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# Executive Overseas Background, Customer Concentration, and Firm Internationalization: Evidence from Structural Changes Around 2018

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## Abstract

Using panel data on Chinese A-share manufacturing firms from 2010 to 2023, this study examines whether executives' overseas background affects firm internationalization and whether customer concentration changes this relationship. The results show that executives' overseas background significantly increases the share of overseas revenue. Customer concentration strengthens this effect during 2012 and 2017, whereas the positive moderating effect weakens significantly and becomes statistically insignificant from 2018 onward. The findings are mainly driven by overseas work experience and remain robust to alternative fixed effects, an extended pre-2018 window, and IPWRA estimation. The study identifies customer dependence and changes in the external business environment as important boundaries of the value of international managerial human capital.

## Keywords

executive overseas background, firm internationalization, customer concentration, resource dependence

## 1. Introduction

Enterprise internationalization is a process of accumulating overseas knowledge, investing resources, and gradually expanding business scope [1]. The ability of senior executives to identify overseas opportunities, understand institutional differences, and organize cross-cultural communication will influence a company's overseas decision-making. Existing research has found that executives' international experience is related to exports, cross-border mergers and acquisitions, operation of overseas subsidiaries and internationalization breadth [2–6], and the latest research has extended to investment destination selection [7].

Overseas experience for executives is not equally valuable in all companies. Customer concentration can bring stable orders and collaborative efficiency, but it can also make companies dependent on a few core customers and reduce market autonomy [8–10]. Existing research has noted the link between supply chain relationships and internationalization [11,12], but less has directly examined whether customer dependence alters the role of executives with overseas backgrounds and their temporal differences. This paper uses Chinese A-share listed manufacturing companies from 2010 to 2023 as a sample to examine the main effect, the moderating effect of customer concentration and its changes before and after 2018, thereby connecting the perspectives of high-level teams and resource dependence.

## 2. Theoretical Analysis and Research Hypotheses

### 2.1 Overseas Background of Senior Executives and Firm Internationalization

The upper echelons theory suggests that managers' experience and cognition can influence a company's strategic judgment [13]. Overseas experience can increase understanding of foreign systems, market rules, and cultural differences, and help build overseas networks, international social networks, or international business connections. Early studies have found that international experience in management teams can accelerate overseas sales and expand the internationalization of enterprises [14]. Subsequent research has further demonstrated that executives' international experience can influence corporate internationalization through channels such as international information acquisition and strategic decision-making [15,16]. Research on Chinese companies has also found that overseas backgrounds of senior executives can promote corporate exports and overseas operations [17–19]. Based on this, it is proposed that:

H1: Overseas background of senior executives significantly improves the internationalization of enterprises.

### 2.2 The Moderating Effect of Customer Concentration

Resource dependence theory suggests that the lower the substitutability of external key resources, the stronger the power constraints on enterprises [20]. A high concentration of customers means that sales revenue depends more on a few customers, and the company has a stronger need to find new markets and channels. Therefore, the international knowledge, relationship networks and communication skills of executives with overseas backgrounds have greater compensatory value. Existing research has shown that the impact of customer and supplier concentration is constrained by the relationship between resource dependence and power balance [21], and digital transformation and overseas experience can also change supply chain configuration and corporate power [22,23]. Based on this, it is proposed that:

H2: During periods of relatively stable external operating environment, customer concentration positively moderates the relationship between the overseas background of senior executives and the degree of internationalization of enterprises.

### 2.3 Periodic Variations in Regulatory Effects

During the sample period, the international business environment and supply chain relationships continued to change, and the conditions for transforming existing overseas relationships and communication experience may change accordingly, as may the cost of expanding alternative customers [11,21]. The effects of overseas education and overseas work experience are not consistent [24]. Therefore, the moderating effect of customer concentration on the role of executives' overseas background may vary over time. Based on this, it is proposed that:

H3: The positive moderating effect of customer concentration weakens significantly in the later stages of the sample.

## 3. Research Design

### 3.1 Samples and Variables

This paper selects A-share listed manufacturing companies in China from 2010 to 2023, excludes companies with ST, *ST, abnormal operating status and missing key variables, and shrinks the continuous variables at the 1% and 99th percentiles. The degree of internationalization of an enterprise is the proportion of overseas operating revenue to total operating revenue; the overseas background of senior management is the proportion of senior management with overseas study or work experience; and the customer concentration is the proportion of sales from the top five customers to annual sales. Explanatory variables, moderating variables, and control variables are all lagged by one period. Control variables include size, liabilities, profitability, growth, cash flow, fixed assets, age at listing, ownership, equity, and board characteristics.

## 3.2 Model Setting

The baseline model was used to examine the impact of executives' overseas background. The sample from 2012 to 2017 included an interaction term between executives' overseas background and customer concentration. Based on the structural change test of the candidate years, 2018 was the earliest node to show a significant structural difference, and the full sample was accordingly supplemented with Post2018 and a triple interaction term. The model controls for firm fixed effects and industry-year interaction fixed effects, and clusters firms by standard error.

# 4. Empirical Results

## 4.1 Descriptive Statistics and Benchmark Results

Table 1 shows that the mean internationalization level of enterprises is 0.0836, and the median is 0; the mean proportion of senior executives with overseas backgrounds is 0.0612; and the mean customer concentration is 0.3154. No severe collinearity was found in the correlation and VIF tests, and the average VIF was 1.409.

*Table 1: Definitions of Main Variables and Descriptive Statistics*

| Variable | Definition | N | Mean | Std. Dev. |
|---|---|---|---|---|
| Degree of Firm Internationalization | Overseas operating revenue / Total operating revenue | 20,389 | 0.0836 | 0.1814 |
| Overseas Background of Senior Executives | Proportion of senior executives with overseas study or work experience | 20,389 | 0.0612 | 0.1260 |
| Customer Concentration | Sales of top five customers / Annual sales | 20,389 | 0.3154 | 0.2058 |
| Firm Size | Natural logarithm of total assets | 20,389 | 22.0465 | 1.1510 |
| Leverage | Total liabilities / Total assets | 20,389 | 0.3947 | 0.1881 |
| Return on Assets (ROA) | Net profit / Total assets | 20,389 | 0.0463 | 0.0608 |

*Note: The main explanatory variables, moderating variables, and control variables all use a one-period lag; other control variables are detailed in the main text.*

In Model (1) in Table 2, the coefficient for overseas background of senior executives is 0.0648, which is significant at the 1% level, supporting H1. This indicates that when the proportion of overseas background among the senior executives of the same company increases, the proportion of overseas operating revenue also increases.

## 4.2 Moderating Effect and Time Variation

In model (2), the interaction term between executives' overseas background and customer concentration is 0.5681, which is significant at the 5% level, and H2 is supported. When the customer concentration is at the 75th percentile, the marginal effect of executives' overseas background is 0.1287, and it is significant at the 5% level; it is not significant at lower concentration levels, indicating that the value of their resources is mainly reflected when customer dependence is strong.

The triple interaction term of model (3) is -0.3935, which is significant at the 5% level. The linear combination test showed that the moderating effect before 2018 was 0.3214, which was significant at the 5% level; the net moderating effect from 2018 to 2023 was -0.0721, but not significant. Therefore, the original positive moderating effect was significantly weakened and lost statistical significance, rather than turning into a significant negative effect, which supports H3.

*Table 2: Core Regression and Robustness Tests*

| Variable | (1) Baseline Regression | (2) 2012–2017 | (3) Structural Change | (4) Robustness |
|---|---|---|---|---|
| Overseas Background of Senior Executives | 0.0648***<br>(0.0217) | 0.0715<br>(0.0497) | 0.0165<br>(0.0284) | Overseas work background 0.0837***(0.0269) |
| Customer Concentration | — | -0.0038<br>(0.0277) | -0.0356*<br>(0.0196) | — |

| Variable | (1) Baseline Regression | (2) 2012–2017 | (3) Structural Change | (4) Robustness |
|---|---|---|---|---|
| Overseas Background × Customer Concentration | — | 0.5681** (0.2445) | 0.3214** (0.1575) | — |
| Overseas Background × Post2018 | — | — | 0.0657** (0.0293) | — |
| Customer Concentration × Post2018 | — | — | 0.0418** (0.0179) | — |
| Triple Interaction Term | — | — | -0.3935** (0.1812) | — |
| IPWRA Treatment Effect | — | — | — | 0.0081*** (0.0019) |
| Control Variables | Yes | Yes | Yes | Yes |
| Firm Fixed Effects | Yes | Yes | Yes | — |
| Industry × Year Fixed Effects | Yes | Yes | Yes | Industry, Year |
| Number of Observations | 21,041 | 7,092 | 20,389 | 20,699 |

*Note: Robust standard errors clustered at the firm level are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively. Model (4) reports the alternative variable of overseas work background and the IPWRA treatment effect.*

### 4.3 Robustness and Outcome Boundaries

The coefficient for the proportion of senior executives with overseas work experience is 0.0837, which is significant at the 1% level, while the proportion of those with overseas education experience is not significant. After replacing the fixed effects and expanding the initial sample window, the core results remain unchanged. IPWRA estimates show that companies with executives from overseas backgrounds have an average increase in internationalization of 0.0081%, which is significant at the 1% level. After changing the dependent variable to whether overseas business is conducted or the logarithm of overseas operating revenue, the result was not significant. Supplier concentration and overall supply chain concentration did not exhibit the same moderating effect. The conclusions of this paper are mainly applicable to the degree of internationalization reflected by the proportion of overseas revenue, and the contextual effect is concentrated on customer dependence.

## 5. Conclusions and Implications

Research has found that overseas backgrounds of senior executives significantly promote the internationalization of manufacturing companies. Between 2012 and 2017, customer concentration amplified this effect, but after 2018, this positive moderating effect weakened significantly. Overseas experience is not a fixed resource that can function independently of the business environment. Its value depends on market dependence and external operating conditions.

Companies with a high concentration of customers can give priority to hiring senior executives with overseas work experience and international market networks. However, with increased volatility in the external environment, companies also need to build organizational-level capabilities in overseas channels, digital marketing, and supply chain early warning. This paper identifies overseas backgrounds based on publicly available resumes, making it difficult to measure the country of experience, duration, and quality. Changes around 2018 may be related to multiple external business environment factors simultaneously, and this paper cannot identify their specific sources, therefore it cannot be explained as a strict causal effect of a single shock.

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## Conflicts of Interest

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