

# Overseas Background Executive, Risk-Taking and Corporate Performance

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## Abstract

Overseas background executives are becoming more and more important to enterprises. By analyzing the data of A-share listed companies in China from 2011 to 2017, this paper finds that the existence of overseas background executives is conducive to the improvement of corporate performance. And senior managers with overseas working experience and core managers with overseas experience in enterprises can play a more important role. At the same time, the study shows that risk-taking plays a mediating role in the impact of overseas executives on corporate performance. And only when the external institutional environment is good, can overseas executives play their role.

## Keywords

Overseas Background Executive, Risk-Taking, Corporate Performance, Environment System, The Mediating Effect

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## 1. Introduction

According to the theory of human capital, the talent has always been an important motivation for social and economic development. From the perspective of the micro-subjects involved in the economy, there may be many external factors in the establishment of enterprises, but if enterprises seek for a long-term development, talents will be the key to their strategic execution. The training of senior managers is the most crucial factor for the establishment of the talent echelon. Because of their knowledge, ability, capital and related resources, senior managers have always served as the apex group in the human capital pyramid, providing intellectual support and resource for the development of micro-enterprises, thus continuously promoting the company's various business activities. Ultimately their value reflected in the company's performance and personal

achievement.

In the 1990s, due to the turbulence of domestic economy, China experienced a large-scale overseas immigration. The serious brain drain caused an insignificant impact on China's macroeconomic and micro-subjects. However, since the beginning of the new century, benefiting from the stable and rapid development of economy and the targeted policies of the talents such as "talent subsidies", "welfare housing" and "thousand people plan", China has entered the new stage in the return of overseas talents. LinkedIn 2018 "China Returnees Talents Report" shows that from 2011 to 2017, the return of overseas talents has been increasing year by year, and the number of mature talents has increased. Studying and working abroad before returning to China for further development has become a career plan for more and more overseas talents.

The return of overseas talents has played an important role in the basic science, business management and economic development in China. With the continuous deepening of the global internationalization process, especially the knowledge reserves, network of contacts and work experience accumulated by senior management not only weigh more and more on the formulating of enterprise development strategy and taking reasonable risk, but also drive the smooth running of projects and improve the efficiency of organizational processes. The overseas experience of executives can be regarded as a special endowment, and overseas talents become corporate executives, even as CEOs or CFOs, which have greatly changed the characteristics of the executive team's personnel composition and are important for improving operational efficiency.

Although the return of overseas talents can bring special resources and endowments to the development of all levels of the Chinese economy, due to the current institutional characteristics of China, differentiated market systems and unbalanced regional economic conditions, overseas background executives may not be able to achieve the company's initial expectations. Senior executives with overseas backgrounds may require a certain amount of time to adjust and adapt in the new stage of facing cultural situations and institutional situations that are different from overseas experiences. However, with the continuous development of Chinese economy and the improvement of the institutional environment, the resource endowment brought by overseas executives is bound to be more able to flourish and develop in this red and magnificent land!

## **2. Theory Basis and Hypothesis**

### **2.1. Research on Overseas Talents and Company Management**

The specific duties of the senior management team include organizing and coordinating the operation and development of the enterprise, formulating the enterprise development strategy and issuing key decisions, and controlling and adjusting the operation of the enterprise. Therefore, the company's senior management team has strong decision-making ability. The demographic characteristics of senior management will directly affect the formulation of corporate stra-

tegic decisions that will directly affect corporate performance [1]. The “high-level echelon theory” shows that the different experience characteristics of management have an important impact on the business investment and strategic choice of the enterprise [2].

The influence of executives with overseas background on business operations is far-reaching. The presence of executives with overseas backgrounds can lead to more meaningful discussions in the decision-making environment, thus choosing the strategy of optimal development. The overseas experience of executives is conducive to the international diversification of enterprises, and increasing the proportion of executives with overseas backgrounds helps to increase the export of small-sized technology companies [3]. The existence of overseas executives is conducive to improving the level of corporate social responsibility commitment [4]. Returnee executives improve investment efficiency in enterprises, which is one of the ways in the group promotes corporate performance [5]. The returnees have a positive impact on corporate performance [6]. The reason for the outstanding performance of overseas executives is attributed to the knowledge base and network of contacts added by overseas experience [7].

Of course, quickly adapting to the domestic political economy and corporate environment is a necessary condition for effectively exerting the role of returning senior manager: the combined influence of the overseas experience and the local maladjustment of returnees determine its impact on business operations [8]. Otherwise, it may even be considered that those executives have great ambition but little talent [9].

## **2.2. Research on Risk-Taking**

The essence of risk is the uncertainty of the expected result, which means that the risk represents both “opportunity” and “danger”. The traditional theory of finance emphasizes the coexistence of risks and benefits, that is, it is expected to gain profit on investment while taking risks. The risk-taking of an enterprise is defined as the willingness and inclination of the company to pay for the proceeds [10]. The risk is something that must be undertaken and faced in business operations [11].

Generally speaking, the mainstream literature holds that the risk-taking of enterprises is conducive to optimizing the operation and development of enterprises, and thus achieving the improvement of corporate value. Raising the level of risk-taking can improve the company’s growth ability, which in turn will help the company achieve its long-term success [12] with the level of risk-taking increasing, companies will mention their R&D investment, which will enhance their innovation capabilities [13]. At the same time, the risk-taking of enterprises is conducive to optimizing the investment decisions of enterprises and maximizing the benefits of resources [14].

Of course, the risk-taking of the company also needs to be maintained at a

reasonable level. Any slight inadvertent business behavior will cause the company to fall into the mud and even bring a bad chain reaction to the capital market and the macro economy. The relationship between risk-taking and income of cross-border enterprises is significantly negative; enterprises will maintain a higher risk exposure during the recession, which will further deteriorate its operation [15]. Meanwhile, only modest risk exposure can boost the development of the company [16].

### 2.3. Hypothesis

Under economic globalization, the development of enterprises is inseparable from the talents with a global vision. The high-level management members with overseas backgrounds, their unique talents for studying and working abroad, make it easier to analyze the business logic in the globalization and make more reasonable business decisions [17]. Regardless of the expansion of overseas markets, the investment of enterprise innovation, the rationalization of investment efficiency or the strengthening of corporate governance, the executives with oversea background have the optimization effect on local enterprises. At the same time, according to the high-level echelon theory, the unique resources of overseas background and the understanding of the multicultural environment can better grasp opportunities and improve the investment performance of enterprises.

H1a: Under the same conditions, returnees can improve the performance of the company.

H1b: Under the same conditions, the greater the number of returnees, the higher the performance of the company.

H1c: Under the same conditions, the higher the proportion of returnees, the higher the performance of the company.

The overseas experience of executives includes two experiences of studying abroad or serving abroad. Both experiences have different effects, and play different role in the service stage of executives. Compared with the experience of overseas study, work experience enables returnees to better understand the local market and industry and improve their perception of the business model of the industry, which is more practical for the company performance transferability than overseas study experience.

Different job assignments give different roles to the corresponding managers. The CEO and CFO are two important executives of the company. The former is mainly responsible for the important business decisions of the company. The latter is mainly responsible for the financial decision-making and the quality of accounting information. The above two positions are more central to the influence of other executives on corporate decision-making [18]. If overseas executives are in the core positions of the management group, they can play their role more than other positions. Therefore, the following assumptions are made:

H1d: Under the same conditions, the work experience of senior executives

more likely improve the performance of the company compared with the overseas study experience.

H1e: Under the same conditions, returnees as core positions can more likely improve their performance compared with overseas executives who hold non-core positions.

Matching revenue and risk is an important cornerstone of corporate finance theory. As mentioned above, risk-taking can effectively promote technological innovation of enterprises, improve the efficiency of enterprise investment, optimize the allocation of internal resources, and achieve performance improvement. The improvement of the level of enterprise risk-taking can achieve the promotion of economic development from a macro perspective, and also improve the performance management of enterprises from a micro perspective. Therefore, the following assumptions are made:

H2a: Under the same conditions, the improvement of corporate risk taking can enhance the company's corporate performance.

The individualistic values of corporate executives have a significant positive impact on corporate risk taking. Those executives, who grow up under the Chinese culture of the collectivism, always seek a more moderate and conservative decision-making model to maximize the group profits, but the influence of foreign cultures experienced by senior executives can enhance their risk-taking consciousness. Therefore, compared with the local growth executives, the returnees accept the individualistic culture, advocating hard work and progress, which perform a higher risk preference of decision. The experience of studying or serving abroad also makes them more capable and willing to accept challenges [19]. Therefore, the following assumptions are made:

H3a: Under the same conditions, returnees can improve the risk-taking level of the company.

H3b: Under the same conditions, the greater the number of returnees, the higher the risk-taking level of the company.

H3c: Under the same conditions, the higher the proportion of returnees, the higher the risk-taking level of the company.

Returnees who study and work in completely different environments have to constantly overcome cultural shocks, and face the pressures and challenges of life, emotions, and social interaction. This experience has partly fostered the resilience of returnees to enable them to respond to and control risks with a calm and calm mentality and make responsible decisions. They are mainly employed in developed economies, who not only have advantages in terms of professional knowledge and management concepts compared to domestic local executives, but also have international social resources and their risk-taking ability may be stronger. Risk taking puts forward higher requirements for managers' capabilities of risk control and resource integration. Managers need to effectively control the balance between risks and benefits to avoid making enterprises into trouble. So returnees from different positions will play different roles in risk taking. To control overall risk of the company, the attitude of risk taking of the returnees as

core positions may be contrary to the rest of the returnees [20]. Therefore, the following assumptions are made:

H3d: Under the same conditions, the returnees who experience senior management with overseas study experience can improve the risk-taking level of the company.

H3e: Under the same conditions, returnees as core positions can enhance the risk-taking level of enterprises compared with overseas executives and non-core positions.

In summary, the broad vision, knowledge precipitation, management experience and personal awareness which are formed by overseas executives when learning and working abroad make them more willing and able to take on business risks. Simultaneously, the mainstream literature recognizes that the risk-taking of enterprises has a positive effect on the micro-subjects of enterprises. Therefore, it is inferred that risk-based commitment is one of the important intermediary paths in the way that executives with overseas background improve corporate performance.

H4a: Risk-taking plays a full intermediary role in the transmitting process of company performance by returnees with overseas employment experience.

H4b: Risk-taking plays a part in mediating transmitting process of company performance to overseas returnees with overseas study experience.

H4d: Risk-taking can not play a mediating role in the transmitting process on company performance by overseas returnees as core positions

H4e: Risk-taking plays a full intermediary role in the transmitting process of company performance by overseas returnees as non-core positions.

This paper will verify the above hypothesis with the panel OLS regression method. The intermediary mechanism of risk-taking is judged by significance of the crossover item and the Sobel test.

### 3. Empirical Analysis

#### 3.1. Source of Data and Samples

CSMAR database is the largest and most accurate financial and economic database in China. Its data consists of stock, fund, bond, financial derivatives, listed companies, economy, industry and high frequency data. And it also provides personalized data.

The sample data used in this study is mainly from the CSMAR and the annual financial statements of listed companies. This paper selects the listed companies in Shanghai and Shenzhen A-share markets from 2011 to 2017 as a sample of research. Use nearly three years of data to calculate risk taking.

For the research needs of this paper, the following screening and processing are carried out on the sample: 1) Excluding financial and insurance industry data; 2) Excluding ST and \*ST enterprises; 3) Excluding companies whose ROA is not three-years continuous; 4) Exclude samples with missing or outliers from other data.

In order to eliminate the interference of extreme values on the empirical results, we use Wimorize to process the continuous variables with values other than the 1% and 99% quantiles. A total of 14418 observation samples from 2011-2017 were obtained.

### 3.2. Variable Selection

The variables are selected as shown in **Table 1**, where *tbc* is the explanatory variable, the executives' overseas background situation category variables are explanatory variables, the risk taking is the intermediary variable, and the rest are the control variables.

### 3.3. Descriptive Statistics

As can be seen from **Table 2**, from the perspective of the operation of listed companies in China, there is a relatively large gap between the companies on operating performance, growth capacity, and operational capability liabilities. At the same time, there are different strategic choices in the company's management and governance structure: For the appointment of overseas background executives, one of those companies appoint 11 overseas background executives, while many companies still do not appoint overseas backgrounds as executive. However, overseas executives may play an important role in the gap between the company's operations.

### 3.4. Model Equation

In order to confirm the above hypothesis and test the mediation mechanism, panel regression analysis will be carried out using the following models.

To examine the impact of overseas background characteristics on corporate performance:

$$\text{Model: } tbc = \alpha + \beta_i * \sum \text{OVERSEAS}_i + \gamma_i \sum \text{Controls} + \varepsilon$$

To examine the impact of risk-taking on Corporate Performance:

$$\text{Model: } tbc = \alpha + \beta * \text{riskb} + \gamma_i \sum \text{Controls} + \varepsilon$$

To examine the impact of overseas background characteristics on risk-taking:

$$\text{Model: } \text{riskb} = \alpha + \beta_i * \sum \text{OVERSEAS}_i + \gamma_i \sum \text{Controls} + \varepsilon$$

To examine the intermediary impact of risk taking:

$$\text{Model: } tbc = \alpha + \delta * \text{riskb} + \beta_i * \sum \text{OVERSEAS}_i + \theta_i * \sum \text{Intersections}_i + \gamma_i * \sum \text{Controls} + \varepsilon$$

*OVERRRSEAS* represents the overseas background characteristics of the corresponding formula;

Controls represents control variables;

Intersections represent the crossover term of the corresponding formula.

### 3.5. Regression Analysis

As shown in **Table 2**, the presence of overseas background executives, the number of executives with overseas background, or the proportion of those executives

**Table 1.** Variable composition table.

Variable	definition
tbc	Tobin Q, Business Performance
riskb	Risk taking
SEA	Virtual variable, representing whether there are overseas background executives
SEA_N	Number of overseas background executives
SEA_P	Proportion of overseas background executives
cor	Virtual variables, whether there are core positions overseas executives
ecor	Virtual variables, executives of non-core positions
mix	Virtual variables, executives with both overseas study and work background
educatio	Virtual variables, executives only with overseas study background
wor	Virtual variables, executives only with overseas work backgrounds
lnsize	Asset size
grouth	Operating income growth rate
roundb	Total asset turnover
Mpeople	Number of board members
DDZB	Proportion of independent directors
lnast1	Total number of shares held by management
percentage_	Shareholding ratio of major shareholders
ONE	As the chairman and CEO
lninc	Compensation of top three executives'

**Table 2.** Descriptive statistical table.

variable	N	mean	p50	sd	min	max
tbc	14418	2.690	1.997	3.875	0.683	349.1
SEA	14418	0.227	0	0.419	0	1
SEA N	14418	0.344	0	0.779	0	11
SEA P	14418	0.0460	0	0.104	0	1
riskb	14418	0.0253	0.0157	0.0294	0	0.296
mix	14418	0.0686	0	0.253	0	1
educatio	14418	0.0676	0	0.251	0	1
wor	14418	0.0916	0	0.288	0	1
cor	14418	0.0964	0	0.295	0	1
ecor	14418	0.176	0	0.389	0	1
lnsize	14418	22.20	22.04	1.305	15.58	28.51
grouth	14418	1.679	0.113	125.3	-0.967	14883
roundb	14418	0.660	0.537	0.569	0.000840	12.37
debt	14418	0.444	0.439	0.229	0.00708	8.256
Mpeople	14418	7.317	7	2.794	1	39
DDZB	14418	0.374	0.333	0.0555	0.182	0.800
Lnast 1	14418	11.63	13.47	7.100	0	21.93
percentage	14418	0.347	0.327	0.151	0.00290	0.900
ONE	14418	0.240	0	0.427	0	1
lninc	14418	14.26	14.24	0.704	10.31	17.41



are positively related to company performance. At the same time, the overseas work experience is enough to help returning executives to promote corporate performance, but the study abroad experience of executives does not show a significant positive correlation with the corporate performance. In addition, whether overseas executives return to the core or non-core positions can improve business performance, but the contribution of non-core executives is relatively low. Hypothesis H1 is basically confirmed.

And the data show that the above positive correlation is significant within 1%, indicating that the corresponding overseas background executives have a very effective impact on corporate performance. Compared with companies without overseas background executives, each overseas background executives can promote 0.103 - 0.118 company's Tobin' q value.

The regression results in column 6 of the table also show that risk exposure significantly positively affects company performance, indicating that under current national conditions, enterprises taking risk can effectively promote their development. Hypothesis H2 is confirmed.

As shown in **Table 3**: Firstly, the existence of executives with overseas background can significantly positively affect the level of risk-taking of enterprises, while the increase in the proportion and number of those executives can slightly promote the level of risk-taking of enterprises. Secondly, among the executives with different overseas experience, executives with overseas work experience have a significant positive impact on corporate risk-taking. The impact of executives with overseas study on corporate risk taking is only slightly significant. Finally, statistically, executives who hold core or non-core positions have a positive and significant role in the risk-taking of enterprises. H3a and H3b are assumed to be strictly verified.

According to the above regression conclusions (**Table 4, Table 5**), combined with the mediation effect test model proposed by Wen Zhonglin *et al.* (2014), further regression analysis and sobel test are conducted. The conclusions are as follows:

- 1) Executives with overseas experience and employment have a full mediating effect on the positive impact of risk taking on corporate performance;
- 2) Executives with overseas experience, returning executives as non-core position and increase in the number of overseas executives affect corporate performance partly through risk taking;
- 3) Executives with overseas study and overseas employment and core executives did not pass the sobel test (**Table 6**).

Since Chinese reforming and opening, it has always adhered to the development of a socialist market economy with Chinese characteristics, while private enterprises and state-owned enterprises have always been the two major players in the market. Different internal attributes of an enterprise may have corresponding differences in the role of a particular talent or strategy. Therefore, the sample is divided into state-owned enterprises and non-state-owned enterprises

**Table 3.** Hypothesis 1, hypothesis 2 OLS regression table.

	tbc	tbc	tbc	tbc	tbc	tbc
SEA	0.118*** (3.490)					
SEA_N		0.118*** (3.490)				
SEA_P			0.707*** (4.100)			
mix				0.241*** (4.350)		
educetio				0.0802 (1.510)		
wor				0.103*** (2.260)		
cor					0.164*** (3.6)	
ecor					0.0663* (1.910)	
riskb						4.969*** (12.99)
lnsize	-0.921*** (-53.25)	-0.922*** (-53.32)	-0.922*** (-53.32)	-0.922*** (-53.30)	-0.921*** (-53.23)	-0.886*** (-51.57)
grouth	0.0000344 (0.490)	3.45e 05(0.490)	3.39e-05 (0.490)	3.43e-05 (0.490)	3.43e-05 (0.490)	3.27e-05 (0.460)
roundb	0.161*** (5.290)	0.161*** (5.300)	0.161*** (5.300)	0.161*** (5.310)	0.161*** (5.300)	0.154*** (5.150)
debt	0.0296 (-0.350)	-0.0289 (-0.340)	-0.0287 (-0.340)	-0.0249 (-0.290)	-0.0291 (-0.340)	-0.133 (-1.580)
cost	0.537*** (14.32)	0.538*** (14.34)	0.537*** (14.34)	0.538*** (14.34)	0.536*** (14.30)	0.530*** (14.17)
Mpeople	0.00130 (0.260)	2.33e-05 (0)	0.00431 (0)	0.000753 (0.150)	0.00163 (0.330)	0.00242 (0.500)
DDZB	1.140*** (4.860)	1.136*** (4.840)	1.119*** (4.840)	1.136*** (4.840)	1.127*** (4.800)	1.140*** (4.900)
lnast1	-0.000810 (-0.360)	-0.000775 (-0.340)	-0.000733 (-0.340)	-0.000852 (-0.370)	-0.000707 (-0.310)	-0.000324 (-0.140)
percentage_	0.610*** (5.280)	0.613*** (5.320)	0.610*** (5.320)	0.614*** (5.330)	0.608*** (5.270)	0.607*** (5.360)
ONE	0.0135 (0.450)	0.0135 (0.450)	0.0129 (0.450)	0.0129 (0.430)	0.0142 (0.470)	0.0166 (0.550)
lninc	0.295*** (12)	0.293*** (11.88)	0.290*** (11.88)	0.293*** (11.89)	0.294*** (11.92)	0.306*** (12.64)
date	5.848 (0.660)	5.746 (0.650)	6.142 (0.650)	6.277 (0.710)	5.87 (0.670)	3.037 (0.360)
year	YES	YES	YES	YES	YES	YES
industry	YES	YES	YES	YES	YES	YES
N	14418	14418	14418	14418	14418	14418

for regression analysis, to further explores the situation and channels that are influenced by senior executives with oversea background under different internal mechanisms.

**Table 4.** Hypothesis 3 OLS regression results.

	riskb	riskb	riskb	riskb	riskb
SEA	0.00195*** (2.750)				
SEA_N		0.000776* (1.730)			
SEA_P			0.00376 (1.29)		
mix				0.00103 (0.89)	
educetio				0.00193* (1.72)	
wor				0.00261*** (2.690)	
cor					0.00124 (1.29)
ecor					0.000870 (1.18)
lnsize	-0.0066*** (-18.64)	-0.00661*** (-18.67)	-0.00661*** (-18.67)	-0.00659*** (-18.62)	-0.00660*** (-18.64)
grouth	0.00340*** (8.860)	0.00341*** (8.880)	0.00341*** (8.88)	0.00340*** (8.850)	0.00341*** (8.870)
roundb	-0.00116 (-1.830)	-0.00117 (-1.850)	-0.00117 (-1.860)	-0.00116 (-1.830)	-0.00117 (-1.840)
debt	0.0194*** (10.85)	0.0194*** (10.85)	0.0194*** (10.84)	0.0193*** (10.83)	0.0194*** (10.84)
cost	0.000811 (0.990)	0.000795 (0.970)	0.000779 (0.950)	0.000810 (0.990)	0.000789 (0.960)
Mpeople	0.000198* (1.870)	0.000207* (1.940)	0.000241** (2.300)	0.000198** (1.870)	0.000213** (2.010)
DDZB	0.0106** (2.120)	0.0107** (2.140)	0.0107** (2.150)	0.0106** (2.120)	0.0106** (2.130)
lnast1	-6.91e-05* (-1.460)	-6.62e-05* (-1.400)	-6.47e-05* (-1.370)	-6.88e-05* (-1.450)	-6.60e-05* (-1.390)
percentage_	0.00104 (0.440)	0.00106 (0.450)	0.00102 (0.430)	0.000982 (0.420)	0.00102 (0.440)
ONE	-0.000226 (-0.350)	-0.000207 (-0.320)	-0.000199 (-0.310)	-0.000221 (-0.340)	-0.000203 (-0.320)
lninc	-0.000365 (-0.710)	-0.000320 (-0.620)	-0.000293 (-0.570)	-0.000365 (-0.710)	-0.000323 (-0.630)
date	0.477 (2.820)	0.472 (2.790)	0.470 (2.780)	0.476 (2.810)	0.473 (2.790)
year	YES	YES	YES	YES	YES
industry	YES	YES	YES	YES	YES
N	14418	14418	14418	14418	14418

## 4. Further Research

### 4.1. Impact of Marketization

Grouped according to the median of the 2016 China Marketization Index, provinces with a median index above or equal to the marketization index are high-marketization levels, and provinces below the median index of the market index are included in the low-marketization level group. It can be seen from **Tables 7-9** that after the grouping, in the high-market group, the presence of overseas background executives, the core and non-core positions of overseas

**Table 5.** Hypothesis 4a, 4b proof regression table.

	tbc	tbc
SEA	-0.130 (-1.110)	
mix		0.140 (0.730)
educatio		0.166 (0.890)
wor		-0.470*** (-2.950)
o	18.19*** (7.700)	
r		13.47*** (3.160)
s		-3.151 (-0.800)
t		35.01*** (10.79)
riskb	3.355*** (2.830)	3.365 (2.840)
lnsize	-1.646*** (-30.90)	-1.643 (-30.94)
grouth	0.0783 (1.630)	0.0815 (1.700)
roundb	0.576*** (6.230)	0.560 (6.070)
debt	0.700 (2.860)	0.756 (3.090)
cost	0.525*** (5.030)	0.538 (5.160)
Mpeople	0.0125 (0.880)	0.0134 (0.950)
DDZB	1.345** (2.010)	1.274 (1.910)
lnast1	-0.0158** (-2.380)	-0.0162 (-2.450)
percentage_	1.080*** (3.100)	1.086 (3.130)
ONE	-0.0422 (-0.490)	-0.0275 (-0.320)
lninc	0.414*** (5.770)	0.414 (5.780)
date	56.58* (1.900)	59.30 (2)
year	YES	YES
industry	YES	YES
N	14418	14418

**Table 6.** Sobel test table.

Indirect effect	Coef	Z
educatio	0.014831*	1.72173
mix	0.018456	1.27855
SEA_N	0.013148**	2.72047
SEA_P	0.064806*	1.8571
ecor	0.02139*	2.18257
cor	0.004243	0.34432

**Table 7.** Marketization group comparison table.

	High market level group				Low market level group			
	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
cor	0.205*** (4.180)				-0.185 (1.500)			
ecor	0.0636* (1.720)				0.0139 (0.14)			
SEA		0.141045*** (3.88)				-0.0836738 (-0.95)		
mix			0.246*** (4.210)				0.198 (1.110)	
educetio			0.105* (1.850)				-0.0718 (-0.490)	
wor			0.139*** (2.760)				-0.157 (-1.460)	
riskb				3.232726*** (5.72)				5.501483*** (10.73)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES	YES	YES

**Table 8.** Marketization group comparison table.

	High market level group			Low market level group		
	riskb	riskb	riskb	riskb	riskb	riskb
cor	0.00178* (1.800)			-0.00101 (-0.320)		
ecor	0.000776 (1.030)			0.000713 (0.280)		
SEA		0.00221*** (3)			0.000403 (0.180)	
mix			0.000538 (0.460)			0.00764* (1.67)
educetio			0.00326*** (2.830)			-0.00662* (-1.770)
wor			0.00261** (2.560)			0.00191 (0.680)
Controls	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES

executives, the overseas work experience and the mixed experience background executives have a positive effects on corporate performance significantly, while in the low market group, overseas background executives and subdivisions do not significantly affect business performance.

At the same time, **Table 8** also shows that the higher the market-oriented environment in which the region is located, the greater the promotion effect of overseas background executives on risk taking. On the one hand, the results of the sample regression show that the existence of executives with overseas background, executives with overseas education and overseas employment experience

**Table 9.** High marketization group regression.

	High market level group		
	riskb	riskb	riskb
cor	0.112* (1.870)		
ecor	0.103** (2.270)		
U	3.162** (2.380)		
V	-1.572 (-1.510)		
SEA		0.140*** (3.210)	
O		-0.287 (-0.310)	
mix			0.193**** (2.730)
educatio			0.179** (2.550)
wor			0.113* (1.860)
R			1.991 (1.180)
S			-3.022* (-2.050)
T			0.523 (0.420)
riskb		4.601*** (9.21)	4.607*** (9.220)
Controls	YES	YES	YES
Year	YES	YES	YES
INDUSTRY	YES	YES	YES

have a positive impact on corporate risk exposure. Moreover, at the level of 10% significance, core executives with overseas background can also play a positive role in corporate risk taking, which also confirms that returning executives as the core position can be more effective. On the other hand, the low-market group is basically at a non-significant level, and may reflect as inhibition of risk-taking in the coefficient.

From the regression results, in the better market environment, all kinds of overseas background executives can positively influence the performance of the enterprise at least at the level of 10%. In the poor market environment, the coefficient is negative, and the statistics show that it is not significant, indicating that the influence of overseas background executives on company performance in such an environment is not positive and not obvious.

Meanwhile, as analyzed in the previous section, according to the three-step test of the Mediating Effects, in the high market groups, overseas background executives, executives with overseas work experience, executives with overseas education experience, and overseas background executives with core positions are all significantly impact on company performance through risk taking, and

have become part of the intermediary role.

#### 4.2. Impact of External Legalization

Similar to the external marketization of the region in which the enterprise is located, the degree of external legalization of the location affects the contribution of overseas background executives to the performance of the enterprise, and affects the role path at the same time.

As shown in **Tables 10-12**, overseas background executives have a significant impact on company performance under the conditions of improved external legal system. The impact of overseas background executives who shoulder non-core positions is relatively weak on corporate performance, which is significant at the 10% level. While in enterprises located in areas with low legalizations, overseas background executives cannot significantly improve company performance.

At the same time, through further regression analysis, in sub-sample with the better legal system, risk-taking can serve as an intermediary mechanism for overseas background executives to influence on company performance. This mechanism of influence is evident in the overseas background management staff who have held core positions in the company, those who have overseas study experience and those who have overseas work experience.

#### 4.3. The Impact of External Political Environment

Similarly, the external political environment also has an impact on the effect of overseas background executives on corporate performance, and thus we conduct group regression analysis on the external political environment.

**Table 10.** External legal situation group regression (**Table 1**).

	High legalization group				Low legalization group			
	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
cor	0.210*** (4.240)				-0.0934 (-0.820)			
ecor	0.0647* (1.730)				0.0689 (0.770)			
SEA		0.148*** (4.030)				-0.0381 (-0.460)		
mix			0.249*** (4.170)				0.198 (1.41)	
educetio			0.124** (2.130)				-0.106 (-0.860)	
wor			0.141*** (2.830)				-0.103 (-0.910)	
riskb				4.670*** (10.67)				4.839*** (6.2)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES	YES	YES

**Table 11.** External legal situation group regression (Table 1).

	High legalization group			Low legalization group		
	riskb	riskb	riskb	riskb	riskb	riskb
cor	0.00218** (2.140)			-0.00310 (-1.140)		
ecor	0.000662 (0.850)			0.00132 (0.620)		
SEA		0.00238*** (3.160)			-0.000269 (-0.140)	
mix			0.000618 (0.500)			0.00513 (1.550)
educetio			0.00289** (2.410)			-0.00244 (-0.830)
wor			0.00317*** (3.080)			-0.00140 (-0.520)
Controls	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES

**Table 12.** High external legal situation regression (Table 3).

	High legalization group		
	riskb	riskb	riskb
cor	0.121** (1.980)		
ecor	0.0955** (2.070)		
u	2.915** (2.180)		
v	-1.190 (-1.130)		
SEA		1405013*** (3.18)	
o		-0.0627325 (-0.07)	
mix			0.193*** (2.640)
educetio			0.174** (2.410)
wor			0.123** (2.030)
r			2.181 (1.280)
s			-2.132 (-1.400)
t			0.152 (0.120)
riskb	4.538*** (9.210)	4.643*** (9.32)	4.651*** (9.330)
Controls	YES	YES	YES
Year	YES	YES	YES
INDUSTRY	YES	YES	YES



The results are shown in **Tables 13-15**. Only when the external political environment is well, overseas background executives can exert a positive impact on company performance significantly. In an environment where the external political environment is poor, only executives with both overseas study and employment experience can have a positive impact on performance significantly.

Further intermediate test results show that overseas background executives can influence the company's performance through the risk-taking mechanism. The main players effecting on these mechanisms are overseas background executives with work experience.

## 5. Conclusions and Recommendations

### 5.1. Conclusions

Based on the analysis of the data of China's A-share listed companies in 2011-2017, the main conclusions are as follows:

First, overseas background executives have a significant positive impact on company performance. Among them, executives with overseas work experience have the most positive impact on company performance, while executives with overseas study experience have less significant impact on corporate performance. And returning from overseas, senior executives in core positions have a more positive impact on company performance, and executives who are in non-core positions have a not significantly positive impact on company performance.

Second, overseas background executives can use the Risk-taking, a Mediated Mechanism, to effect company performance. The specific performance is that executives with overseas employment experience have a complete mediating effect on corporate performance, while executives with overseas studying experience, and oversea background executives as non-core positions are made through the risk-taking intermediary mechanism for company performance.

**Table 13.** External political situation group regression (**Table 1**).

	Good Political and business environment			Bad Political and business environment		
	tbc	tbc	tbc	tbc	tbc	tbc
SEA	0.10948*** (3)			0.0956352 (1.17)		
mix		0.212*** (3.600)			0.333** (2.250)	
educetio		0.0685 (1.180)			0.0604 (0.47)	
wor		0.110** (2.190)			0.0383 (0.36)	
riskb			3.997052*** (8.92)			6.310038*** (8.57)
Controls	YES	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES

**Table 14.** External political situation group regression (**Table 2**).

	Good Political and business environment		Bad Political and business environment	
	riskb	riskb	riskb	riskb
SEA	0.0020683*** (2.8)		0.0008851 (0.46)	
mix		0.000597 (0.500)		0.00336 (0.950)
educetio		0.00245** (2.090)		-0.00129 (-0.430)
wor		0.00284*** (2.790)		0.00134 (0.510)
Controls	YES	YES	YES	YES
Year	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES

**Table 15.** Regression table of high external political situation.

	Good Political and business environment	
	riskb	riskb
SEA	0.114058*** (2.57)	
o	-0.4750328 (-0.49)	
mix		0.1678505** (2.320)
educetio		0.1717839** (2.37)
wor		0.0740463** (1.22)
r		1.661856 (0.90)
s		-4.091036 (-2.53)
t		0.8758448 (0.670)
riskb	4.080716*** (8.03)	4.079397*** (8.03)
Controls	YES	YES
Year	YES	YES
INDUSTRY	YES	YES

Finally, through the group test of the external market environment, the legal environment, and the political and business environment, we find that the external system has an impact on the effects and mechanisms of overseas background executives on corporate performance. The regression conclusion almost uniformly indicates that only in the environment of good market environment, better legal environment, and good relationship between government and business, can overseas background executives effectively influence the company's performance, and only in such environment can risk-taking become the Inter-

mediary Mechanism.

## 5.2. Policy Advice

In summary, three policy recommendations are proposed:

First, the government and enterprises should strengthen the introduction of talents with overseas experience, and effectively exert their knowledge and resource advantages; those talents can promote the development of the economy and enterprises.

Secondly, when introducing returnees as senior executives, enterprises should pertinently select those with overseas work experience. Their industry experience accumulated abroad plays a better role in corporate performance than executives only with overseas learning experience.

Furthermore, when appointing overseas executives, enterprises should boldly use overseas background talents as core positions, which will provide stronger support for enterprise development.

Finally, the government should further promote the marketization process, improve the law and further optimize the political and business environment, and provide suitable environment for the returnees to exert their talents.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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