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Valuing talent: Do CEOs' ability and discretion unambiguously increase firm performance

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Valuing Talent: Do CEOs' Ability and Discretion**Unambiguously Increase Firm Performance**

Abstract: This study investigates how the association between more able managers and firm performance, documented in prior research, is affected by the joint effect of managerial discretion and monitoring quality. We find that higher levels of managerial discretion afford more able managers to further improve firm outcomes *only* when such discretion is monitored closely to curb more able managers' rent seeking incentives. Our results are robust to a battery of additional and sensitivity analyses that we perform.

Keywords: Firm performance, CEO ability, Discretion, Business strategy, Monitoring.

Data Availability: All data used in this study are publicly available from the sources identified in the study.

JEL Classification: G12, G32, G34.

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