

Managerial Foreign Experience and Corporate Social Responsibility Performance

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Abstract: According to upper echelon theory, managers' personal characteristics and background affect corporate decisions and financial performance. Foreign experience is an important part of educational experiences and personal characteristics for managers in emerging economies. Imprinting theory predicts that managerial foreign experience exerts an impact on corporate social responsibility (CSR). Using a sample of Chinese A share listed firms from 2010 to 2019, we find that managerial foreign experience is positively associated with CSR performance. Our results are robust to addressing potential endogeneity and a set of sensitivity tests. The findings provide theoretical and practical implications for stakeholders.

1. Introduction

Corporate social responsibility (CSR) performance refers to a firm's practice to improve the quality of life in society and a firm's effort to cultivate a healthy relationship among stakeholders including investors, management, employees, customers, suppliers, creditors, communities (Hillman and Keim, 2001) ^[1]. As an important component of corporate strategies, CSR performance is expected to create value and maintain sustainable operation for a firm in a long term (Mahapatra, 1984) ^[2]; however, it could also generate negative impact on a firm's financial performance in a short term due to its large amounts of resource input (Kang, 2016) ^[3]. Given the strategic importance and the contentious value implication of CSR performance, early studies have extensively explored its determinants from the perspectives of organizational and institutional factors such as slack resources availability (Waddock and Graves, 1997) ^[4], product market competition (Flammer, 2015) ^[5]. Since top managers are the actual decision makers in firms, it is important to understand top managers' perception and determination on CSR performance (Lewis et al., 2014) ^[6]. As such, more recent studies have started to focus on the individual level factors that influence CSR performance, such as chief executive officers' (CEOs') gender and educational background (Lewis et al., 2014) ^[6], CEOs' political ideology (Chin et al., 2013) ^[7], and CEOs' career concerns and ability (Yuan et al., 2019) ^[8]. While these recent studies have explored the effect of various aspects of managerial personal characteristics and background on CSR

performance, little is known how managerial foreign experience affects CSR performance. Building on upper echelon theory and imprinting theory, we fill this gap in the literature by examining the effect of managerial foreign experience on CSR performance in an emerging market, i.e., China.

Our study contributes to the literature as follows. First, when exploring the determinants of CSR performance, the existing studies mainly focus on the institutional and organizational level of analyses, and pay much less attention to the individual level of analyses (Huang, 2010)^[9]. For example, Campbell (2007)^[10] argues that economic and institutional conditions affect CSR performance; Jo and Harjoto (2011)^[11] find that corporate governance mechanisms positively affect CSR performance. However, according to upper echelon theory and imprinting theory, managers with foreign experience are educated and influenced by western culture and values which would increase their awareness of CSR. The findings in our study show that managerial foreign experience is positively associated with CSR performance. Thus, our study extends the research on the determinants of CSR performance by focusing on the individual level of analyses. Second, our study extends the literature on the economic consequences of managerial foreign experience. While prior literature finds that managerial foreign experience increases firms' international diversification and involvement (Sambharya, 1996)^[12], improves corporate financial performance (Daily et al., 2000)^[13], and promotes corporate innovation (Yuan and Wen, 2018)^[14], it ignores the impact of managerial foreign experience on CSR performance. Our study fills in the void and documents a positive effect of managerial foreign experience on CSR performance.

2. Hypothesis Development

As the concept of imprinting has attracted interests in numerous fields, Marquis and Tilcsik (2013)^[15] further clarify the concept that can integrate multilevel studies. Marquis and Tilcsik (2013)^[15] define imprinting as “a process whereby, during a brief period of susceptibility, a focal entity develops characteristics that reflect prominent features of the environment, and these characteristics continue to persist despite significant environmental changes in subsequent periods.” There are three essential elements embedded in this definition: (i) sensitive period, that is, there is a temporally restricted sensitive period during which the focal entity is highly susceptible to environmental influence; (ii) stamp of the environment, that is, the core features of the environment are stamped into the focal entity during the sensitive period; (iii) persistence of imprints, that is, the focal entity's imprints stamped during the sensitivity period persist even if he faces subsequent environmental changes. Based on imprinting theory, in recent years, a growing number of studies have investigated the effect of individual imprints resulted from managers' early experience on organizational behavior. For example, Schoar and Zuo (2017)^[16] find that CEOs started their career during recession are more likely to make conservative decisions than those started career in a more favorable macro-economic situation. This imprinting effect is observable in a variety of financial decisions, such as leverage, cost effectiveness, capital expenditures and R&D investment. Law and Mills (2017)^[17] find that managers with military experience avoid less tax, use less aggressive tax planning strategies, and have smaller tax reserves and fewer tax havens than other managers, suggesting that the imprints resulted from managers' military experience lead them to undertake civil duties and comply tax laws.

Given the obvious differences in cultural systems between developed countries and China, foreign experience is obviously an “imprinting” process for managers. In this study, we argue that managerial foreign experience affects CSR performance through two types of imprinting: cognition imprinting and capability imprinting. First, cognition imprinting. While China has made a significant achievement during the past forty decades, it is still a transitional economy. As a result, the institutional infrastructures in China, such as the protection for minority shareholders and

stakeholders, judicial independence, and law enforcement, are weaker than those in the developed economies. However, foreign experience can shape managers' values and cognitive framework. Imprinted by the cultures in the developed countries, managers with foreign experience usually have a broader vision and foresight. Given that CSR engagement creates firm value and maintains sustainable operation in a long term, managerial foreign experience is expected to be positively associated with CSR performance.

Therefore, combining the above arguments based on upper echelon theory and imprinting theory, we formulate our first hypothesis as follows:

Hypothesis 1: Managerial foreign experience is positively associated with CSR performance.

3. Data and Methodology

3.1 Data and Sample

The data on CSR performance is obtained from the official website of Hexun, a leading company specializing in financial and securities information services. Because data on CSR performance is available since 2010, our sample period is from 2010 to 2019. As to the data on managerial foreign experience, we first collect executives' resumes from China Stock Market and Accounting Research (CSMAR) database. Firm characteristics and financial data, such as firm size, leverage, firm age, operating cash flow, market-to-book ratio, board size, board independence, equity balance, CEO and Chairperson duality, product market competition, and managerial ownership, are obtained from CSMAR database. To ensure the reliability of our empirical analysis, we conduct data screening procedure as follows: (i) deleting observations in financial industry, (ii) deleting observations with special treatment such as ST, *ST and PT firms, (iii) deleting observations with missing key variables, (iv) winsorizing all continuous variables at the 99% and 1% levels to avoid the impact of extreme values.

3.2 Measuring Variables

3.2.1 Dependent Variable: CSR Performance

Existing studies that use China as a research setting have employed two proxies to measure CSR performance, i.e., the CSR score from Hexun and CSR rating from Rankins. Hexun constructs a CSR score for each listed firm in each year based on five dimensions, including shareholder equity responsibility, employee responsibility, supplier, customer and consumer rights responsibility, environmental responsibility and social responsibility. The CSR score from Hexun highly depends on the initial evaluation formula system, whereas the CSR rating from Rankins depends on the subjective judgment of raters. Thus, relative to the CSR rating from Rankins, the CSR score from Hexun is considered a more appropriate proxy for CSR performance because of its higher objectiveness (Huang et al., 2018)^[18]. Following prior studies (Huang et al., 2018; An, 2021)^{[18][19]}, we use the CSR score from Hexun (CSR) to measure CSR performance for a firm in a given year. CSR serves as the dependent variable in this study.

3.2.2 Independent Variable: Managerial Foreign Experience

Following prior studies (e.g., Li et al., 2016; Luo and Wang 2021)^{[20][21]}, we create two measures to capture managerial foreign experience. The first measure (ForeignDum) is an indicator variable which takes 1 if a firm has at least one manager with foreign experience and 0 otherwise. Then, to capture the variation in the number of managers with foreign experience, we construct a continuous variable (ForeignRatio) defined as the ratio of the number of managers with foreign

experience to the total number of managers in a firm. ForeignDum and ForeignRatio serve as independent variables in this study.

3.2.3 Control Variables

Following prior studies (e.g., Oh et al., 2016; Wen et al., 2021)^{[22][23]}, we control for a vector of relevant factors that are known to affect CSR performance, including firm size (Size), leverage (Leverage), firm age (FirmAge), operating cash flow (CFO), market-to-book ratio (BM), return on assets (ROA), board size (BoardSize), board independence (BoardInd), the largest shareholders' ownership (Top1), CEO and Chairperson duality (Dual), product market competition (HHI), managerial ownership (ManagerOwn), managers' age (ManagerAge), and managers' gender (Female). Furthermore, we include year and industry fixed effects to control the heterogeneity across industry in a given year. The detailed definitions of control variables are presented in Appendix A.

3.3 Regression Models

To explore the impact of managerial foreign experience on CSR performance, following Wen et al. (2021)^[23], we construct the following model:

$$CSR_{it} = \alpha_0 + \alpha_1 ForeignDum_{it}(ForeignRatio_{it}) + \sum_{i=2}^n \alpha_n Controls_{it} + \eta_t + \lambda_l + \varepsilon_{it} \quad (1)$$

Where CSR is the dependent variable, ForeignDum and ForeignRatio are the independent variables, Controls denotes the control variables. η_t and λ_l are year and industry fixed effects, ε_{it} represents stochastic disturbance term.

3.4 Descriptive Statistics

Table 1 presents descriptive statistics for our main variables. The mean and the maximum value of CSR are 25.015 and 83.35, respectively. Given that the full score of CSR is 100, these numbers indicate that CSR performance in China is still far from satisfactory. The standard deviation of CSR is 15.984, suggesting that there is a large variation in CSR performance among sample firms. The mean value of ForeignDum is 0.233, indicating that more than 20% of sample firms have managers with foreign experience. The mean value of ForeignRatio is 0.047, demonstrating that there are around 5% managers with foreign experience for an average sample firm.

Table 1: Descriptive statistics.

Variables	N	Mean	Std	Median	Min	Max
CSR	6591	25.015	15.984	21.970	0.010	83.350
ForeignDum	6591	0.233	0.423	0.000	0.000	1.000
ForeignRate(%)	6591	0.047	0.101	0.000	0.000	0.571
Size	6591	22.229	1.227	22.112	19.225	26.305
Leverage	6591	0.447	0.209	0.445	0.032	0.959
FirmAge	6591	2.202	0.920	2.565	0.000	3.296
CFO	6591	0.042	0.073	0.042	-0.222	0.273
BM	6591	0.638	0.248	0.649	0.046	1.208
ROA	6591	0.031	0.071	0.032	-0.568	0.212
BoardSize	6591	2.249	0.177	2.303	1.792	2.833
BoardInd	6591	0.375	0.055	0.333	0.250	0.600
Top1	6591	0.337	0.147	0.306	0.084	0.780
Dual	6591	0.252	0.434	0.000	0.000	1.000
HHI	6591	0.082	0.075	0.058	0.011	0.809
ManagerOwn	6591	0.111	0.191	0.001	0.000	0.749
ManagerAge	6591	3.874	0.075	3.879	3.589	4.040
Female	6591	0.154	0.153	0.143	0.000	0.667

4. Empirical Results

4.1 Baseline Results

We start by examining the impact of managerial foreign experience on CSR performance and thereafter report the results in Table 2. We run two regression sets, one is for the indicator variable *ForeignDum*, and the other is for the continuous variable *ForeignDum*. Column (1) shows that the estimated coefficient on *ForeignDum* is 1.796 and is statistically significant at the 1% level, suggesting that managerial foreign experience is positively associated with CSR performance. Column (2) shows that the estimated coefficient on *ForeignRatio* is 9.469 and is statistically significant at the 1% level, suggesting that CSR performance increases with the ratio of the number of managers with foreign managers to the total number of managers.

Table 2: Managerial foreign experience and CSR performance.

	CSR	
	(1)	(2)
<i>ForeignDum</i>	1.796*** (3.915)	
<i>ForeignRate</i>		9.469*** (4.890)
<i>Controls</i>	Yes	Yes
<i>Constant</i>	38.179*** (3.226)	38.252*** (3.235)
<i>Year</i>	Yes	Yes
<i>Industry</i>	Yes	Yes
Observations	6591	6591
Adjusted- R^2	0.113	0.115

Note: The t-statistics in the brackets are based on standard errors adjusted for clustering at the industry level. *, **, and *** represent significance at the 10%, 5%, and 1% levels, respectively.

4.2 Robustness Checks

We conduct robustness checks to ensure the reliability of results. First, managerial ability is controlled for, since foreign experience may proxy for advanced skills. Using a two-step DEA approach, managerial ability is measured and included in the model. The results show that foreign experience remains significantly and positively associated with CSR. Second, an alternative CSR measure from Rankins is used instead of Hexun. The findings continue to demonstrate that managers with foreign experience positively influence CSR performance. Finally, to address the influence of extreme observations, the model is re-estimated after excluding CSR values exceeding three standard deviations from the mean. The results remain consistent, confirming that the positive relationship between managerial foreign experience and CSR is not driven by outliers. Overall, these robustness checks reinforce the validity and stability of the baseline findings.

4.3 Endogeneity Concerns

We address endogeneity concerns regarding the link between managerial foreign experience and CSR performance using three approaches. First, the Heckman two-step method corrects for self-selection bias, showing that the positive impact of foreign experience on CSR remains robust. Second, an instrumental variable (IV) approach, using firms headquartered in former British

concessions as the instrument, confirms the validity of the results and again supports a significant positive relationship. Third, propensity score matching (PSM) balances treatment and control groups, and regression results show that firms with managers who have foreign experience achieve higher CSR performance. Together, these methods consistently demonstrate a causal and robust positive effect of managerial foreign experience on CSR engagement.

5. Conclusions

This study investigates the effect of managerial foreign experience on CSR performance. The baseline results show that managerial foreign experience significantly and positively associated with CSR performance. The findings in our study provide implications for firms in the practices of introducing talents with foreign experience in the context of an emerging economy. Talents with foreign experience have global vision and international resources. As a result, such talents are more valued by emerging economies and firms. Our study documents a positive effect of managerial foreign experience on CSR performance, which provides empirical evidences supporting the practices that introduce talents with foreign experience in emerging markets. Moreover, due to the increasing attention to CSR performance in emerging economies, our findings provide practical implications for investors, suppliers, consumers, employees, the public and other stakeholders.

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Appendix

Appendix A. Variable Definition.

Variables	Definition
Panel A: Corporate social responsibility variable	
CSR	The corporate social responsibility score of listed companies in the website of Hexun
Panel B: Foreign experience variables	
<i>ForeignDum</i>	A dummy variable which equals 1 if firm has at least one manager with foreign experience, and 0 otherwise
<i>ForeignRatio</i>	The ratio of managers who have foreign experience to total managers
Panel C: Other variables	
<i>Size</i>	The natural logarithm of a firm's total assets
<i>Leverage</i>	The book value of total debts divided by the book value of total assets
<i>FirmAge</i>	The natural logarithm of one plus the years of a firm's establishment
<i>CFO</i>	Operating cash flow scaled by the average of total assets
<i>BM</i>	The ratio of the book value of equity to the market value of equity
<i>ROA</i>	Return on assets, which equals to net income divided by total assets
<i>BoardSize</i>	The natural logarithm of the number of directors
<i>BoardInd</i>	The proportion of independent directors in a board
<i>Top1</i>	The percentage of shares owned by the largest shareholder
<i>Dual</i>	A dummy variable that is equals to 1 if the controlling shareholders assume the position of both chairperson and CEO, and 0 otherwise
<i>HHI</i>	Following Bushman et al. (2004), We estimated as the revenue-based Hirfindahl-Hirschman indices calculated as the sum of the squares of each industry segment's sales as a percentage of the total firm sales
<i>ManagerOwn</i>	The number of the shares held by management divided by the total shares in issue
<i>ManagerAge</i>	The natural logarithm of one plus the average age of managers
<i>Female</i>	The ratio of female managers to total managers