

Corporate Executive Background and Corporate Performance

Rongrong Jiao^{1,a,*}

¹*Business School, Xi'an Jiaotong-liverpool University, SuZhou 215000, China*
a. Rongrong.Jiao22@student.xjtlu.edu.cn

**corresponding author*

Abstract: In today's era of intense economic competition and globalisation of the economy, companies and individuals are being pushed to upgrade their backgrounds to adapt to the times and promote their development. This paper focuses on the relationship between executives' backgrounds and corporate performance, and learns that executives' backgrounds of overseas study and overseas work can help them to make correct corporate decisions and thus improve corporate performance. Although the academic background of executives can help to improve corporate performance, it sometimes contradicts with the maximisation of corporate shareholders' interests, and corporations need to pay attention to it, as well as the personal characteristics of executives. The results of the study suggest that it is important to consider the impact of executive background on corporate performance from various aspects and weigh the pros and cons so as to find the most suitable one for the enterprise. Meanwhile, it also suggests the direction of future research in this area.

Keywords: executive background, overseas background, academic background, corporate performance

1. Introduction

With the rapid development of the global economy, countries are placing more and more emphasis on the development of national and corporate economies, and executives' decisions on the management of companies are keys to their economic development. The instability and complexity of today's economic environment have made companies demand more and more from their executives in order to maintain the continuity and stability of the company's economic development. Therefore, the study of the background of executives on the company's business decision-making and performance has certain practical and theoretical significance.

Academic research on this issue originated from the high order theory put forward by Hambrick and Mason in management, which has opened up a new field of research on high management theory for scholars and started to become a hot spot for many scholars to pay attention to. At present, many studies have shown the impact of demographic variables such as age and gender of executives, time in office, academic background and whether they have an overseas background on business decision-making and performance, and also analyzed the significant relationship between them, but there is still a lack of them. Earlier studies have pointed out that since the psychographic variables of executives are not easy to measure and are very complex, there is no way to prove that

a certain characteristic of their background is beneficial to the enterprise or not, and that decisions should not be judged on this basis, but on the basis of different actual situations.

Although the bottom workers or ordinary employees in the company are an indispensable part of the company, they often just work passively to complete the task. The top management is the core of the company is the decision maker, as the main body of the organisation's strategic decision making, shoulder the great responsibility of the enterprise operation. There is a principal-agent relationship between executives and shareholders, and executives, as agents of shareholders, have to operate and manage the whole company with the starting point of maximizing shareholders' interests. Their basic background characteristics will affect the decisions they make in their work, which in turn will affect the organisational performance of the firm. Therefore, executives, as agents of shareholders, need to make use of their background knowledge and talents to perform their duties of maximizing the interests of shareholders of the company and promoting the steady and sustainable development of the enterprise.

2. Overseas Background

In this era of globalised development and reform and opening up, more and more companies tend to bring in managers with overseas backgrounds [1].

Some scholars have studied the relationship between executives with overseas study background, overseas work background and both study and work background on enterprise performance [2], in which it is obvious that executives' overseas background has a significant effect on enterprise performance, especially when executives have both theoretical knowledge and practical ability, which is more helpful to help the enterprise to make business decisions, and to improve the performance of the enterprise.

Compared with executives with overseas study background, executives with overseas working experience are more familiar with overseas economic markets and business operations, and have more professional skills and management experience, which makes them more persuasive in corporate decision-making and has greater influence on corporate innovation [1].

Yuan Rongli et al. also proposed and proved that executives with overseas experience can help enterprises to improve their innovation ability and have more long-term strategic goals and perspectives [3]. At the same time, executives with overseas experience have encountered a variety of difficulties and pressures from various aspects, which makes them more persistent and patient. They have a global vision and international information resources, and have accepted diverse learning, which makes them more inclusive [4]. In an inclusive working environment, workers are encouraged to participate in business decisions, employees are motivated, and executives can get a lot of advice from them and, together with their own thinking and judgement, make decisions that are most beneficial to the interests of the company and its shareholders, thus improving the performance of the company. Many business executives have a background of studying in developed countries. Developed countries and regions have a stronger sense of innovation, which attracts people to go to further study, improve their background and enhance their innovation ability. They have more perfect knowledge structure and stronger management ability, and they can use their talents to deal with the problems and solve the problems better when there are some difficulties and some complicated problems in the enterprise.

In addition, the overseas background of executives has a significant effect on enterprise performance not only in high-tech enterprises, but also in non-high-tech enterprises [2]. Because of their innovative awareness and ability, and their managerial ability, they are always able to make the right decisions for the enterprise and get better performance no matter what kind of enterprise they are in, as long as they try their best to give full play to their ability.

3. Academic Background

Zhou Kai Tang et al. first began to explore the characteristics of the academic experience of executives to study whether this has an impact on the financial decision-making of enterprises, and the final results show that members of the executive team have had overseas experience will reduce the cost of debt financing of enterprises [4], and then help enterprises to improve their financial performance. According to the research statistics of Yuan Zeming et al, the average proportion of executives with academic experience in China's listed companies reached 43.9% during 2008-2017, and showed a rising trend year by year [5]. Many well-educated workers are more willing to enter the business circle and take up senior positions to participate in business decision-making, rather than stay in the original education or government agencies, this type of phenomenon is called 'literati to the sea', with academic experience of executives in the enterprise to play the role of attention at the time to become a wave of It became a craze at that time [6]. This shows the importance that companies attach to the academic background of executives, which also reflects its importance to business decisions and corporate performance. Because of the emergence of these phenomena, more and more scholars are concerned, and the academic background of executives has become a hot topic for scholars to study. The academic experience of executives is the cultivation of their life values and the enhancement of their cognitive level, which inevitably has a greater impact on corporate decision-making.

Enterprises with executives with academic experience are more innovative and invest more in enterprise innovation. When executives have the same academic experience, executives with higher academic qualifications are more able to make good business decisions and contribute more significantly to corporate innovation [7].

Executives with academic experience tend to have higher ethical standards and a sense of social responsibility, and these can moderate the information asymmetry between firms and many investors [5]. At the same time, they are accustomed to using their professional knowledge to make rational analyses, taking them seriously with a rigorous attitude, and better able to make correct decisions. However, at the same time, their academic normative standards and the real corporate interests sometimes contradict each other, and when the two are in conflict, what kind of decisions executives with academic experience make is crucial for the enterprise. For example, in state-owned enterprises, interpersonal relationships are more complex, executives with academic experience may not be able to adapt to such an environment at the beginning, and can not regulate their own state, which will have a little impact on the work efficiency, corporate decision-making and corporate performance, compared to non-state-owned enterprises with academic experience in the promotion of corporate decision-making and corporate performance is more obvious [8]. In summary, executives with academic background have both advantages and disadvantages, and do not necessarily make the most conducive decisions for the enterprise and maximize the interests of shareholders, nor do they necessarily enhance performance for the enterprise. In recent years, some scholars have found that there is a complex relationship between the academic experience of executives and the innovation performance of enterprises, which is both positive and negative [9], and this discovery points to a new direction for future research.

4. Personal Characteristics

Scholars began to study the impact of personal characteristics of executives on corporate innovation decision-making and corporate performance a long time ago, mainly in terms of age, gender, tenure, etc., and scholars at home and abroad have come to a more systematic and perfect conclusion on this. First of all, for the chairman of the board of directors as well as other executives, the tenure of time needs to be appropriately controlled. When just taking office, the executives will pay great

attention to their words and behaviour, obey the law, work diligently, coordinate and cooperate with the team, and build up a good persona. However, later in their tenure, they may use their power and authority to violate the code of ethics for personal gain. However, the exception is financial executives, the longer they serve, the more experience they accumulate, which enhances the quality of accounting information to a certain extent [10].

In addition, older executives may be more concerned with external perceptions and their own reputation, so the CSR of their organisations has a significant contribution to business decisions and business performance. In addition, female executives are different from men in that they pay more attention to moral qualities, are understanding and friendly, and are able to contribute to CSR, which in turn contributes to business decisions and performance [11]. Regardless of the personal characteristics of corporate executives, when making decisions for the development of the enterprise, it is important to pay attention to the rights and interests of the employees while maximizing the interests of the enterprise, as well as to have a sense of social responsibility and fulfill the obligations of social duties.

5. Conclusion

Starting from the proposal of the higher order theory, the background of executives has received more and more attention from enterprises. As the core decision makers of an enterprise, they shoulder the mission and responsibility of the whole enterprise, and as the agents of shareholders, they have to maximize the interests of shareholders as their goal. In today's globalisation process, companies are more willing to recruit executives with overseas backgrounds, generally considering both overseas study backgrounds and overseas work backgrounds. This is because these experiences can enable them to acquire diversified knowledge, develop their perseverance, patience and creativity, as well as being more inclusive. Those with overseas working background are more attractive to companies because they have not only theoretical knowledge but also practical experience, and can adapt to the working environment quickly. In addition, academic backgrounds are also important to companies because executives with academic backgrounds are able to use their professional knowledge and ethical principles to make rational and rigorous decisions, promote innovation and development, and improve corporate performance. However, at the same time, these advantages may conflict with the interests of the enterprise in some cases, and the complexity of interpersonal relationships in the enterprise makes it impossible for executives with academic backgrounds to adapt to the situation and make decisions that optimise the performance of the enterprise. In addition, it is concluded that executives at the beginning of their careers are better able to improve corporate performance than those at the end of their careers, that older executives are better able to improve corporate performance than younger ones, and that women are more morally aware than men and are more likely to improve corporate performance. In future research, this paper believes that based on the current context of technological development, companies need to consider whether executives have a background in big data and artificial intelligence to help them adapt to current and future development prospects. At the same time, some companies have begun to use robots to replace human labour, and these companies need to consider whether executives have the ability to manipulate machines and equipment, whether they can adapt to the development of the company, and whether they can contribute to the decision-making of the company in order to improve the performance of the company. The impact of executive background on firm performance deserves to be further explored in future research.

References

- [1] Song J.B, Wen W. (2016) *Can the Overseas Background of Directors Promote Enterprise Innovation?*. *China Soft Science*, 11, 12.

- [2] Wang D.J., Feng L.S. (2021) *Can Executive Academic Experience Boost Dividends?. South China Journal of Economics*, 40, 89-105.
- [3] Yuan R.L., Xia S.J., Li R.J. (2020) *How the Overseas Experience of Executives Helps Enterprises "Go Global". Financial Research*, 1, 14.
- [4] Zhou K.T., Ma Z.M., Wu L.S. (2017) *Executive Academic Experience and Company Debt Financing Costs. Economic Research*, 7, 169-183.
- [5] Yuan Z.M., Wang P.L., Fu Y.Y. (2020) *Has the Academic Experience of Executives Affected the R&D Manipulation of Enterprises?. Foreign Economics & Management*, 42, 109-122.
- [6] Zhu S.Y. (2021) *Research on the Impact of the Academic Experience of Executives on Corporate Performance. National Circulation Economy*, 9, 3.
- [7] Sheng M.Q., Zhang Y., Wang S. (2021) *Executive Academic Experience and Enterprise Innovation. Journal of Hefei University of Technology: Social Science Edition*, 35, 10.
- [8] Huang C., Nian R.W., Jiang Q.H., etc. (2019) *Will "Literati Go to the Sea" Promote Enterprise Innovation?. CJI. Financial Research*, 5, 111-124.
- [9] Xu J.B., Chen J.M., Wang J.X. (2021) *The "Double-edged Sword" Effect of Academic Executives on Enterprise Innovation - Based on the Empirical Analysis of Small and Medium-sized Enterprise Listed Companies. Scientific and Technological Progress and Countermeasures*, 38, 10.
- [10] Nie X.T. (2017) *The Nature of Property Rights, the Background Characteristics of Management and the Quality of Accounting Information. Monthly Journal of Science and Technology Entrepreneurship*, 30, 20-25.
- [11] Chen H.Y., Tian C.X. (2020) *Research on Corporate Social Responsibility, Executive Characteristics and Business Performance. Modern Management*, 10, 329-340.