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The Impact of Executives' Overseas Background on Corporate ESG: Evidence from Chinese A-Share Listed Companies

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Abstract

Within the dual background of the "dual carbon" strategy and the standardized development of ESG in capital markets, exploring the driving mechanisms of corporate ESG performance is crucial, for promoting the sustainable operation of listed companies. This research takes Chinese A-share listed companies, from 2009 to 2023, as the research sample and, empirically analyzes the impact of executives' overseas background on corporate ESG performance, based on upper echelons theory. The findings are concluded as follows: executives' overseas background can boost a company's overall ESG score, and remains valid after a series of robustness tests; mechanism tests indicate that executives' overseas background can enhance corporate governance, thus improving corporate ESG performance; heterogeneity analysis indicates that this effect is more pronounced in non-state-owned enterprises, mature enterprises, and enterprises with lower levels of green innovation. This research provides empirical evidence for enterprises to optimize management configuration and improve ESG governance.

Keywords

executives' overseas background, ESG performance, upper echelons theory, corporate governance level

1. Introduction

As a part of the world trend of sustainable development, ESG has slowly transformed into a major value assessment criterion and risk-assessment mechanism in the world-wide capital markets [1]. The use of ESG performance by institutional investors as a decision-making process is becoming more common, and ESG performance is also intimately connected with risk management, financing ability, and cooperation with international supply chains, and it influences long-term competitiveness and value creation [2]. Even though the pace of implementation and institutionalisation of ESG regulations may be different among countries, ESG has become an inevitable topic of concern in the operation of companies [3]. For this reason, the rationale of corporate ESG performance and its determinants should be investigated.

The role of executives in corporate business decision-making is significant, and their cognitive style, values, and resource network influence the corporate strategy. International education or employment can expand the vision of executives abroad and alter their perception of sustainable development. Based on upper echelon theory, the experiential traits of executives influence corporate decision-making; executives who have worked

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overseas are more prone to being introduced to the idea of sustainable development abroad, and they would bring that experience to corporate governance and ESG-related activities [4,5]. The current studies have also shown that the relationship between executives and their overseas background is related to the corporate risk-taking [6]. On these grounds, the current paper goes deeper into investigating the influence of executives overseas background on corporate ESG results.

Therefore, this paper chooses Chinese A-share listed companies in 2009-2023 as the research subjects, creates a two-way fixed effects model with industry and year fixed effects, and analyzes how the overseas background of executives affects the ESG performance of corporations and how it works. A heterogeneity analysis is also carried out based on three aspects, i.e., ownership nature, corporate life cycle, and green innovation level. This paper can contribute marginally with: (1) it investigates the connection between the corporate ESG performance of executives and their overseas background in the institutional scenario of Chinese A-share listed companies, which extends the use of upper echelons theory in the study of sustainable development of companies; (2) it integrates the corporate governance factor into the discussion and presents the probable ways that the executives' overseas background can influence corporate ESG performance; (3) it defines the boundary conditions created by the ownership nature, corporate life cycle, and green innovation level. The findings of the research may offer empirical data to listed companies to optimize management structure and enhance ESG governance systems.

2. Theoretical Analysis and Research Hypotheses

Upper Echelons Theory was introduced by Hambrick and Mason in 1984 [4], and it is one of the main theories of management that explains the process of corporate strategy-making, corporate governance, as well as corporate performance [7]. The upper echelons theory points out that the personal experiences, perceptions, and values of executives have a strong influence on corporate strategic decisions. The executives use their cognitive preferences to direct the strategic approach, impose their values on the corporation's actions, and are major players in the process of resource allocation and institutional development with the ultimate effect on the corporate development trajectories and operation results [8].

The opportunity to get experience abroad enables executives to see a variety of institutional environments, governance regulations, and business operations, and the acquired cognition and experience can be introduced when making corporate decisions. According to upper echelons theory, the overseas background of executives is a visible experiential property, which can influence corporate environmental, social, and governance activities via mechanisms of sustainable development philosophy, long-term strategic vision, awareness of compliance, and reputation risk assessment [9].

First, looking at the values, capital markets in the developed world, including Europe and the USA, are developed, and ideas of sustainable development, green governance, and corporate social responsibility have been developed over time [10]. The executives with a background outside the country integrate environmental governance and social responsibility into the entire corporate development plan and are ready to invest more resources in energy saving measures, emission reduction measures, and green technology, which directly enhances the performance of corporate ESG across all the dimensions [11]. Second, in terms of strategic cognition and risk preference, overseas experience may significantly expand the strategic view of executives and develop their value assessment of the long term. Finally, in terms of information disclosure and compliance, executives with overseas backgrounds are acquainted with major international ESG rating systems, disclosure requirements and governance principles and have a higher level of compliance consciousness and information transparency consciousness [12] and thus contribute to enhancing the level of corporate ESG information transparency and governance standardization, leading to a significant improvement in overall corporate ESG scores and market ratings [7]. In turn, Hypothesis H1 is stated:

H1: Executives' overseas background can improve corporate ESG performance.

The performance of a company on ESG is not a standalone operational result but rather has a very close relationship with the internal governance framework. Sound corporate governance offers an institutional basis on which companies can meet environmental duties, perform social roles, and regulate governance conduct [13]. Those who have studied or worked abroad come across other contemporary corporate systems and governance practices at an earlier stage than their counterparts with no foreign experience and can apply the

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useful experience to enhance the corporate governance systems [14]. On the contrary, in cases when corporate governance is poor and controls are not healthy, enterprises are prone to the preference of short-term profit objectives and are prone to committing environmental crimes, lack of information disclosure, or irregular governance, thus impairing their ESG performance [12]. Through the reasoning of upper echelons theory, the governance philosophy of the executives might initially influence both internal institutions and governance efficiency and subsequently lead to the execution of sustainable development strategies by having a more developed governance system, which is eventually seen in the corporate ESG performance. In line with this, Hypothesis H2 is suggested:

H2: Executives' overseas background can improve corporate governance level, thereby improving corporate ESG performance.

3. Research Design

3.1 Sample Selection and Data Sources

The present paper uses Chinese A-share listed companies between 2009 and 2023 as the research object and pre-processes the data as indicated below: (1) eliminating financial listed companies; (2) eliminating listed companies under ST and *ST; (3) eliminating samples with missing data on key variables; (4) winsorizing the key continuous variables at the 1% level to remove the effect of extreme values. The end result is 41,938 firm-year observations. The data on the corporate ESG performance score used in this paper are sourced from the Huazheng database, and the data on the overseas experience of executives and control variables are provided by the China Stock Market & Accounting Research (CSMAR) database.

3.2 Variable Definitions

(1) ESG performance (ESG). Based on the work conducted by He Qing and Zhuang Pengtao (2026) [15], the current paper will employ the Huazheng ESG rating to evaluate the performance of a company based on ESG. The rating is wide in coverage and takes into account features of China's capital market. In this paper, the mean of quarterly scores will be employed as the annual corporate ESG performance. A higher ESG value implies improved corporate ESG performance.

(2) Overseas background of executives (overseas). The paper evaluates executives' overseas background on the basis of whether the chairman of the company has an overseas background. In case the chairman has an overseas background, i.e., studies or work experience, then the value is 1, otherwise, it is 0. Also, the fact that the CEO has an overseas background, as well as the percentage of board members with an overseas background are utilized in robustness tests.

(3) Control variables. According to the available literature, this paper has chosen the size of a firm (size), age of the firms (Inage), leverage ratio (Leverage), the largest shareholder's shareholding ratio (top1), ownership nature (Ownership), growth of the firm (Growth), number of independent directors (Director), Tobin's Q (TobinQ), and profitability (roa) as the control variables. The particular measures used are indicated in Table 1.

3.3 Model Design

The paper builds a two-way fixed effect model with industry and year fixed effects to investigate how the overseas experience of executives affects corporate ESG as follows:

In order to examine how the overseas experience of executives can affect corporate ESG, this paper proposes a two-way fixed effect model with industry and year fixed effects as follows:

$$ESG_{i,t}=\alpha_0+\alpha_1 Oversea_{i,t}+\alpha_2 controls_{i,t}+year+ind+\varepsilon$$

in which i is the index of the firm and t is the index of the year; ESG is the dependent variable, Oversea is the main explanatory variable, *controls* are control variables, *ind* and *year* stand for industry fixed effects and year fixed effects, respectively, and ε is the random error term. The regression uses robust standard errors.

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Table 1: Variable Definitions

Variable type	Variable name	Variable symbol	Variable definition
Dependent variable	ESG score performance	ESG	Measured using Huazheng ESG rating data
Explanatory variable	Executives' overseas background	Oversea	Equals 1 if the chairman has overseas study or work experience, and 0 otherwise
Control variable	Firm size	size	Natural logarithm of total assets
	Firm age	lnage	Natural logarithm of one plus the number of years since listing
	Leverage ratio	Leverage	Ratio of total liabilities to total assets
	Shareholding ratio of the largest shareholder	top1	Proportion of shares held by the largest shareholder in total shares
	Ownership nature	Ownership	Equals 1 for state-owned enterprises, and 0 otherwise
	Firm growth	Growth	Growth rate of total operating revenue
	Number of independent directors	Director	Natural logarithm of one plus the number of independent directors
	Tobin's Q	TobinQ	Tobin's Q of the firm
	Profitability	roa	Ratio of net profit in the current year to total assets

4. Empirical Analysis

4.1 Descriptive Analysis

The present paper has 41,938 valid observations. It is indicated in Table 2 that the average of ESG is 73.268, the standard deviation is 4.793, and the minimum, median, and maximum are 58.140, 73.450 and 83.910 respectively. The average of the explanatory variable of interest, i.e., chairman's overseas background, is merely 0.102. Just 10.2 percent of the firms in the observation sample have a chairman who has studied or worked abroad, which is not a very large percentage.

Table 2: Descriptive Statistics

VarName	Obs	Mean	SD	Min	Median	Max
ESG	41938	73.268	4.793	58.140	73.450	83.910
oversea	41938	0.102	0.303	0.000	0.000	1.000
size	41938	22.175	1.309	19.749	21.975	26.262
lnage	41938	2.046	0.937	0.000	2.197	3.367
Leverage	41938	0.419	0.209	0.051	0.409	0.924
top1	41938	34.329	14.910	8.650	32.070	74.450
Ownership	41938	0.365	0.481	0.000	0.000	1.000
Growth	41938	0.354	0.965	-0.679	0.119	6.822
Director	41938	1.413	0.127	1.099	1.386	1.792
tobin	41938	2.033	1.301	0.840	1.612	8.549
roa	41938	0.037	0.063	-0.251	0.038	0.201

4.2 Baseline Regression Analysis

Table 3 displays the baseline regression findings. Column (1) presents the OLS regression estimate of executives' overseas background and corporate ESG performance. Columns (2) and (3) include fixed effects and control variables, respectively. Column (4) gives the two-way fixed effects estimates after inserting fixed effects and control variables. It is found that the estimated regression coefficient is 0.349, which is statistically significant at the 1 percent level. It means that the overseas experience of the executives will enhance the corporate ESG performance, confirming Hypothesis 1.

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Table 3: Baseline Regression Results

	(1) ESG	(2) ESG	(3) ESG	(4) ESG
oversea	0.686***	0.562***	0.447***	0.349***
	(8.895)	(7.387)	(6.213)	(4.966)
size			1.250***	1.328***
			(54.980)	(54.059)
lnage			-0.968***	-1.077***
			(-33.023)	(-36.666)
Leverage			-4.512***	-4.720***
			(-34.418)	(-33.555)
top1			-0.003*	-0.001
			(-1.937)	(-0.389)
Ownership			0.592***	0.767***
			(10.918)	(13.564)
Growth			0.117***	-0.075***
			(5.238)	(-3.029)
Director			0.760***	1.133***
			(4.163)	(6.101)
tobin			-0.128***	-0.060***
			(-6.894)	(-3.162)
roa			8.802***	8.934***
			(22.663)	(20.419)
_cons	73.198***	73.210***	48.082***	45.928***
	(2966.005)	(3025.425)	(98.034)	(89.077)
Ind_FE	NO	YES	NO	YES
Year_FE	NO	YES	NO	YES
N	41938	41938	41938	41938
r2	0.002	0.040	0.156	0.204

*Note: t-statistics are in parentheses; *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The same applies to subsequent tables.*

4.3 Robustness Tests

As a measure of testing the strength of the baseline regression outcomes, this paper performs robustness tests through replacement of the main explanatory variable, application of high-dimensional fixed effects, and changes in the sample time frame.

(1) Independent variable substitution. In the present paper, the independent variable substitution is applied to the robustness testing to avoid interference by the measurement error. The overseas experiences of the CEO and the percentage of board members with foreign backgrounds are the substitutes. The findings are presented in Columns (1) and (2) of Table 4. The predicted coefficients are 0.342 and 0.633, respectively, and are statistically significant at the 1 percent level, thus confirming that the initial conclusion is still robust.

(2) Fixed effects in high dimensions. In this paper, an industry × year high-dimensional fixed effects model is constructed to remove the impact of common interference of year and industry. Their regression results are displayed in Column (3) of Table 4. The estimated coefficient was 0.328 which was significant at 1 percent. It means that even with the removal of interfering factors, the outcome is significant and the baseline conclusion still stands.

(3) Changing the time period. There is a change of time period in order to remove the effect of year. The initial sample is between 2009-2023. This sample is applied in this paper as a basis of regression between 2013 and 2023. They are presented in Column (4) of Table 4. The calculated coefficient is 0.376, which is statistically significant at the 1 percent level and demonstrates that the same is robust.

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Table 4: Robustness Tests

	(1) ESG	(2) ESG	(3) ESG	(4) ESG
oversea			0.328***	0.376***
			(4.688)	(5.056)
oversea2	0.342***			
	(4.880)			
oversea3		0.633***		
		(4.076)		
size	1.328***	1.320***	1.341***	1.356***
	(54.100)	(53.235)	(55.020)	(49.779)
lnage	-1.075***	-1.074***	-1.088***	-1.107***
	(-36.579)	(-36.512)	(-37.027)	(-34.153)
Leverage	-4.715***	-4.707***	-4.747***	-4.955***
	(-33.506)	(-33.410)	(-33.882)	(-31.239)
top1	-0.000	-0.001	-0.000	0.001
	(-0.315)	(-0.370)	(-0.277)	(0.719)
Ownership	0.763***	0.768***	0.767***	0.832***
	(13.499)	(13.562)	(13.595)	(12.953)
Growth	-0.075***	-0.074***	-0.082***	-0.076***
	(-2.995)	(-2.963)	(-3.331)	(-2.624)
Director	1.143***	1.138***	1.134***	1.218***
	(6.156)	(6.124)	(6.126)	(5.635)
tobin	-0.059***	-0.062***	-0.059***	-0.042**
	(-3.123)	(-3.267)	(-3.119)	(-2.041)
roa	8.950***	8.953***	8.955***	9.043***
	(20.472)	(20.471)	(20.454)	(18.883)
_cons	45.900***	46.059***	45.654***	45.184***
	(89.075)	(88.892)	(89.109)	(78.211)
Ind_FE	YES	YES	YES	YES
Year_FE	YES	YES	YES	YES
N	41938	41935	41927	34906
r2	0.204	0.204	0.220	0.201

4.4 Heterogeneity Analysis

In order to continue investigating whether or not the effect of the executives' overseas experience on corporate ESG performance is different in structure, the paper performs heterogeneity analysis in three dimensions, including the nature of ownership, corporate life cycle (segregated by the age of the firm), and green innovation level.

(1) The test of heterogeneity regarding ownership nature. Since it is clear that state-owned enterprises and private enterprises differ in their ESG investment reasons, and the space where the overseas background of executives can be used might also differ. The paper sorts the sample into private enterprises and state-owned enterprises depending on the characteristics of the real controller. The regression findings are reported in Column (1) of Table 5. The coefficient of the core explanatory variable overseas in the private enterprise subsample is 0.356 which is statistically significant at the 1 percent level; whereas, in the state-owned enterprise group, the coefficient estimate of the executives' overseas background is not statistically significant, as demonstrated in Column (2) of Table 5. It could be that ESG in the state-owned enterprise is more prone to policy intervention, and the overseas experience of executives is unlikely to bring further impacts; the relative autonomy of private enterprises is higher and company decisions are more influenced by the market, therefore, the impact of executive overseas experience may be more pronounced.

(2) Test of heterogeneity according to the age of the firm. Since companies at various stages of the life cycle possess different potential in terms of money as well as internal control systems, there is also a difference in the implementation of the experience of overseas executives in ESG governance. Young enterprises and mature enterprises are used in this paper as groups based on the median of firm age. The results of the regression are provided in Columns (3) and (4) of Table 5. The overseas coefficients in the two subsamples are 0.335 and 0.418, respectively, and both are significant at the 1% level, which suggests that irrespective of

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the life cycle stage, the executive's overseas background can positively influence the ESG performance. Regarding coefficient size, the impact is greater in the group of mature enterprises, which might be connected with more developed resources and governance mechanisms.

(3) Green innovation level heterogeneity test. Due to the differences in the reliance on external international resources, the effect of executive international experience on ESG can be different. In this paper, the number of green patent applications are used as the basis of median grouping, separating low-green-innovation enterprises and high-green-innovation enterprises. The findings are displayed in Columns (5) and (6) of Table 5. The over sea coefficient is only significant and positive (1%) in enterprises with low green innovation levels, where there is no statistically significant difference between high green innovation levels enterprises. This finding is much more like a compensation effect: companies with a less developed green innovation foundation might utilize the experience of the executives abroad to make up the lack of ESG governance, whereas companies with a high green innovation level have well-developed internal capabilities, and thus the edge effect of the executive overseas background is not apparent.

Table 5: Heterogeneity Analysis

	(1) ESG	(2) ESG	(3) ESG	(4) ESG	(5) ESG	(6) ESG
oversea	0.356***	0.144	0.335***	0.418***	0.300***	0.192
	(4.953)	(0.460)	(3.836)	(3.626)	(3.271)	(1.334)
size	1.364***	1.389***	0.856***	1.680***	1.188***	1.169***
	(50.835)	(22.655)	(22.769)	(51.207)	(36.925)	(23.905)
lnage	-1.240***	-0.417***	-0.696***	-2.231***	-1.229***	-0.635***
	(-38.766)	(-5.820)	(-14.770)	(-19.290)	(-34.125)	(-9.667)
Leverage	-4.764***	-4.278***	-3.328***	-5.739***	-4.818***	-4.294***
	(-31.848)	(-10.534)	(-16.228)	(-29.676)	(-27.899)	(-13.532)
top1	0.000	-0.005	0.000	-0.003	0.002	-0.008**
	(0.160)	(-1.269)	(0.143)	(-1.122)	(1.047)	(-2.397)
Ownership	1.118***	1.442**	0.083	1.351***	0.948***	0.336***
	(17.453)	(2.013)	(0.908)	(18.056)	(13.701)	(2.755)
Growth	-0.051*	-0.161***	0.022	-0.098***	-0.125***	0.021
	(-1.841)	(-2.897)	(0.531)	(-3.205)	(-4.315)	(0.358)
Director	1.050***	1.471***	1.376***	0.922***	1.309***	1.037***
	(5.129)	(3.339)	(5.072)	(3.710)	(5.738)	(2.616)
tobin	-0.051***	0.060	-0.064**	0.023	-0.107***	-0.071
	(-2.632)	(0.748)	(-2.324)	(0.862)	(-4.822)	(-1.519)
roa	8.797***	7.068***	10.442***	7.394***	8.637***	11.040***
	(19.191)	(4.882)	(16.852)	(12.184)	(16.477)	(10.156)
_cons	45.519***	41.151***	54.824***	41.636***	48.775***	49.419***
	(79.951)	(28.641)	(69.050)	(53.209)	(71.854)	(48.717)
Ind_FE	YES	YES	YES	YES	YES	YES
Year_FE	YES	YES	YES	YES	YES	YES
N	36882	5052	21156	20782	28006	9528
r2	0.208	0.240	0.130	0.271	0.216	0.141

4.5 Mechanism Test

The mechanism variable considered in this paper is the corporate governance level. Internationalized governance ideas and experienced overseas development management experiences are brought about by the overseas background of the executives. It maximizes the internal governance structure of the enterprises, their supervision systems, and makes information disclosure more standardized. An excellent corporate governance system contributes to enhancing ESG performance. The findings with the corporate governance level as the dependent variable are presented in Table 6. The coefficient of the main explanatory variable, Oversea, is estimated to be 0.007, which is significant at the 10 percent level. There is a strong positive correlation between the overseas experience of the executives and the corporate governance level. The executives who have overseas backgrounds will be able to bring in the internationally standardized modern rules of corporate governance, enhance the supervisory role of the board, streamline the internal control systems, and increase the overall quality of corporate governance. These findings show that the executives' overseas background can impact the corporate ESG performance by enhancing the corporate governance level.

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Table 6: Mechanism Analysis

	Corporate governance level
oversea	0.007*
	(1.955)
size	0.006***
	(4.585)
lnage	0.016***
	(7.075)
Leverage	0.002
	(0.463)
top1	-0.000
	(-0.196)
Ownership	-0.030***
	(-8.687)
Growth	-0.000
	(-0.639)
Director	0.014
	(1.208)
tobin	0.001
	(1.419)
roa	0.036***
	(4.010)
_cons	0.748***
	(26.779)
Ind_FE	YES
Year_FE	YES
N	41937
r2	0.128

5. Research Conclusions and Policy Implications

5.1 Research Conclusions

The study uses Chinese A-share listed firms between 2009-23 as the research sample and uses an empirical analysis of the influence of the chairman's background on overall corporate ESG performance. The results are as follows: (1) Comprehensive corporate ESG performance can be improved considerably with the help of the overseas background of its executives. The initial regression outcomes reveal that those companies whose chairs went abroad to study or work have much higher ESG scores, and this outcome proves to be robust under a series of robustness checks. (2) The enhancement of ESG caused by the overseas background of executives is highly heterogeneous and limited by such features as ownership characteristics, life cycle, and green innovation base. In terms of ownership nature, this promoting effect is significant in the case of private enterprises only; in terms of corporate life cycle, the positive impact of overseas executives on ESG is significant in young and mature enterprises, but it is more pronounced in mature enterprises; in terms of green innovation level, the ESG enabling effect of overseas executives is observed in low-green-innovation enterprises only, whereas no significant ESG impact is found in the high-green-innovation enterprises. (3) The mechanism test reveals that the overseas background of executives assists in enhancing the level of corporate governance and thus can positively influence the corporate ESG performance.

5.2 Practical Implications

According to the results of the above research, this paper makes the following recommendations to the listed companies, capital market supervisors, and policymakers:

(1) In the case of listed companies. The private enterprise could have the best international talent distribution of the executive teams and bring in executives with overseas education and overseas sustainable industry business history. They ought to enhance the financial and internal governance platform to facilitate the ESG transformation. Enterprises also have to work on the independent director supervision system, restrict

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the short-term profit-seeking attitude, and curb speculative operations that crowd out the investment in sustainable development.

(2) To capital market regulators. Supporting disclosure regulations on international talent and ESG information of the listed companies need to be enhanced, the standard of disclosure regarding the E, S, and G dimensions should be unified and refined, and market incentive and constraint mechanisms of ESG should be enhanced. List companies with a large proportion of international executive teams and consistent ESG improvements may get preferential treatment in refinancing, green credit, and bond issuance; companies with high debt and long-term neglect of environmental and social responsibilities should be monitored and investigated more closely to achieve a balance between short-term and long-term sustainable development.

(3) Government and talent policy makers. There is a need to enhance the policies on the recruitment of high-end sustainable management talent overseas. Domestic authorities need to adopt settlement, research subsidy, and entrepreneurship support measures toward executive talents that have overseas background in ESG, low-carbon and sustainable finance, direct overseas sustainable governance talent to domestic real-sector listed companies, and develop the international composition of corporate executive teams. International sustainable governance experience exchange and training needs to be enhanced. Although corporations may not have implemented foreign executives yet, training will increase the ESG consciousness of the current management and lead to the entire ESG capacity of the market.

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Conflicts of Interest

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