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Research on the Impact of Executives' Overseas Background on the Enhancement of Corporate ESG Capability

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ABSTRACT
Based on the top echelon theory and branding theory, This study explores the impact of executives' international experience on enhancing corporate ESG (Environmental, Social, and Governance) capabilities. Using empirical data from A-share listed companies in Shanghai and Shenzhen between 2018 and 2023, we examine how executives' overseas backgrounds contribute to improved ESG performance. The analysis seeks to highlight the role of global experience in advancing corporate sustainability and governance practices.It is found that executives' international experience is positively associated with higher corporate ESG scores. Specifically, executives with overseas backgrounds are able to introduce diversified perspectives and advanced management concepts, thus improving corporate performance in areas such as environmental sustainability, social responsibility, and governance. In addition, the study suggests that firms that take executives' international experience into account in their decision-making process are able to optimize resource allocation and respond effectively to stakeholders' needs. These findings offer both theoretical insights and practical recommendations for businesses in the selection and development of managerial talent, and emphasise the importance of executives' international background in promoting sustainable development and social responsibility.

KEYWORDS
Executive; Overseas Background; Corporate ESG; Competence Enhancement

1 Introduction

In today's globalized economy, companies are facing pressures from various sources, including society, the environment and governance, and corporate sustainability strategies and social responsibility are of particular importance. ESG (Environmental, Social, and Governance), which serves as an indicator of corporate sustainability and social responsibility, is gaining growing interest from investors, consumers, and policymakers. A company's ESG performance impacts not only its reputation and market competitiveness but also plays a crucial role in its long-term success and sustainable growth.The senior management team plays a key role in corporate strategic decision-making and day-to-day operations. The personal backgrounds, experiences and values of executives have a profound impact on corporate governance structures and social responsibility practices. In this context, executives with overseas backgrounds may introduce diverse perspectives and innovative ideas to help companies pay more attention to the realization of ESG objectives when dealing with the complex global environment. Research suggests that executives' international experience may make them more adept at identifying and meeting stakeholder expectations, thereby driving corporate performance in environmental and social responsibility. To further explore this topic, this study will integrate stigma theory and top echelon theory to examine how executives' international experience influences corporate ESG performance. The stigma theory emphasizes the lasting impact of executives' backgrounds and early experiences on corporate culture and values, while the top echelon theory suggests that the characteristics of the management team influence decision-making processes and strategic choices. These two theories lay a solid theoretical foundation for the hypotheses of this study. How do executives' overseas backgrounds affect corporate ESG performance? To address this question, we will use empirical analyses to explore how executives' international experience affects firms' sustainable development and offer both theoretical insights and practical recommendations for companies in the selection and development of their executives. It is hoped that this study will offer fresh insights for both scholars and industry professionals, and help companies achieve sustainable development goals more effectively in the process of globalization.

2 Literature review

In the process of green and low-carbon transformation, meeting the responsibilities of environmental protection (E), social responsibility (S), and corporate governance (G) is a key approach for companies to attain sustainable development. ESG performance, as a comprehensive measure of the high-quality development of companies, has gained increasing attention from scholars in recent years.

Previous studies have explored the connection between the characteristics of corporate executives and ESG performance. As the decision makers and managers of an organization, the executive team is a key internal force in determining ESG performance (Zhang et al., 2023). Some studies have shown that corporate executives with environmental background can significantly enhance corporate ESG performance, and the promotion effect on environmental and social responsibility performance is stronger than that on corporate governance performance (Bai Fuping et al., 2025). Executive characteristics such as compensation, tenure, and liability insurance also influence corporate ESG performance. When the gap in executive compensation is wider, the consistency between the private interests of executives and the value orientation of the firm is higher, which will motivate firms to disclose more ESG information in order to maximize the value of the firm (Zhang et al., 2023). It has also been found that higher education level of CEOs and their professional backgrounds in science and technology and business administration can effectively promote green technological innovation (Guo DaoYan et al., 2024). In terms of environmental performance, executives' environmental experience can promote corporate environmental responsibility (Lu jianci and Jiang guaungshen, 2022), and the more power executives have, the more they can promote corporate environmental responsibility (Li yi et al., 2022). In terms of social responsibility, the academic experience of executives (Guo Yubing et al., 2021) helps to improve the level of CSR fulfillment. In terms of corporate governance, it has been found that firms with executives who have military experience have lower levels of surplus management and are less likely to be issued non-standard audit opinions (Wang Yuanfang, and Xu Yekun, 2020). In addition, other studies have found that, all else being equal, both monetary compensation incentives and equity incentives for management can significantly contribute to corporate ESG governance and enhance corporate ESG performance (Deng Chuyao et al., 2024).

In summary, there is still a lack of in-depth analysis of the internal drivers of ESG performance in the existing research. While some studies have explored the relationship between executive team characteristics and corporate ESG performance and its components from an internal governance perspective, there remains a gap in understanding the role of executives' unique overseas experience in shaping ESG practices at the micro level. To address this, this paper focuses on examining the impact of executives' international backgrounds on corporate ESG performance and the underlying mechanisms.

3 Research hypothesis

This paper will integrate stigma theory and top echelon theory to investigate how executives' overseas backgrounds influence corporate ESG performance. The two theories provide us with different perspectives to help understand how executive characteristics shape corporate strategies and policies.

Stigma theory suggests that firms are profoundly influenced by the characteristics of their founders or executives in their early stages of development, and that this influence persists over a long period of time. This “imprinting” implies that the background, experience and values of management will, to a certain extent, shape the culture, decision-making and direction of the firm. Especially in the context of globalization, executives with overseas backgrounds are able to bring in diverse international perspectives and advanced management concepts, which may lead to a more proactive focus on environmental and social responsibility. Executives' overseas experience exposes them to best practices in ESG in different countries and regions. As a result, they are able to lead companies to emulate successful international cases when designing and implementing sustainability strategies, thereby driving up corporate ESG performance. This theory supports the importance of an executive's overseas background to overall corporate performance, especially in today's global economic environment.

The top echelon theory further states that the characteristics of an organization's top executives largely influence its decision-making and strategic choices. The background, education, experience, and values of the top management team largely determine how the organization responds to changes in the external environment and adjustments in its internal governance structure. Specifically, executives with different backgrounds and experiences will make differentiated decisions based on their knowledge and experience. In this regard, executives' overseas backgrounds encompass international perspectives and cross-cultural management capabilities, which may also lead them to place greater emphasis on ESG factors in corporate governance. The diversified backgrounds of executives may facilitate the consideration of environmental and social responsibility in resource allocation and strategic decision-making, thereby enhancing the social value and reputation of enterprises.

4 Research design

4.1 Sample Selection and Data Sources

This paper investigates the impact of executives' overseas background on corporate ESG scores, and selects A-share listed companies in Shanghai and Shenzhen from 2018 to 2023 as samples. On this basis, the samples are screened twice in order to improve the reliability of the sample data: in view of the specificity of the accounting treatment of financial and insurance enterprises, this kind of samples is excluded; samples of the type of ST, *ST, and PT are excluded; and samples with missing data are excluded. In order to reduce the interference of outliers, all continuous variables are shrink-tailed by 1% up and down.

After the above processing, 7127 sample data are finally obtained. Among them, the data of executives' overseas background is from CSMAR, and the data of corporate ESG performance is from Wind database.

4.2 Variable Definition and Model Construction

4.2.1 Variable Definition

The ESG scores in the Wind database are selected as the explanatory variables. The score reflects the quality of firms' ESG disclosure, ranging from 1 to 9, with higher scores indicating better ESG performance. The core explanatory variable is Executives with Overseas Background (EO), which is obtained by taking the logarithm of the number of executives with overseas background in the firm.

Referring to the studies of Bai Fuping (2025) and Kuang Zengjie (2025), gearing ratio (Lev), net profitability of total assets (ROA), return on net assets (ROE), size of the firm (Size), the proportion of independent directors (Indep), and the number of years of company's establishment (Age), are used as explanatory variables. Age of establishment (Age) as control variables. The specific definitions of each variable are shown in Table 1.

Table 1 variables Description

Variable Name	Variable Meaning	Calculation Method
ESG	ESG Performance	Wind Database Company ESG Score
E	Environmental Performance	Wind Database Company Environmental Score
S	Social Responsibility Performance	Wind Database Company Social Governance Score
G	Corporate Governance Performance	Wind Database Company Corporate Governance Score
EO	Overseas background of executives	The number of executives with overseas backgrounds in a company's executive team, plus one to take the logarithm.
Lev	Gearing Ratio	Total Liabilities/Total Assets
ROA	Total Assets Net Profit Margin	Net Profit/Total Assets
ROE	Net Assets Return on Equity	Net Profit/Net Assets
Size	Enterprise Size	The total assets of the enterprise are taken as the natural logarithm
Indep	Proportion of independent directors	Number of independent directors/total number of board members
Age	Years of company establishment	Year of company establishment plus 1 to take the natural logarithm

4.2.2 Model Construction

To analyze the impact of executives' overseas background on ESG performance. The following model is constructed:

$$ESG_{i,t} = \alpha_0 + \alpha_1 EO_{i,t} + \sum \alpha_2 Controls_{i,t} + Year + Industry_i + \varepsilon_{i,t} \quad (1)$$

The explanatory variable in this model is the ESG score, which represents the corporate ESG performance. The variable EO refers to the key factor under investigation, namely executives' overseas background. The variable "Controls" encompasses other control variables that might influence the relationship between the executives' international experience and corporate ESG performance. "Year" is a dummy variable representing the time period for each year, while "Industry" represents the fixed effect related to the firm's specific industry. Lastly, denotes the random disturbance term, accounting for any unobserved factors that could affect the outcome.

5 Empirical results and analysis

5.1 Descriptive statistical analysis

According to the descriptive statistics of the variables in Table 2. The mean of ESG is obtained as 5.882, the median as 5.78, the standard deviation as 0.815, the minimum as 3.29, and the maximum as 9.16, indicating that there are variations in ESG performance across different enterprises. In terms of sub-dimensions, the standard deviation of corporate environmental performance E is 2.017, and its coefficient of variation (standard deviation/mean) is 1.111, which is much larger than that of corporate social responsibility performance S (0.497) and corporate corporate governance performance G (0.148).

The average value of EO is 0.291, which suggests that a small percentage of executives in companies have overseas backgrounds.

Table 2 Descriptive Statistics

Variables	Mean	Median	Standard Deviation	Minimum	Maximum
ESG	5.882	5.78	0.815	3.29	9.16
E	1.815	1.26	2.017	0	10
S	3.713	3.6	1.845	0	10
G	6.275	6.3	0.929	1.2	9.6
EO	0.291	0	0.451	0	2.303
Lev	0.449	0.441	0.196	0.049	0.924
ROA	0.026	0.03	0.076	-0.375	0.254
ROE	0.034	0.058	0.168	-0.962	0.414
Size	22.577	22.464	1.236	19.797	26.44
Indep	37.796	36.36	5.576	28.57	57.14
Age	3.123	3.135	0.246	2.197	3.638

5.2 Regression analysis

From the regression results in Table 4, we can see that the unstandardized coefficient of EO is 0.148 and the standardized coefficient is 0.082. This implies that executives with overseas backgrounds have a favorable impact on ESG scores, highlighting a positive relationship between their international experience and the ESG performance of the firms they lead. This suggests that global exposure may enhance the ability of executives to implement more effective environmental, social, and governance practices, ultimately benefiting the company's overall sustainability and reputation.Through the standardized coefficients, we can see the relative influence of executives' overseas background in all independent variables. Further analyzing the t-value and significance level, the t-value of EO is as high as 7.146, corresponding to a p-value of 0.000. this indicates that the influence of executives' overseas background on ESG scores is statistically significant, with a significance level much lower than 0.001. This result strongly supports our hypothesis, indicating that executives' international experience is crucial in driving the sustainable development of firms, thus validating H1.

Table 3 Regression results

Model		Unstandardized coefficient		Standardized coefficient	t	Significance
		B	standard error	Beta		
	(常量)	2.63	0.219		12.006	0
	Size	0.172	0.009	0.262	19.576	0
	Lev	-0.765	0.058	-0.184	-13.288	0
1	ROA	0.077	0.293	0.007	0.262	0.793
	ROE	0.218	0.131	0.045	1.664	0.096
	Indep	0.003	0.002	0.024	2.096	0.036
	Age	-0.154	0.038	-0.046	-4.038	0
	EO	0.148	0.021	0.082	7.146	0

a Dependent variable: ESG score

6 Conclusions and Implications

The aim of this paper is to examine how executives' international backgrounds influence corporate ESG (environmental, social, and governance) performance. Based on empirical analysis of A-share listed companies in Shanghai and Shenzhen from 2018 to 2023, we derive the following key conclusions:

First, the positive relationship between executives' overseas background and corporate ESG performance. Executives with overseas backgrounds contribute positively to firms' ESG scores. Executives' international experience not only enables them to better understand and respond to stakeholders' expectations, but also Enhances companies' performance in areas such as environmental sustainability, social responsibility, and corporate governance. Second, the introduction of diverse perspectives, executives with overseas backgrounds tend to introduce diverse perspectives and management concepts. Through exposure to best practices in different countries, they are able to incorporate broader and forward-looking ideas into their corporate sustainability strategies. This diversity not only enhances a company's ability to innovate, but also makes it more flexible and effective in responding to complex market environments and social responsibilities. Third, the implementation of corporate sustainability strategies. Overseas experience enables executives to be more sensitive to global market changes and stakeholder needs, which supports the effective implementation of sustainability strategies. Key to this process is the ability of executives to combine international market experience with local realities to develop targeted ESG policies. This not only strengthens a company's commitment to social responsibility but also boosts its competitiveness in the market. When companies focus on environmental and social factors, they tend to win more consumer trust and investor support.

Drawing from the findings of the above study, the following insights can be identified:First, in the process of executive selection and training, enterprises need to pay more attention to the international experience and diversified background of candidates. This not only means giving priority to candidates with overseas work experience, but also including cross-cultural communication and international market seminars in executive training programs to enhance the international perspective of the existing management, so that by building a diversified management team, the company can more effectively meet the challenges in the complex market environment and accomplish the objective of sustainable development. Second, optimization of strategic decision-making. Enterprises should re-examine their decision-making processes to ensure that ESG factors are fully taken into account when formulating strategies, and that executives with rich international experience can provide unique insights into resource allocation, market entry and product development. Third, establish a sense of corporate social responsibility. Enterprises should pay more attention to ESG goals in their daily operations and incorporate them into their core strategy and culture. This not only helps to enhance the image of the company in the minds of stakeholders, but also ensures that the company can attract excellent talent and investment. In today's society, Consumers and investors are becoming more focused on corporate social responsibility, with executive leadership playing a crucial role in this regard. Fourth, Future studies could explore the influence of executives' international backgrounds across various cultural and industry settings. and explore their potential role on other corporate performance indicators. How to incorporate and effectively apply executives' international experience within the firm to maximize its contribution to ESG development. Such research would broaden our comprehension of the link between executive attributes and corporate advancement, yielding more focused recommendations for management strategies.

In conclusion, this study highlights the substantial influence of executives' international experience on corporate ESG performance, and provides theoretical support and practical guidance for corporations to achieve sustainable development in the process of globalization.It is hoped that the findings of this study will serve as a useful reference for academic disciplines and real-world practices, fostering further advancements in corporate social responsibility and sustainability.

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