

The Influence of Corporate Executives' Overseas Experience and Background on Corporate Behavior

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Abstract: The economy is currently experiencing globalization and every country is looking to recruit large numbers of people to develop their markets and boost their own economies. Governments often offer incentives and benefits to attract overseas talent, and universities often organize events to increase opportunities for overseas students to exchange for study abroad. Some companies will hire executives with overseas experience at high salaries, which may make the company more competitive and broad-minded. However, it is worth examining the argument as to whether executives with overseas experience have a profound impact on the behavioral decisions of companies. Firstly, through general investment, this article investigates the link between management overseas experience and company investment behavior, corporate innovation, and corporate social responsibility (CSR). Secondly, this paper examines the relationship between debt financing cost, cost of equity capital, financial hardship, tax avoidance, audit fees, mergers and acquisitions (M&A), and financialization of real enterprises. Finally, this paper investigates the impact of management foreign experience and firm performance through executive recruitment decisions, the performance of emerging market companies, and the impact of corporate finance on firm performance. Board diversity and internationalization of enterprises, the regulatory role, and investment efficiency are examined. These studies lead us to conclude that managers with an international background have a substantial favorable influence on company behavioral decisions.

1. Introduction

The world is currently in a state of rapid growth and there is an urgent need for a diverse range of professionals in the market, such as company executives with overseas backgrounds and experience who, because of their different experiences, may have unusual insights and unique perspectives that may have a significant impact on company decisions, innovative developments, and better market development. Of course, there are two sides to every story, and a wealth of experience can also hurt a company, such as cultural and geographical differences, and some decisions can hinder the company's growth. This article shows three aspects of the impact of executives with an overseas background on the management of a company. Firstly, in terms of investment, research has shown that CEOs with an overseas background tend to bring unique insights and strategies to investment decisions, more accurate analysis, and the ability to bring innovation to the company and boost the company's investment intensity in research and development. Secondly, in terms of financing behavior, research has shown that overseas experience can be a good way of reducing the cost of equity and debt and solving companies' financial difficulties. And these executives can enhance the accuracy of accounting data, improve corporate governance, and promote M&A. Finally, in terms of corporate performance, the study shows that executives with overseas experience have a greater improvement and enhancement of company performance and have a significant positive effect on the operational and investment efficiency of internationalized companies in the marketplace.

2. Management foreign experience and corporate investment behavior

This paragraph analyzes the impact of foreign management experience on enterprise investment behavior in three aspects: general investment, corporate innovation, and CSR.

2.1 General investment

When companies make investment decisions, based on the argument of resources and dynamic capabilities, CEOs with international experience can create more value and unique resources for companies, among which companies involving multinational business will have a more significant performance [1]. In the Chinese context, by studying the influence of CFOs with overseas expertise on the accuracy of analyst projections. Companies with a returnee CFO had superior analyst predicting accuracy, according to studies, validating the CFO brain-gain effect. It can help the company make more accurate investment decisions [2]. However, the percentage of members with international experience will be affected by the impact of the committee member's average education level on corporate performance, i.e. by the increase in the proportion of directors with international experience. The positive impact of the committee's average education level on corporate performance decreases [3]. Therefore, senior executives with international expertise can add more value and resources to corporate investment and effectively assist the company in making investment decisions but having too many senior managers with international experience can slow the company's growth rate.

2.2 Corporate Innovation

Overseas experience is crucial in fostering corporate innovation. International boards with research and development (R&D) backgrounds can restrain R&D manipulation and push firms to increase innovation performance by examining the relationship between the international board of directors, R&D manipulation, and innovation performance [4]. It demonstrates that the top experience team (TMT) foreign experience directly affects the strength and innovation performance of the company's R&D investment. Based on this, an empirical examination of 275 chi next listed businesses demonstrates that TMT abroad functional and industry experience have a direct influence on enterprise innovation performance and that R&D expenditure intensity also drives enterprise innovation performance [5]. Meanwhile, using the nationality of directors as a starting point, researchers empirically examined the relationship between board internationalization and firm R&D investment, as well as the mediating effects of regional integrity degree on the relationship. The findings suggest that international director participation improves R&D investment, and that the larger the share of foreign directors, the more R&D investment the company makes. The lower the level of corporate integrity, the greater the positive impact of board internationalization on R&D investment [6]. Furthermore, international management expertise is favorably associated to business innovation at the position level of managers. Senior managers with international experience have a greater favorable impact on corporate innovation than junior managers, and such persons have more innovation ideas in private companies [7]. This also highlights the importance of human capital to corporate management [8]. Additionally, ambidextrous innovation can be used to verify the association between foreign-experienced directors and business value, according to brand theory. Ambidextrous innovation refers to both applied and exploratory innovation, and it serves as a bridge between directors with international expertise and company value, particularly in businesses with significant absorption capacity and a supportive institutional context [9]. As a result, senior executives with international expertise may considerably boost enterprise innovation, play a more beneficial impact in enterprise R&D than other employees, and successfully promote the company's R&D investment intensity.

2.3 Corporate social responsibility (CSR)

CSR is influenced by international experience. In terms of engagement, a chairperson with international expertise is beneficial to CSR success. Furthermore, the proportion of executives with international experience is significantly linked with CSR performance, and TMT has a stronger

influence than the chairman [10]. Compared to businesses without international expertise, businesses with international experience have higher social responsibility rankings and evaluations; Enterprises with more executives with foreign backgrounds perform better in CSR, and the impact on CSR will be obvious in the case of information asymmetry [11]. Further subdivide the categories of overseas experience, when a company is in a competitive industry, its CEO has no political relationship or the CEO is older, only long-term professional or academic experience abroad is useful in increasing the share of returned directors and CSR participation [12]. However, when examining the relationship between the characteristics of the Chinese board of directors and CSR assurance decision-making in China, it is discovered that the board of directors' independence and the CEO's overseas background have no bearing on CSR assurance decision-making, and enterprises with foreign directors are improbable to voluntarily participate in CSR assurance [13]. If a board of directors in China is globalized, it is positively related to corporate environmental performance, meaning that the board of directors can strengthen the moral and strategic motivation of corporate environmental responsibility and improve corporate environmental performance, but regional green development will stifle this positive relationship. Furthermore, the favorable influence of a board of directors with foreign directors on a company's environmental performance is more visible in nations or regions with minimal time zone differences, strong investor protection, and stronger environmental responsibilities [14]. Therefore, directors with international experience can successfully boost corporate social responsibility involvement, and the improvement is much greater in corporations with a high proportion of managers with international experience or CEOs with long-term international experience. However, from the perspective of ensuring decision-making, companies with foreign directors will not voluntarily participate in CSR guarantee.

3. Management foreign experience and corporate financing behavior

This paragraph analyzes the impact of foreign management experience on enterprise financing behavior from seven aspects: debt financing cost, cost of equity capital, financial hardship, tax avoidance, audit fees, M&A, financialization of real enterprises.

3.1 Debt financing cost

Directors with a global background have a favorable effect on debt financing costs. According to studies, international directors can reduce the cost of debt financing by maximizing the board's advising and monitoring functions. Further research shows that directors with foreign expertise have a greater influence on cutting debt financing costs in places where the government is more involved and the legal system is less developed [15]. Additionally, the enterprises where the CEOs with foreign experience belong to have lower debt financing costs, and when the CEOs with foreign experience hold the company's equity, have a long time in the company, and have a higher education, they can do a better job of lowering the debt financing costs of the company [16]. As a result, international experience can significantly cut the cost of debt financing.

3.2 Cost of equity capital

The company's cost of equity improves as a result of its overseas experience. Reducing the cost of stock can effectively minimize investment risk for the company's owners. Hu et al. examine if and how a manager's international experience affects a firm's cost of equity capital using a sample of Chinese businesses. They find a correlation between overseas experience of managers and their equity capital cost of capital. Organizations with foreign managers had superior information quality and lower system risk, according to the mechanism study. It has the potential to attract more institutional investors, media, and relevant analysts, hence increasing stock liquidity and lowering the cost of equity [17].

3.3 Financial hardship

Executives with the international background can effectively affect the financial hardship of companies. Liu et al. investigate how imitative innovation impacts the likelihood of financial hardship and how executives' overseas experience moderates this association. They demonstrate significant evidence that imitative innovation raises the probability of financial hardship, and that senior executives overseas experience can buffer this negative effect, using patent application data from Chinese listed businesses from 2008 to 2017 [18]. Hence, the overseas experience can alleviate financial hardship.

3.4 Tax avoidance

Corporate tax evasion is influenced by boards of directors with international experience. According to the analysis of a large number of data samples, there is a clear negative association between foreign-experienced directors and tax evasion activity, with only countries with extensive foreign experience in investor protection being identified. Independent directors have a stronger influence on tax evasion than non-independent directors with international experience. The unfavorable link between directors with overseas expertise and tax avoidance is also seen in private firms and foreign-funded enterprises [19]. As a result, corporate tax avoidance suffers as a result of international experience.

3.5 Audit fees

Audit fees are influenced by foreign experience as well. Li et al. investigate the effect of audit committee members' international experience on audit fees. The findings show that an audit committee with international experience can reduce audit costs significantly, particularly in state-owned firms and locations with low marketization. It can also help to improve the quality of accounting data and contribute to good corporate governance [20].

3.6 Mergers and Acquisitions (M&A)

In the company's foreign and cross-border M&A, overseas experience is crucial. Directors with international expertise had a beneficial impact on cross-border M&A performance, which was realised through boosting integration ability, R&D output, and M&A production efficiency. Further analysis reveals that foreign working experience contributes more to cross-border M&A performance than foreign learning experience, and that senior director positions with foreign experience play a larger role in increasing cross-border M&A performance [21]. When the quantity and proportion of people are larger, the performance is better. Furthermore, the country in which the foreign M&A company is located is the place in which the executives have had substantial international experience, which will have a big impact on M&A performance. Executives with international experience in state-owned firms have a greater impact on the performance of overseas M&A than executives with foreign experience in private enterprises [22]. As a result, managers with international expertise may help companies with cross-border and international M&A needs.

3.7 Financialization of real enterprises

Executives' abroad experience is linked to the financialization of genuine businesses. Li investigates the impact of foreign-experienced CEOs on the financialization of real-world businesses. The results suggest that CEOs with international expertise can restrict the financialization of actual enterprises by enhancing enterprise industrial investment and lowering financing constraints, based on the high-level echelon theory and a sample of Chinese A-share listed companies from 2009 to 2019. In the long-term financialization of firms and non-state-owned enterprises, executives with foreign experience have a clearer inhibitory influence on the financialization of genuine enterprises [23]. It's indeed critical for the management of national financial risks.

4. Management foreign experience and firm performance

This section explores the influence of executives having an international expertise on performance of the company. In addition to examining the impact of executives with an overseas background on corporate finance decisions, such as borrowing, taxation, and audit fees. This paragraph analyses the impact of this category of executives on their performance in managing their companies. We find that some of the effects are important and unavoidable. Dai and Kong study the impact of returnee executives and directors on business investment productivity. Using data from executives and directors with abroad experience at publicly traded firms, it was discovered that organizations with executives and directors with foreign expertise have greater investment efficiency.

4.1 Executive recruitment decisions

Executives with overseas experience are often considered to have a good educational background and specialist skills. In a globalized economy, executives from overseas backgrounds are a powerful tool for companies to remain competitive. Tang et al. study the existence and influence mechanism of regional homogeneity effect in the recruitment of executives with the overseas background [24]. There is also a significant difference in the proportion of executives from overseas backgrounds recruited in developed and slightly less developed cities (with higher rates in developed cities). One conclusion is that there is a regional homogeneity effect in the hiring of executives with overseas backgrounds. Another finding is that demonstrator behavior affects the regional cohort effect, i.e., the high level of internationalization and innovation of the company employing an executive with an overseas background affects the regional cohort effect of employing an executive with overseas background effectiveness. This paper reveals the influence of geographic group factors on corporate talent recruitment and provides references for corporate executive recruitment decisions and local government talent introduction policies.

4.2 Performance of emerging market companies

Researchers are still interested in the influence of CEOs with international backgrounds on the success of developing market firms. Giannetti et al. investigate the influence of directors with international expertise on the success of developing market firms [25]. They showed increases in business performance after recruiting foreign-experienced directors and identified pathways via which migration may contribute to brain drain. Our findings show how directors may convey management methods and corporate governance expertise to firms in emerging economies. Sorting out and assessing China's efforts to entice talent migration, as well as the spike in the number of talents with foreign experience at various times and provinces, they found that the company's employment of directors with foreign experience will improve performance, and the brain drain can be transformed into talent inflow through this policy.

4.3 Board diversity

The researchers also looked at the relationship between ethnic diversity and company performance, where executives from different national backgrounds have different ways of thinking and habits and can offer diverse opinions and management for the development of the business. Estélyi and Nisar study the impact of the nationality of board members on board diversity [26]. By analyzing the unique data set of a listed company, they find that the heterogeneity between the council of directors and shareholders of different nationalities and the operation of the company in the international market have a positive effect, and ethnic diversity is also positively correlated with the company's performance.

4.4 Internationalization of enterprises and the regulatory role

With the development of globalization, more and more companies are pursuing internationalization to have more clients and room for growth. The findings clearly reveal that leaders with worldwide expertise have a significant favorable influence on a company's international expansion. Zhou et al. study how CEOs with international experience affect the internationalization of enterprises and the

regulatory role played by decision-making such as political connection and regional factors [27]. Based on the collected data on whether the directors of Chinese GEM listed companies have foreign experience from 2009 to 2014, the results show that: Firstly, directors with foreign experience can significantly promote the internationalization of enterprises; Secondly, the political connection will weaken this promoting effect; Thirdly, The favorable link between directors with foreign expertise and firm internationalization in coastal areas is stronger. Finally, the higher the director position with overseas experience, the better the promotion effect of the company's internationalization.

4.5 Investment efficiency

The performance of a business includes many aspects, and investment efficiency is one of them. And executives with an overseas background will make efficiency much higher through more professional and flexible decision-making. Dai and Kong examine the impact of returnees' executives and directors on enterprise investment efficiency. Using data from listed firms' executives and directors with overseas experience [28], it was discovered that organizations with executive officers with foreign experience have greater investment efficiency, which is mainly reflected in reducing the over-investment behavior of enterprises, but the improvement in under-investment is not obvious; Combined with the nature of enterprise ownership, compared with local state-owned enterprises and non-state-owned enterprises, in core state-owned firms, executives with foreign expertise play the most visible role.

5. Conclusions

Through the three broad areas studied above, foreign management experience and corporate investment behavior, foreign management experience, and corporate financing behavior, and foreign management experience and corporate performance, we can conclude that executives with an overseas background in investment decisions promote the innovative performance of the company, drive regional green development, improve corporate environmental performance, and make the company better at CSR. In terms of corporate finance, these executives are well placed to reduce the cost of corporate debt financing, companies have higher information quality and lower systemic risk, and their negative association with tax avoidance is also evident. In terms of performance, executives from overseas backgrounds can be effective in improving performance and have a positive effect on the company's functioning in international markets, as well as making the company's investments much more efficient. In summary, these leaders with international expertise have a major favorable influence on the company's governance.

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