
Minimum	5.914066	4.000000	4.146035	0.000000	0.181668	-0.150000
Standard deviation	0.600272	1.144332	0.555392	0.057879	0.211236	3.110413
Skewness	−0.947428	0.857972	−0.279807	4.903453	0.522884	3.099670
Kurtosis	3.772647	3.146421	2.328260	27.55037	2.542529	11.83176
Jarque-Bera	17.44775	12.35794	3.185011	2912.066	5.428795	485.1326
Probability	0.000163	0.002073	0.203415	0.000000	0.066245	0.000000
Sum	757.1023	506.0000	540.7622	1.930000	50.98654	115.6700
Sum Sq. Dev.	35.67237	129.6400	30.53761	0.331651	4.417425	957.7922
Observations	100	100	100	100	100	100

Source: Researchers computation (2024)

Table 3: Correlation analysis

Variables	FSIZE	MBMEET	MCOMP	MHUB	MRISK	ROE
FSIZE	1.000000	−0.130524	0.771120	−0.220989	0.405842	−0.312867
MBMEET	−0.130524	1.000000	0.191807	−0.194568	−0.412429	−0.316907
MCOMP	0.771120	0.191807	1.000000	−0.149101	0.283373	−0.282832
MHUB	−0.220989	−0.194568	−0.149101	1.000000	0.115408	0.569712
MRISK	0.405842	−0.412429	0.283373	0.115408	1.000000	0.091968
ROE	−0.312867	−0.316907	−0.282832	0.569712	0.091968	1.000000

Source: Researchers computation (2024)

The table above shows the Hausman test which helps to determine whether a fixed or random effect model would be adopted for the study. A fixed effect would be used for this model ($P < 5\%$).

4.2. Panel OLS

4.2.1. Regression analysis

Furthermore, from the Table 4, it can be seen that the Adjusted R-squared is 80%. This depicts that 68% of changes in the dependent variable (ROE) can be explained by changes in the independent variables. The remaining are covered by factors not captured in this study. In addition, the F statistics show how fit the research models are. From the F statistics, it can be seen that it is positive (28.61570) and significant (0.0000) at the 5% level. This depicts that there is a significant impact of the independent variables (MBMEET, MCOMP, MHUB, MRISK, FSIZE) on the performance of non-financial firms in Nigeria. Consequently, Durbin Watson shows the presence of serial autocorrelation. This is common in time series data sets and analysis.

4.3. Research Hypotheses Testing and Discussion of Findings

4.3.1. Hypothesis one

H_0: There is a significant impact of managerial meetings on the financial performance of non-financial firms in Nigeria.

The findings show a negative (−0.032753) and significant (0.0015) impact on board meeting frequency on the financial performance of non-financial firms in Nigeria. This depicts that for every unit increase in board meetings frequency; there would be a 3% decrease in the financial performance of non-financial firms in Nigeria. This supports the findings of Khalil and Chihi (2020) the reveal a negative impact of board meetings on financial performance. Although, this negates the findings of Eluyela et al. (2018) that revealed a positive relationship. Regular board meetings may have a detrimental effect on a company's financial success for several reasons. They have the potential to use up time and resources, resulting in decision fatigue and less-than-ideal strategic decisions. Excessive and frequent meetings may result in micromanagement, which in turn leads to higher overhead expenses and a narrow focus on urgent problems. Choices may become inefficient when too much attention is given to formalities instead of focusing on the actual substance of the choices. Burnout among board members may arise from the excessive number of meetings, leading to decreased involvement and efficiency. Hence, it is essential to maintain a harmonious equilibrium between board meetings and strategic objectives.

4.3.2. Hypothesis two

H_0: there is a significant impact of managerial compensation on the financial performance of non-financial firms in Nigeria.

From the regression analysis, it can be seen that there is a negative (−0.2111) but significant (0.0148) impact of managerial compensation on the financial performance of non-financial firms in Nigeria. With respect to the magnitudes of the estimated parameters, a unit increase in managerial compensation would lead to a 21% decrease in the financial performance of non-financial firms in Nigeria. Since the P-value is less than the benchmark of 5% significance level, we reject the null hypothesis and confirm the alternative hypothesis, which says there is a significant impact of managerial compensation on the financial performance of non-financial firms in Nigeria. These findings support the findings of which also revealed a negative relationship. Also, the finding negates that of Okpo et al. (2023) which revealed a positive relationship between managerial compensation and performance.

To support these research findings, researchers have expressed that Managerial remuneration is a key part of company governance,

Table 4: Regression results

Dependent variable: ROE				
Sample: 2013 2022				
Periods included: 10				
Total panel (balanced) observations: 100				
Variable	**Coefficient**	**Standard error**	**t-Statistic**	**Probability**
MBMEET	−0.032753	0.010010	−3.272128	0.0015
MCOMP	−0.211112	0.084833	−2.488560	0.0148
MHUB	−0.830406	1.047035	−0.793102	0.4299
MRISK	0.290394	0.143257	2.027076	0.0458
FSIZE	−0.158190	0.124732	−1.268240	0.2082
C	3.529669	0.829838	4.253441	0.0001
R-squared	0.824966	Mean dependent var		0.992071
Adjusted R-squared	0.796137	S.D. dependent var		1.137850
S.E. of regression	0.630549	Sum squared resid		33.79530
F-statistic	28.61570	Durbin-Watson stat		1.268554
Prob (F-statistic)	0.000000			

Source: Researchers computation (2024)

but if not correctly managed, it may significantly affect financial performance. Short-term emphasis, risk-taking behaviour, financial statement manipulation, lack of alignment with shareholders, excessive use of stock options, failure to adapt for performance, and entrenchment are all factors that contribute to this effect.

Short-term thinking may lead to actions that prioritise quick financial gains, whilst risk-taking can lead to poor decision-making and financial problems. Manipulation of financial statements may also result in inaccurate depictions of the company's financial health. Lack of alignment with shareholders may lead to actions that favour CEOs while harming total shareholder value.

Excessive usage of stock options may lead to short-term stock price manipulation without generating long-term benefits. Performance adjustments may fail to account for external economic circumstances or industry trends, resulting in compensation for managers even when general market conditions or industry variables contribute to financial success.

Entrenchment is also a concern, since overly generous remuneration packages may make it financially difficult for boards to dismiss failing CEOs. To avoid these negative consequences, organisations should create pay packages that are aligned with long-term strategic objectives, prioritise a balanced collection of performance criteria, and include procedures for accountability and transparency. Compensation structures should be reviewed and adjusted regularly in response to changing business circumstances to ensure that management incentives stay aligned with the company's and stakeholders' best interests.

4.3.3. Hypothesis three

H_0: There is no significant impact of Managerial Hubris on the financial performance of non-financial firms in Nigeria.

From the regression analysis, it can be seen that there is a negative (−0.8304) and non-significant (0.4299) impact of managerial hubris on the financial performance of non-financial firms in Nigeria. With respect to the magnitudes of the estimated parameters, a unit increase in managerial hubris would lead to an 83% decrease in the financial performance of non-financial firms in Nigeria. Since the P-value is greater than the benchmark of 5% significance level, we accept the null hypothesis and reject the alternative hypothesis, which says there is no significant impact of managerial hubris on the financial performance of non-financial firms in Nigeria.

To support these research findings, Managerial hubris is a mindset in which managers exhibit excessive pride, overconfidence, and a feeling of infallibility. This may result in bad financial performance for a variety of reasons such as Overestimation of abilities: Managers with hubris tend to overestimate their talents while underestimating hazards, resulting in unreasonable expectations and bad financial consequences. Also, Excessive risk-taking: Hubristic managers may take excessive risks, believing their judgement is immaculate and impervious to failure. This may lead to poor investment selections or aggressive financial tactics that do not correspond with market circumstances or the company's risk tolerance.

Furthermore, Feedback resistance: Managers with hubris may be less open to feedback and constructive criticism, which may impede good communication and prevent varied viewpoints from emerging. Also, managerial hubris could also lead to Poor strategic decision-making. Overconfident managers may make grandiose and ambitious judgements without conducting rigorous analysis or contemplating long-term ramifications.

Also, Neglect of governance and controls: Overconfident managers may discount the necessity of effective governance and internal controls, resulting in a lack of supervision and responsibility, raising the risk of financial mismanagement and fraud. Managerial hubris could also lead to Ineffective resource allocation: Hubris may lead to resource misallocation since managers are more focused on following their ambitions than objectively analysing and prioritising useful initiatives or investments. Finally, management hubris may have a negative impact on financial performance by causing poor decision-making, excessive risk-taking, resistance to criticism, and a breakdown in governance.

4.3.4. Hypothesis four

H_0: There is no significant impact of Managerial Risk on the financial performance of non-financial firms in Nigeria.

From the regression analysis, it can be seen that there is a positive (0.2903) and significant (0.0458) impact of managerial risk on the financial performance of non-financial firms in Nigeria. With respect to the magnitudes of the estimated parameters, a unit increase in managerial risk would lead to a 29% increase in the financial performance of non-financial firms in Nigeria. Since the P-value is less than the benchmark of 5% significance level, we reject the null hypothesis and confirm the alternative hypothesis, which says there is a significant impact of managerial risk on the financial performance of non-financial firms in Nigeria.

To support this research finding, managerial risk is the uncertainty and unpredictability associated with management choices and activities in a firm. While excessive or poorly managed risks may be negative, a certain degree of management risk can improve financial performance for a variety of reasons: Taking prudent risks has several advantages, including increased innovation and creativity. Managers who are ready to take risks may enter new markets, create distinctive goods or services, or apply creative business strategies, resulting in a competitive edge, higher market share, and better financial performance.

Adaptability to change is another advantage of taking chances. Managers who are willing to take risks are better equipped to adapt and respond to market, industry, and economic developments. This adaptability helps the organisation overcome hurdles and capitalise on new possibilities, which improves financial performance. Strategic expansion into new markets or diversification of product/service offerings sometimes entails some risk, but well-planned expansion initiatives may result in improved income streams and profitability. Managers benefit from efficient resource allocation because it allows them to prioritise investments with the highest returns while carefully analysing possible risks.

Taking risks also provides a competitive edge. Managers, who distinguish their goods or services, invest in cutting-edge technology, or use unusual business techniques may position their firm as an industry leader, resulting in greater customer loyalty, market share, and financial success. Encouraging a culture of measured risk-taking may stimulate employee innovation and creativity, eventually leading to improved financial success.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the determinants of financial performance (ROE) of listed non-financial firms in Nigeria. The results of the data analysis of secondary data using appropriate tables as well as Panel ordinary least square regression, and descriptive statistics show the determinants of financial performance (ROE) of listed non-financial firms in Nigeria. Therefore, the researcher concludes that the results show that a negative impact of managerial compensation is observed, with a 21% decrease in the performance of non-financial firms. Factors contributing to this effect include short-term emphasis, risk-taking behaviour, financial statement manipulation, lack of alignment with shareholders, excessive use of stock options, failure to adapt for performance and entrenchment.

On the other hand, managerial hubris is found to have a negative impact, with an 83% decrease in performance. This is due to overestimation of abilities, excessive risk-taking, resistance to feedback, and neglect of governance and controls. Lastly, the study finds that managerial risk has a positive impact, with a 29% increase in the performance of non-financial firms. This is due to the advantages of taking prudent risks, such as increased innovation, creativity, adaptability to change, efficient resource allocation, and competitive advantage.

From the research findings, the following recommendations are made:

i. To ensure sustainable growth, companies should align their compensation packages with long-term strategic objectives, prioritize balanced performance criteria, and regularly review and adjust compensation structures. Transparency and accountability are also crucial in the compensation process
ii. To mitigate the impact of managerial hubris, companies should promote open communication, robust risk management practices, rigorous strategic decision-making processes, and strengthen governance and internal controls. Additionally, fostering a culture of innovation and creativity can lead to increased innovation, entry into new markets, and competitive advantages.

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