The Chairman’s Rural Origin and Short-Term Expenditures in China

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Abstract: This study employs imprinting theory, cultural capital theory, and upper echelon theory to investigate the influence of the rural upbringing of board chairpersons on corporate R&D (Research and Development) and advertising expenditures, as well as the moderating impact of the chairman’s marketing and financial experience in the competitive market environment. A binary dataset was compiled, comprising 1058 Chinese listed companies and 5434 board chairpersons as samples. Through multiple regression analysis, we established a link between board chairpersons’ rural backgrounds and short-term marketing expenditures. The findings indicate that chairpersons’ rural upbringing negatively affects R&D and advertising expenditures. Additionally, marketing experience exerts a negative moderating influence on R&D expenditure, whereas financial experience does not exhibit a significant moderating effect. Furthermore, the market growth rate positively moderates the relationship between the chairman’s rural background and R&D as well as advertising expenditures. This suggests that the external competitive environment may attenuate the conservative imprint associated with a rural upbringing. This study departs from the conventional paradigm of understanding short-term spending based solely on economic incentives, incorporating non-economic factors rooted in individual cognition and values. It introduces a fresh perspective to the examination of myopic spending and contributes to the exploration of how birthplace impacts corporate decision making. These findings offer a deeper comprehension of how the background of chairpersons influences firms’ decision-making behavior, providing valuable insights for top executives in crafting strategies and making informed decisions.

Keywords: myopic spending; rural background; Chairman; imprint; work experience; cultural capital

1. Introduction

Short-termism in management typically refers to the behavior of companies or individuals that sacrifice long-term economic, environmental, or social impacts in pursuit of short-term profits. Such behavior can lead to future economic or environmental issues and ultimately result in greater costs or losses [1,2]. As an integral component of short-termism, short-term expenditures refer to the practices where companies prioritize earnings management, often at the expense of potential sustainable development [3]. One illustrative example is the reduction in expenditures on research and development as well as marketing. In recent years, with the growing public expectation for corporate sustainable development [4], the issue of short-term expenditures has garnered increased attention. Against this backdrop, researchers have begun to explore personal factors of
managers that contribute to short-termism [5,6], aiming to gain a deeper understanding of their influencing mechanisms.

The theoretical foundation for the influence of managerial personal factors on short-termism can be traced back to the upper echelons theory, which emphasizes that the personal characteristics of managers influence their behavior, thereby impacting the strategic decisions of the firm [7]. For instance, when managers excessively emphasize short-term gains, it may lead to the neglect of social responsibility issues, adversely affecting the company's reputation and long-term stability [4]. Some managers, driven by personal financial considerations, such as stock prices, compensation management, and reputation preservation, may even undertake activities that sacrifice the company’s long-term interests [8].

However, there has been limited exploration into how the background of key leaders influences a company’s short-term expenditures. This study offers a novel perspective by focusing on entrepreneurs with rural backgrounds, defining this background as arising from being born in rural areas, which is associated with risk aversion and relatively conservative attitudes [9]. This approach provides a new dimension to existing research and sheds light on how the upbringing of entrepreneurs in rural environments may shape their attitudes towards risk and decision making.

The early experiences of core executives have been demonstrated to exert a significant influence on organizational decisions and outcomes [10]. Unlike other managers, chairpersons are not responsible for the day-to-day operations of the company; they are more focused on strategic direction and risk management [11,12]. Furthermore, tenure for professional CEOs and other appointees tends to be relatively short. Studying chairpersons allows a better understanding of the long-term stability and dynamics within a company’s decision-making process.

Chiefly, the study of rural-born chairpersons sheds light on how their rural upbringing may affect their understanding of markets, management, and decision making [13]. On one hand, the rural environment may predispose these entrepreneurs to risk aversion and conservatism [14]. On the other hand, the rural background may also emphasize quality, prudence, and sustainability [13]. Paradoxically, this context may both deter and encourage short-term expenditures, raising questions about the exact impact of a rural upbringing on entrepreneurial short-termism. Furthermore, research and marketing expenditures, which serve as common financial indicators of short-termism in management, have been scarcely investigated. Therefore, our primary research focus revolves around how the rural background of entrepreneurs influences a company’s advertising and research and development expenditures (short-term expenditures).

To address the research questions posed above, this study adopts the “imprint-environment” perspective as proposed by Tilcsik [15]. We conducted an empirical investigation to explore how the rural upbringing of chairpersons influences a company’s short-term expenditures, taking into account their professional experience and the external market environment. The analysis of the backgrounds of 1058 board chairpersons leads to the conclusion that a rural upbringing increases the risk of short-term expenditures for a company. However, this effect is nuanced by the chairperson’s experience in their respective professional field, resulting in inconsistent impacts.

A highlight of this study is the emphasis on the rural background of chairpersons, contributing to the literature on short-term management through the integration of imprint and upper echelons theories. Firstly, it helps to gain a deeper understanding of the underlying causes of firms’ short-sighted expenditure behavior, bearing theoretical and practical significance. This study indicates that rural upbringing influences entrepreneurs’ personalities, consequently impacting the behavior of short-sighted expenditure in firms. This enables us to comprehensively grasp the formation mechanism of short-sighted management, better comprehend the behavior and decision making of entrepreneurs, and consequently enhance the management proficiency and operational strategies of enterprises. Regarding the pathways of managers’ short-sightedness, this study finds that work
experience in the marketing and finance departments further intensifies the impact brought about by a rural upbringing. This provides valuable reference for research aiming to alleviate short-sighted management.

Additionally, this study adds a new dimension to the literature on cultural capital theory. Cultural capital theory, as one of the widely accepted sociological theories [16], emphasizes how culturally inherited social capital from one’s family influences an individual’s cognition, values, and behavioral patterns. Rural upbringing, as a significant social attribute, often comes with limited resources and relatively poor economic conditions [17]. Entrepreneurs from rural backgrounds may be influenced by specific cultural beliefs and values during their upbringing, which may place importance on immediate benefits and short-term returns. In rural societies, pragmatism and stability may be highly valued. Therefore, these entrepreneurs, after establishing their businesses, may be more inclined to make short-sighted expenditure decisions rather than pursuing long-term planning.

This research also uncovers an overlooked precursor to short-termism by zeroing in on the birthplaces of certain chairpersons, thus making a valuable contribution to the field of short-term expenditures. The birthplace of decision makers exerts a sustained and profound influence on their decision making [18], a phenomenon particularly noteworthy in the context of China. China’s economic reforms have given rise to a significant number of entrepreneurs originating from rural areas, with many of them having spent their formative years in such environments. Nevertheless, this aspect has received insufficient attention. Therefore, our study deepens the comprehension of the underlying drivers of short-term management. Moreover, we take into account the moderating effects of work experience and external market conditions. This insight augments our understanding of the characteristics and strengths of rural entrepreneurs, ultimately offering more robust support and guidance for their ventures.

2. Theoretical Background

2.1. How Rural Imprinting Influences Organizational Decision-Making

The environment of birthplace plays a crucial role in individual decision making [19]. Biological research particularly highlights the lasting and profound impact of an individual’s early social environment on cognition and thinking. This phenomenon is captured within sociology as “imprinting” [20]. Researchers in management often integrate imprinting theory with upper echelons theory, using imprinting theory to explain the influence of executives’ specific experiences on their information processing mechanisms and employing upper echelons theory to elucidate the connection between individual characteristics and corporate strategic decisions. Upper echelons theory posits that due to the complexity of internal and external environments, managers cannot have a comprehensive understanding of all aspects of an organization. Their traits influence their strategic choices, thereby impacting corporate behavior [7].

Observable demographic characteristics have been found to reflect managers’ value systems and management styles [21], and recent research has started to explore the origins of executives’ value systems [18,22]. Recent studies have shown that the birth environment of decision makers significantly influences organizational decision making [13,23]. This influence stems from the persistent impact of imprints from early childhood on individuals’ decision-making behavior. Imprints shape individuals’ intrinsic values [10], and even when external environments change, intrinsic value systems continue to persistently influence individuals’ decision-making behavior [20].

The imprints of a person can be shaped by their past experiences, personality traits, and identity, which can affect their performance in management roles. Based on imprinting theory, there have been profound insights into how managers’ early experiences influence organizational behavior. For example, the ideological imprints of politicians shape their views on the business sector, which in turn influences the development trajectory of cities [24]. CEOs who grew up during economic downturns tend to be more conservative
and exhibit less narcissistic behavior compared to those who grew up during prosperous times [25]. Negative imprints such as unfairness and the power dynamics formed by family factors in the early lives of family business heirs can disrupt human resource management and pose threats to company performance and survival [26]. Senior executives with military experience tend to prefer radical and risky M&A strategies for corporate expansion [27], to fulfill social responsibilities [28], and to suppress R&D investment [29]. However, there is limited research on managers’ rural backgrounds, perhaps because few entrepreneurs come from rural areas. Nevertheless, the opening of China’s economy and society has led to a large number of rural people moving out of rural areas and emerging as entrepreneurs with rural backgrounds [17]. This makes the special role of rural background a social phenomenon that needs to be explored urgently.

Firstly, entrepreneurs who grow up in rural environments not only need to overcome material scarcity but also face cognitive limitations. The former is a crucial factor influencing whether individuals focus on the future or the present [17], while the latter exerts a lasting and profound impact on individuals’ thinking and actions. This phenomenon is particularly pronounced among rural entrepreneurs from China due to the unique urban–rural dual system, which creates significant disparities in education levels and employment opportunities [30], further constraining individuals’ cognitive patterns and affecting their long-term development. For instance, research indicates that even after leaving the rural environment, individuals remain sensitive to their background [31]. Empirical evidence also suggests that individuals from lower socio-economic backgrounds tend to avoid trial-and-error due to the lack of resources and are more likely to opt for immediate gains [32,33]. Generally, individuals with relatively abundant resources are more future-oriented, while those with resource scarcity are more focused on the present, potentially leading entrepreneurs from rural backgrounds to engage in short-term management decisions.

Secondly, rural life entails facing challenges such as adverse natural environments and unfavorable economic conditions, cultivating resilience and courage in entrepreneurs. For example, research indicates that severe life challenges are a significant driver of individual entrepreneurship [34]. The practice of mutual assistance in rural life is a critical means of mitigating agricultural risks and fosters a sense of camaraderie among farmers. Their simplistic emotional outlook encourages them to prioritize product quality [13], focus on social responsibility and sustainable development issues, and engage in social responsibility projects to give back to society [35]. However, to some extent, these traits may also mitigate the risks of short-term management.

While previous research has examined the impact of managers’ rural backgrounds on organizational decision making, certain unresolved questions remain. For instance, do entrepreneurs from rural backgrounds place greater emphasis on long-term benefits in their decisions? Whether factors such as family, local culture, and social responsibility that influence rural entrepreneurs would lead them to prioritize a company’s long-term interests requires further investigation. In particular, the relationship between the financial characteristics of short-term expenditures (research and advertising expenses) and rural upbringing remains to be validated.

2.2. Cultural Capital Theory and Short-Termism in Management

Short-termism is a widely criticized topic in the current context of sustainable development. It emphasizes that managerial decisions tend to prioritize immediate gains, often overlooking the long-term development of businesses [36,37]. This phenomenon has sparked extensive research interests in various fields, including accounting, finance, management, and strategy. The literature on sustainable development suggests that corporate social responsibility serves as a counterforce to short-termist management, capable of mitigating its drawbacks [38].

Financial research indicates that external investor pressure is a significant factor driving corporate short-termism [39]. In the realm of strategy, it is argued that earnings
management within short-termism is a suboptimal choice and does not necessarily lead to a deterioration in company value [40]. Furthermore, the speculative mindset of managers also plays a crucial role [8]. Similar studies often approach the motivations for engaging in short-termism from an economic perspective. On one hand, the immediate return philosophy of external investors exerts pressure on companies. On the other hand, the compensation structure of top executives provides managers with incentives to manipulate financial statements. The relevant literature provides some explicit evidence. For example, CEOs are more motivated to engage in earnings management when their incentives and equity are tied, manipulating stock prices for their own benefit [41]. Professional managers may adopt some covert methods to manipulate profit reports in order to uphold their reputation. The immense market pressure brought about by higher disclosure frequencies prompts managers to choose investments that are unrelated to long-term vision and the long-term market value of the company [39].

However, in the strategic planning of companies, the role of the chairman is also crucial. Generally, the chairman, as the largest shareholder of the company, acts as a significant force in restraining earnings management. This helps enhance the effectiveness of sustainable development and encourages a long-term perspective on corporate governance issues. Therefore, when linking the chairman with short-termist management, it is necessary to understand this issue not only from the perspective of economic incentives, but also to take into account the personal characteristics of the chairman’s influence on short-termism. Exploring based on the theory of cultural capital may provide a novel perspective to dissect the underlying mechanisms behind this phenomenon.

Cultural capital theory underscores the influence of culture, values, and social norms on individual behavior and decision making [16]. Managers’ cultural capital, including their educational background, social networks, and personal values, may to some extent shape their attitudes toward corporate decision making [42]. The introduction of cultural capital theory offers a more comprehensive framework, considering the role of non-economic factors in short-termism. For instance, a manager constrained by cognitive limitations and values stemming from their upbringing might inadvertently engage in short-termist behavior. These cognitive limitations and values might derive from cultural norms specific to certain environments. For example, managers hailing from rural backgrounds may exhibit more conservative tendencies, exercising caution in decisions related to expansion and innovation [32,33]. These inclinations may be rooted in the values they imbied during their upbringing, making them more inclined to prioritize short-term economic gains over long-term development.

Rural settings present a distinctive social environment with unique values and social perceptions [33], such as the emphasis on giving back to one’s hometown [18]. Cultural capital theory posits that cultural and social capital acquired during an individual’s growth and socialization processes affect their cognition, values, and behavior, with the family playing a pivotal role. In the context of rural China, several factors may come into play. Firstly, the traditional and conservative nature of rural culture may impact managerial decisions. Traditional values in rural societies often emphasize stability and economic security, potentially leading managers to adopt conservative business strategies, minimize risks, and exhibit skepticism toward innovation and expansion [32]. These values may contribute to a propensity for short-termism. Secondly, the social network within rural culture can also exert an influence on decision making. Rural communities often foster close social ties and interpersonal relationships, whereby managerial decisions may be influenced by pressures and expectations from family, relatives, and the community. These social relationships may drive managers to seek quick returns to fulfill expectations within their social network, thereby influencing their decision-making orientation.

In conclusion, cultural capital theory offers a novel perspective that enhances our understanding of short-termism. Managers’ culture, values, and social backgrounds play a significant role in corporate decision making, providing an opportunity to construct a more comprehensive explanatory framework.
3. Hypotheses

3.1. Influence of Rural Background on Short-Term Expenditure Orientation

To begin, we can approach this issue from a resource perspective. Entrepreneurs who have grown up in rural environments often lack resources, making them more susceptible to adopting a mindset of “short-term management” and neglecting long-term strategic planning and investment [43]. Research indicates that individuals with a good education generally possess foresight and planning abilities [44], which may be restricted in the absence of education. For instance, in terms of education, the availability and quality of educational resources in rural areas are relatively low, often failing to provide high-quality educational and training opportunities, which can limit their innovative capacity and technological reserves. In the realm of social networks, individuals from rural backgrounds may struggle to establish high-quality social relationships and business connections [45], potentially affecting their abilities in market expansion and advertising.

Second, we can consider this issue from a psychological and behavioral perspective. Chairpersons and executives with rural backgrounds may be more conservative [17]. They may be more inclined to use traditional business practices and management strategies, and they may have a lower tolerance for risk and uncertainty. This psychological and behavioral pattern may inhibit innovation and R&D investment in companies, putting them at a disadvantage in competition.

However, reasonable and effective advertising and R&D expenses are necessary conditions for the survival and expansion of companies, maintaining endogenous growth momentum, maximizing corporate value, and achieving sustainable development. On one hand, chairpersons with rural backgrounds may also face issues such as funding shortages and a lack of R&D talent and technological resources [46]. On the other hand, rural backgrounds may also influence companies’ market perception and positioning, which in turn will affect their demand for advertising expenses. Research suggests that entrepreneurs from rural areas may pay more attention to product quality [13] and pay less attention to product marketing [46], which may make it difficult for these companies to establish visibility and brand image in the market, thus reducing the demand for advertising.

Hypothesis 1: The rural background of chairpersons inhibits the R&D and advertising expenses of companies.

3.2. The Moderating Effect of Work Experience

While the influence of imprints is sustainable, individual information processing mechanisms can also be adjusted based on subsequently acquired information. For example, through early career experiences, executives form their own professional identities and values, establishing a range of work skills and experiences [7,47]. These factors influence the choices and trade-offs made by executives in management and decision making, thereby affecting the formulation and execution of corporate strategies. Therefore, differing early career experiences may lead to different strengths and weaknesses among executives, subsequently influencing their later management behaviors and decisions.

Firstly, individual intellectual capital is one of the key factors influencing social networks and organizational outcomes [48]. Therefore, we speculate that differences in individuals’ work experience may affect their attitudes towards short-sighted expenditures. From the perspective of resource utilization, marketing department experience can help the chairman gain resources related to marketing promotion and advertising placements. Their rural background and work experience may make them value these resources more, enabling them to better understand and utilize them. Secondly, individual experience also affects their cognition and learning of specific behaviors. If business managers have received training related to marketing, it may increase their understanding and investment in marketing strategies and expenditures. Executives who have worked in the field of
marketing may pay more attention to brand value and market share, thereby increasing the company’s advertising expenses [49]. The chairman’s work experience in the marketing department may make him more focused on the company’s brand and marketing, and thus have the tendency to spend on advertising.

In addition, psychological and management studies indicate that the individual characteristics of core managers are closely related to the risk preferences of the company [50]. Managers with marketing experience may demonstrate higher market acumen and be more willing to take strategic risks. In fact, research suggests that in companies with a market-oriented strategy, core managers with rich marketing experience are usually able to more accurately identify market opportunities and are willing to invest resources in promotional activities, thereby gaining a competitive advantage [51].

Psychological research suggests that when facing high-risk decisions, individuals typically take potential returns into account, which influences their decision-making tendencies [52]. Marketing activities such as advertising placements entail unpredictable market reactions, assistance from partners, etc. Due to the high upfront costs, a certain level of risk tolerance is required. Therefore, we deduce the following hypothesis:

**Hypothesis 2:** The marketing department experience of chairpersons positively moderates the relationship between their rural background and companies’ advertising expenses.

Firstly, according to the Resource Allocation Theory, a manager’s allocation of resources within a company directly impacts the company’s strategic direction and investment focus. With a background in marketing experience, the chairman may be inclined to prioritize resource allocation towards marketing activities such as market promotion and brand building in order to achieve faster market returns [53]. Relatively speaking, investments in the research and development field may see a relative reduction. This trade-off may result in relatively lower research and development expenditures, especially when the chairman possesses extensive marketing experience.

Secondly, the experience–performance theory provides us with a mechanism to understand how the chairman’s experience influences strategic decision making within the company. A chairman with rich marketing experience may excel in marketing, thereby having greater confidence and capability to achieve significant performance in this area [54]. Conversely, achieving equivalent performance in the research and development field may be relatively more challenging for the chairman. This difference in confidence and capability may lead the chairman to be more inclined to allocate resources to areas where they excel, and relatively reduce investment in research and development, thus negatively impacting the company’s research and development expenditures to some extent. Additionally, recent research supports our viewpoint. For example, the latest perspectives suggest that marketing experience not only fails to prevent executives from reducing research and development expenditures, but exacerbates this phenomenon [55]. Therefore, we propose the following hypothesis:

**Hypothesis 3:** The marketing department experience of chairpersons negatively moderates the relationship between their rural background and companies’ R&D expenses.

Financial department experience may form a negative imprint on the cognition and decision-making process of chairpersons, thus affecting their views and decisions on R&D expenditure. Specifically, work experience in the financial department may make chairpersons pay more attention to the financial status and profits of companies and hold a conservative attitude toward R&D expenditures [56]. Thus, the relationship between rural backgrounds and R&D expenditures produces a negative moderating effect. In addition, financial department experience may make chairpersons pay more attention to economic benefits and allocate budgets for technological innovation and brand marketing than to other departments [57], which in turn will affect R&D and advertising expenditures.
Therefore, from the perspective of imprint theory, financial department experience may form a negative cognitive imprint that will affect chairpersons’ decision making and views on R&D expenditures, resulting in a negative moderating effect.

**Hypothesis 4:** The financial department experience of chairpersons negatively moderates the relationship between their rural background and corporate R&D and advertising expenditures.

### 3.3. The Moderating Effect of the Competitive Environment

If a company is in a growth phase, it will not only refrain from reducing its research and development, but will also tend to over-invest in research and development [58]. The market growth rate is an important indicator for enterprises to succeed in the market. From the perspective of the market environment, the market growth rate of an enterprise reflects its ability to adapt to the environment. When an enterprise successfully adapts to the market environment and achieves rapid growth, the background factors of its leadership team have an important impact on the strategic decision making of the enterprise.

The market growth rate may have a positive moderating effect on the relationship between a chairperson’s rural background and corporate R&D and advertising expenditures. In an environment of high market growth rates, companies may be affected by high expectations [59], are more likely to accept new ideas and technologies, and are more willing to focus their strategic focus on innovation and marketing, which in turn will increase R&D and advertising spending. In contrast, in an environment with a low market growth rate, companies may pay more attention to cost reduction and risk control and will be more cautious in regard to R&D and advertising expenditures [60]. Alternatively, during periods of growth contraction, companies are likely to maintain ample cash flow by reducing investments in research and development as well as advertising [61]. This moderating effect can also be explained by the fact that when a company’s market growth rate is higher, its leadership team has stronger practical work experience, which makes it more adaptable to the complex and changeable market environment and better able to deal with various situations and kinds of challenges. This means that core managers can understand and master the overall operation of the enterprise and rationally organize its long-term planning.

The research model for this study is depicted in Figure 1. Hypothesis 5: Companies’ market growth rate positively moderates the relationship between chairpersons’ rural background and the companies’ R&D and advertising expenditures.

![Figure 1. Research model.](image-url)
4. Methodology

4.1. Sample and Data

Given that the research objective is to examine whether the rural background of a chairperson affects two financial indicators of short-sighted spending by companies (R&D expenses and advertising expenses), the sample used for hypothesis testing consists of data from Chinese listed companies between 2012 and 2020. We constructed our dataset using multiple sources. First, we used annual data from the CSMAR (China Stock Market and Accounting Research) database to measure companies’ advertising and R&D expenses, chairpersons’ personal information (such as their age, gender, birthplace, and career experience), and other firm-level data (such as firm market experience and asset size). This database has been widely used in previous studies [62–64]. Next, we excluded financial and insurance companies based on specific auditing regulations, as well as firms with special financial status (e.g., marked as ST or PT by the China Securities Regulatory Commission) and firms with an observation period of less than one year. Finally, we excluded retail, utility, agriculture and forestry, international affairs, and nonprofit organizations, as the practices of short-sighted marketing expense management may not be applicable to them [3].

After excluding these companies, we confirmed the measures of firm advertising intensity (total advertising or other sales-related expenses divided by total assets) and R&D intensity (R&D-related expenses divided by total assets) based on Luo, Wang, and Zhang [62]. We also added a firm’s revenue growth rate as a proxy for the market environment that the firm faces. If market competition intensifies, firms may need to invest more in R&D expenses to develop new products or improve existing products and increase advertising expenditures to enhance brand awareness.

Since information on chairpersons’ birthplace is not always available in the database, we supplemented the data by collecting information from publicly available resumes, autobiographies, and online news sources. Then, we coded the birthplace information based on the administrative level of the city according to the classification by the Chinese government (including county-level and lower-level areas as rural) [13]. Similarly, we coded chairpersons’ relevant work experiences in marketing and financial management departments based on their resumes. After excluding missing information, our final sample consists of 1058 companies with 5434 annual observations of 1279 chairpersons.

After confirming the main variables, we considered controlling for confounding factors from two perspectives. First, controlling for the personal characteristics of chairpersons can effectively reduce the interference of individual-level factors in the research results. For example, some studies have shown that the gender of executives can influence a company’s decision making and risk preference [53], with female chairpersons tending to make conservative decisions and prioritize corporate social responsibility and sustainability. Additionally, the age of chairpersons may also impact their views and decision making on companies’ business strategies and future development. For instance, research suggests that older chairpersons tend to make more conservative decisions for companies, while younger chairpersons may lean toward risk-taking and innovation [65]. Therefore, controlling for the personal characteristics of chairpersons can reduce the impact of these factors on the research results, allowing for a more accurate analysis of companies’ business decisions and performance.

Second, we controlled for some firm-level variables. For example, the size of a company may influence its spending on research and development (R&D) and advertising. Larger companies may allocate more funds to R&D and advertising, and market experience may also affect a company’s demand for and emphasis on R&D and advertising [66]. There are other firm-level variables that need to be controlled for, such as the shareholding proportion of major shareholders (top ten shareholders’ shareholding proportion), the financial condition (asset-to-liability ratio), corporate reputation (intangible assets), and the number of independent directors [67]. These differences in variables may impact a
company’s business performance and decision making, thus requiring their effects to be controlled for to ensure the reliability and accuracy of the research results. Finally, detailed descriptions of the variables are provided in Table 1.

Table 1. Variable information and descriptive statistics.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Column A: Variable Description</th>
<th>Column B: Descriptive Statistics</th>
<th>Column C: t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birthrural</td>
<td>If the administrative level of the place of birth is located at the county level or below, it is 1, and 0 otherwise</td>
<td><strong>Obs</strong></td>
<td><strong>Mean</strong></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>The ratio of the R&amp;D expenditure of the enterprise in the measurement year to the total assets of the enterprise in the year</td>
<td>5434</td>
<td>0.019</td>
</tr>
<tr>
<td>Advertise</td>
<td>The ratio of the marketing expenditure of the enterprise in the measurement year to the total assets of the enterprise in the year</td>
<td>5434</td>
<td>0.051</td>
</tr>
<tr>
<td>Market</td>
<td>If the chairperson has work experience related to the marketing department, it is 1, and 0 otherwise</td>
<td>5363</td>
<td>0.154</td>
</tr>
<tr>
<td>Financial</td>
<td>If the chairperson has work experience related to the financial department, it is 1, and 0 otherwise</td>
<td>5363</td>
<td>0.056</td>
</tr>
<tr>
<td>Growth rate</td>
<td>Measures the growth rate of operating income for the year compared to the previous year</td>
<td>5434</td>
<td>15.902</td>
</tr>
<tr>
<td>Gender</td>
<td>The chairperson’s gender (male 1, female 2)</td>
<td>5370</td>
<td>1.031</td>
</tr>
<tr>
<td>Age</td>
<td>The chairperson’s age</td>
<td>5370</td>
<td>54.847</td>
</tr>
<tr>
<td>Size</td>
<td>The natural logarithm of the year’s asset size</td>
<td>5434</td>
<td>22.71</td>
</tr>
<tr>
<td>Experience</td>
<td>The age of the business by year</td>
<td>5434</td>
<td>18.768</td>
</tr>
<tr>
<td>Director</td>
<td>The number of company directors in the year</td>
<td>5434</td>
<td>8.795</td>
</tr>
<tr>
<td>InDire</td>
<td>The number of independent directors of the enterprise in the year</td>
<td>5434</td>
<td>3.253</td>
</tr>
<tr>
<td>Debt</td>
<td>The ratio of corporate liabilities to total assets of the year</td>
<td>5434</td>
<td>0.093</td>
</tr>
<tr>
<td>Top10</td>
<td>The shareholding ratio of the top ten shareholders in the year</td>
<td>5434</td>
<td>60.304</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>The proportion of the enterprise’s intangible assets in total assets of the year</td>
<td>5434</td>
<td>0.046</td>
</tr>
</tbody>
</table>

Note. *** p < 0.01; ** p < 0.05

4.2. Main Measures

Based on the results of the descriptive statistics, it was found that approximately 50% of the chairpersons in our sample come from rural backgrounds, maintaining overall sample balance. Second, the R&D investment of listed companies accounts for 19% of total assets annually. The proportion of chairpersons with work experience related to marketing and financial management is relatively small in the overall sample. Finally, the market growth rate has a large numerical range; thus, we chose to take the logarithm of this variable. Taking the logarithm can compress larger values and disperse smaller values, ensuring the validity of the model. In addition, the t-test results in Column C show that the
R&D and advertising investments of companies led by chairpersons with urban backgrounds are significantly higher than those of companies led by chairmen with rural backgrounds, providing preliminary evidence for Hypothesis 1.

Next, to prevent potential multicollinearity among the variables, we conducted correlation analysis and variance inflation factor (VIF) tests. The results are shown in Table 2. The VIF values, averaging around 2, indicate that the variables are not collinear [68]. Furthermore, the maximum Pearson correlation coefficient, which is only around 0.4, further corroborates our assessment. Subsequently, we conducted regression tests to examine whether the rural background of chairpersons would impact companies’ R&D and advertising expenditures, as shown in Table 3. Group A and Group B verified the relationship between chairperson’s rural background and companies’ R&D and advertising expenditures, respectively. Models 1 and 3 separately analyzed the mechanisms of the main variables. Models 2 and 4 inserted three interaction terms to analyze the moderating effects of chairpersons’ marketing experience and financial experience and companies’ competitive grounds.

Table 2. Correlation analysis and VIF.

<table>
<thead>
<tr>
<th>Correlation Analysis</th>
<th>VIF</th>
<th>Birthrural</th>
<th>R&amp;D</th>
<th>Advertise</th>
<th>Market</th>
<th>Financial</th>
<th>Growth Rate</th>
<th>Gender</th>
<th>Age</th>
<th>Size</th>
<th>Experience</th>
<th>Director</th>
<th>InDire</th>
<th>Debt</th>
<th>Top 10</th>
<th>Intangible Assets</th>
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<td>Birthrural</td>
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<tr>
<td>R&amp;D</td>
<td>1.15</td>
<td>−0.055**</td>
<td>1</td>
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<td>Advertise</td>
<td>1.15</td>
<td>−0.023*</td>
<td>0.224**</td>
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<td>0.014</td>
<td>0.012</td>
<td>0.047***</td>
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<tr>
<td>Financial</td>
<td>1.03</td>
<td>−0.042**</td>
<td>−0.075***</td>
<td>−0.062**</td>
<td>0.052***</td>
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<td>Growth Rate</td>
<td>1.03</td>
<td>−0.014</td>
<td>0.067***</td>
<td>−0.022</td>
<td>0.004</td>
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<tr>
<td>Gender</td>
<td>1.01</td>
<td>−0.032**</td>
<td>−0.045***</td>
<td>0.034</td>
<td>−0.005</td>
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<td>0.003</td>
<td>1</td>
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<tr>
<td>Age</td>
<td>1.07</td>
<td>0.050***</td>
<td>0.029</td>
<td>0.011</td>
<td>−0.060***</td>
<td>−0.061***</td>
<td>−0.078***</td>
<td>−0.002</td>
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<td>Size</td>
<td>1.85</td>
<td>0.026</td>
<td>−0.216***</td>
<td>−0.173***</td>
<td>0.017</td>
<td>0.062**</td>
<td>−0.046***</td>
<td>−0.016</td>
<td>0.117***</td>
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<tr>
<td>Experience</td>
<td>1.16</td>
<td>−0.048***</td>
<td>−0.091***</td>
<td>−0.046**</td>
<td>0.004</td>
<td>0.047***</td>
<td>−0.063***</td>
<td>0.040</td>
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<tr>
<td>Director</td>
<td>2.36</td>
<td>0.047***</td>
<td>−0.073***</td>
<td>−0.058***</td>
<td>−0.061***</td>
<td>0.040***</td>
<td>−0.076***</td>
<td>0.003</td>
<td>0.055***</td>
<td>0.246***</td>
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<td>1</td>
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<tr>
<td>InDire</td>
<td>2.49</td>
<td>0.004</td>
<td>−0.067***</td>
<td>−0.070***</td>
<td>−0.060***</td>
<td>0.054***</td>
<td>−0.066***</td>
<td>0.001</td>
<td>−0.001</td>
<td>0.330***</td>
<td>−0.011</td>
<td>0.765***</td>
<td>1</td>
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<tr>
<td>Debt</td>
<td>1.44</td>
<td>0.016</td>
<td>−0.260***</td>
<td>−0.266***</td>
<td>−0.065***</td>
<td>0.115***</td>
<td>0.015</td>
<td>−0.017</td>
<td>0.008</td>
<td>0.466***</td>
<td>0.076***</td>
<td>0.206***</td>
<td>0.206***</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top 10</td>
<td>1.15</td>
<td>0.050***</td>
<td>−0.051***</td>
<td>0.078***</td>
<td>0.041***</td>
<td>0.017</td>
<td>−0.015</td>
<td>0.019</td>
<td>−0.033**</td>
<td>0.201***</td>
<td>−0.223***</td>
<td>0.016</td>
<td>0.038***</td>
<td>0.007</td>
<td>1</td>
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<tr>
<td>Intangible Assets</td>
<td>1.39</td>
<td>−0.001</td>
<td>−0.084***</td>
<td>−0.073***</td>
<td>0.024</td>
<td>0.056***</td>
<td>−0.065***</td>
<td>−0.029</td>
<td></td>
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</table>

Note: **p < 0.01; *p < 0.05; *p < 0.1

Table 3. Regression tests.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Group A: R&amp;D</th>
<th>Group B: Advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td>Birthrural</td>
<td>−0.002(-3.88)***</td>
<td>−0.002(-3.55)***</td>
</tr>
<tr>
<td>Market × Birthrural</td>
<td>−0.002(-1.80) *</td>
<td></td>
</tr>
<tr>
<td>Financial × Birthrural</td>
<td>0.00(-0.15)</td>
<td></td>
</tr>
<tr>
<td>Growth rate×Birthrural</td>
<td>0.00(2.19) **</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>−0.007(-3.92)***</td>
<td>−0.007(-3.74)***</td>
</tr>
<tr>
<td>Age</td>
<td>0.00(4.46)***</td>
<td>0.00(4.48)***</td>
</tr>
<tr>
<td>Size</td>
<td>−0.002(-6.72)***</td>
<td>−0.002(-6.64)***</td>
</tr>
<tr>
<td>Experience</td>
<td>0.00(-5.86)***</td>
<td>0.00(-5.79)***</td>
</tr>
<tr>
<td>Director</td>
<td>0.0(1.39)</td>
<td>0.0(-1.42)</td>
</tr>
<tr>
<td>InDire</td>
<td>0.001(1.75) *</td>
<td>0.001(1.69) *</td>
</tr>
<tr>
<td>Debt</td>
<td>−0.047(-13.68)***</td>
<td>−0.048(-13.68) ***</td>
</tr>
<tr>
<td>Top10</td>
<td>0.00(-2.89) ***</td>
<td>0.00(-2.86) ***</td>
</tr>
</tbody>
</table>
In order to ensure the replicability of our research findings, we conducted an additional stability test. Following the approach outlined in studies such as Zhang et al. [69] and Shi and Li [70], we employed a transformed model to examine the stability of the empirical results. Given that the minimum values for R&D and advertising expenditures in the sample are both zero, a truncated regression with a breakpoint at “0” was considered. The results, as shown in Table 4, once again confirm the primary findings, namely, that a chairperson’s rural background indeed inhibits both R&D ($\beta = -0.002$, $p < 0.01$) and advertising expenditures ($\beta = -0.004$, $p < 0.05$), leading to the observed phenomenon of short-term expenditure practices.

4.3. Analysis Results and Discussion

This study used STATA 16 to process the data. According to the analysis results (Table 3), chairpersons’ rural background has a negative impact on R&D and advertising expenditures ($\beta = -0.002$, $p < 0.001$), indicating that the rural background may affect chairpersons’ decision-making tendency, and this issue needs attention. Hypothesis 1 is supported. Marketing experience has a negative moderating effect on R&D expenditure ($\beta = -0.002$, $p < 0.1$), indicating that chairpersons with rich marketing experience may pay more attention to marketing and advertising expenditure ($\beta = -0.01$, $p < 0.01$) rather than R&D. Hypothesis 2 and Hypothesis 3 are verified. However, the moderating effect of chairpersons’ financial experience is not significant, suggesting that Hypothesis 4 is rejected. Although the moderating effect of financial experience is not statistically significant, it still shows a negative trend, suggesting that our inference may be valid. Finally, the market growth rate as a factor representing the market competition environment has a positive moderating effect on the relationship between chairpersons’ rural background and R&D expenditure ($\beta = 0$, $p < 0.05$) and advertising expenditure ($\beta = 0$, $p < 0.1$). This result means that although chairpersons with rural backgrounds tend to be more conservative, curbing R&D and advertising spending, the external competitive environment facing firms can weaken the conservative imprint of rural backgrounds.

Based on the survey results, several key findings can be discussed in further detail. Firstly, the negative impact of a chairman’s rural background on research and advertising expenditure highlights the potential influence of the chairman’s background on company operational decisions. This suggests that a rural background might affect the chairman’s conservative attitude towards innovation and marketing. Previous research has also focused on the impact of managers’ upbringing on corporate decisions. For example, harsh
early-life natural conditions and economic poverty can evoke managers’ empathy [19,23]. The underlying logic aligns with this study, emphasizing the continuous influence of cognitive and value patterns shaped by early natural and social environments on individuals’ decision-making processes. However, examining short-term expenditure from the perspective of a rural background is a novel approach. Current research on the motives of short-termism generally emphasizes economic incentives (such as equity incentives) and external pressures (such as analyst coverage and financial reporting frequency) [71,72]. This discovery in the current study, from a cultural inheritance perspective, underscores the importance of the chairman’s upbringing environment and extends research on the influence of birthplace on corporate decision making and management expenditure.

Secondly, the negative moderating effect of marketing experience on research expenditure implies that chairmen with extensive marketing experience may prioritize marketing and advertising over research and development (R&D). This suggests that they might focus more on increasing sales and market share through promotional activities, rather than investing in R&D to enhance long-term competitiveness. This finding is fully in line with our expectations, and similar results have appeared in a substantial body of research. For instance, managers with marketing experience are inclined to increase investments in marketing and inhibit the likelihood of myopic management [3]. Entrepreneurs with technical backgrounds rather than humanities backgrounds are more willing to elevate their companies’ technological capabilities [73]. This discovery underscores the need for a prudent balance between marketing and R&D in the selection and management of board members, to ensure a reasonable allocation of resources between product innovation and marketing.

Furthermore, the findings show that chairpersons’ financial experience does not have a significant moderating effect on R&D and advertising expenditures, despite showing negative trends. This means that financial experience may still have some influence on corporate decision making, although it is not statistically significant. Further research may be needed to explore how financial experience interacts with other factors to better understand its mechanisms in influencing corporate decision making.

Finally, the research findings indicate that the market competition environment has a positive moderating effect on the relationship between the chairman’s rural background and corporate research and advertising expenditure. This suggests that the conservative imprint brought about by the chairman’s rural background may weaken when the company faces more intense market competition. Many studies have also analyzed avenues for mitigating short-termism from the perspective of external environments (such as institutional ownership and venture capital) [74,75]. The underlying logic is to prevent intentional short-termism by the management. However, the sample chairmen in this study do not have the motive to engage in active short-termism, meaning that previous research findings are not directly applicable to this study. Therefore, this study demonstrates, from a more macro perspective, the inhibitory effect of the market competition environment on short-termism.

Research and advertising expenditure are not only representative indicators of short-term expenditure, but also can reduce systematic risk [66]. Overall, the research findings provide valuable insights into understanding the impact of the chairman’s rural background on short-term expenditure. These results underscore the importance of corporate governance and leadership, particularly in decisions related to the role of the chairman. Considering the background of the chairman, including rural background and marketing experience, as well as the external market competition environment, is crucial for ensuring a balanced development of innovation and marketing and enhancing competitiveness. These research findings could also have practical implications for business decisions. When selecting board members, companies can pay more attention to candidates’ backgrounds and experiences to ensure that their leadership possesses diverse experiences and backgrounds, which will contribute to a balanced development of innovation and marketing.
While our study provides valuable insights into the impact of the chairperson’s rural background and marketing experience on short-term expenditures, it is important to contextualize these findings within the broader literature.

Previous research has underscored the significance of a manager’s upbringing on corporate decision making [19,23]. These studies, akin to ours, emphasize the enduring influence of early-life experiences on the decision-making process. However, our study takes a unique approach by examining short-term expenditures from a cultural inheritance perspective, shedding light on an underexplored relationship between birthplace and corporate decision making.

Furthermore, our findings corroborate existing research, indicating that managers with marketing experience tend to prioritize marketing and advertising efforts over research and development [3]. This aligns with the broader understanding that a manager’s professional background significantly impacts resource allocation within an organization. In addition, our results suggest a subtle interplay between financial expertise and corporate decision making. While not statistically significant, the negative trend implies that financial knowledge may still exert some influence, warranting further exploration. Finally, our study makes a unique contribution by demonstrating the moderating effect of market competition on the relationship between the chairperson’s rural background and corporate expenditures. This extends existing research, which considers external factors as a means to mitigate short-termism [37,75].

In summary, our research offers a distinctive perspective to the existing body of knowledge on corporate decision making. By considering the nuanced interactions between the chairperson’s background, professional experience, and external market dynamics, our findings provide actionable insights for companies seeking to optimize resource allocation and enhance competitiveness.

5. Conclusions

First, this study found that a background factor of chairpersons (i.e., a rural background) may influence the tendency of companies to engage in short-sighted expenditures such as R&D and advertising. Further research revealed that the marketing experience of chairpersons can positively moderate the relationship between a rural background and advertising expenditures and negatively moderate the relationship between a rural background and R&D expenditures. This suggests that if the chairperson has abundant marketing experience, it may help the company better understand market demand and allocate more resources to advertising investments. On the other hand, the returns from R&D investments typically take a longer time to materialize and thus may not be prioritized by chairpersons with marketing experience. Second, we found that chairpersons’ financial department experience is not significant in moderating the effects on R&D and advertising expenditures. Finally, we found that the market growth rate of companies can positively moderate the relationship between a rural background and R&D and advertising expenditures. This result indicates that if a company is in a high-growth stage, the chairperson and top management may be more willing to invest more resources in R&D and advertising to maintain competitive advantage.

In summary, the background factors and work experience of chairpersons and the market growth rate may have different impacts on the short-sighted expenditures of companies, and there may be interactions among these influences. Therefore, it is important to consider the complexity of decision making in companies by taking into account multiple factors in empirical research to better understand the dynamics at play.

First, from a theoretical perspective, previous research has emphasized the role of economic incentives in short-termism, but such studies have mainly focused on professional managers. The fundamental logic behind this lies in addressing the separation of ownership and control within a company, where managerial incentive performance and financial indicators such as equity are linked, making overall executive compensation more sensitive to company stock prices, and thereby increasing managers’ motivation to
manipulate reported earnings. However, this perspective overlooks the influence of non-economic factors such as culture, values, and social background on short-termism [1]. Importantly, this study shifts the focus to chairpersons, freeing itself from the constraints of economic incentives, and interprets the profound impact of birth environment on short-term expenditures from the perspective of cultural capital. In this study, we move beyond the traditional paradigm of economic incentives and delve into personal backgrounds, experiences, and values. By analyzing the upbringing environment of managers, we reveal how the personal characteristics of chairpersons exert a lasting influence on the decision-making process. This not only underscores the significance of individual factors in corporate decisions, but also enriches the explanation of the phenomenon of short-termism.

Furthermore, this study integrates cultural capital theory, imprinting theory, and upper echelons theory to construct a comprehensive theoretical framework, revealing how the birthplace environment influences managers’ inclination and decision-making process towards short-term expenditures through their upbringing experiences and personal traits. The establishment of this research logic offers a novel perspective for explaining the phenomenon of short-termism, enriches the relevant theoretical system, and provides valuable insights for management practices. The logical chain of this study can be traced along managers’ upbringing experiences.

To begin with, the natural social environment of the birthplace exerts a profound influence on an individual’s cognition and thought processes, a viewpoint supported by cultural capital theory [16]. Managers who grew up in rural environments may lean towards conservative strategies [9], emphasizing stability and economic security while exhibiting skepticism towards innovation and expansion. Subsequently, the concept of imprinting theory further reinforces this influence. Early environments not only shape managers’ cognition but also continue to impact their value judgments and decisions [20]. Managers born in rural areas may consistently emphasize prudence, sustainability, and social responsibility throughout their careers, traits that can be traced back to their early cultural upbringing. Lastly, the upper echelons theory provides the final connection in this logical chain. Managers’ personal traits and experiences influence their impact and attitudes towards strategic decisions [7]. Managers born in rural areas may place greater importance on company stability and sustainability, which could affect their inclinations in the decision-making process. As chairpersons, high-level leaders of a company, they play a crucial role in the company’s long-term development and strategic direction, with their early background and experiences influencing their balance between short-term and long-term objectives.

Finally, from a practical perspective, the results of this study have important implications for corporate decision makers. R&D and advertising spending are key factors in enhancing firm competitiveness and market share, and the chairperson is a central figure among corporate decision makers. Therefore, understanding the impact of chairpersons’ rural background on R&D and advertising spending can help corporate decision makers better understand their own and other decision makers’ social backgrounds, thereby improving corporate strategies and decision making.

The limitations of this study encompass several significant aspects that warrant discussion. Firstly, our research sample exhibits distinct characteristics tied to the specific historical and institutional context of early China. The rigid household registration system prevalent in that era exerted a profound influence on individuals’ early upbringing, with birthplace serving as a pivotal determinant [18]. While this uniqueness enriches the contextual depth of our study, it also imposes constraints on the broader applicability of our findings. It is imperative to recognize that the results may not seamlessly extend to contexts with different socio-political structures.

Secondly, in acknowledging the prevalent hierarchical dynamics within Chinese corporate governance, it is crucial to underscore that the influence over company decisions is not solely confined to the chairperson. Although chairpersons often wield significant
authority relative to CEOs [76], the board of directors operates within a system of checks and balances. This study concentrates on the personal characteristics of the chairperson in relation to a company’s short-term expenditures, without delving into the intricate interplay of other top executives. In practice, executive decision making is frequently a collective endeavor, and interactions among various executives, along with power allocations, can exert a nuanced influence on short-term expenditures. Future research endeavors should consider the composition of the entire top management team and their collaborative dynamics to achieve a more holistic understanding of the multifaceted nature of corporate decision making. These limitations, while intrinsic to the scope of our study, serve as crucial reference points for interpreting our findings in the context of their specific applicability and for informing avenues for future research.

Future research can be expanded and deepened in several directions to comprehensively understand the impact of managers’ rural backgrounds on corporate decision making and the causes of short-sighted management. Firstly, further exploration of rural backgrounds can reveal their influence across various domains. In addition to short-sighted expenditures, future research can investigate the effects of rural backgrounds on aspects such as corporate innovation, financial performance, and entrepreneurial orientation. This contributes to a comprehensive understanding of the holistic impact of managers’ rural backgrounds on corporate operational behaviors.

Secondly, a more in-depth investigation into the causes of short-sighted management is needed. Current research primarily focuses on the economic incentive perspective of professional managers, yet entrepreneurs themselves may also exhibit short-sighted management behavior. Future research can compare differences in short-sighted management among different types of managers, as well as their motivations and behavioral characteristics. Simultaneously, exploring the impact of short-sighted management behavior by different types of managers on firm performance and sustainable development is warranted.

Furthermore, research on short-sighted management should pay greater attention to non-economic influences. Factors such as culture and values play crucial roles in short-sighted management, although these are often overlooked in current studies. Future research can integrate viewpoints from cultural capital theory, psychology, and related fields to delve into how these non-economic factors affect managers’ decision-making behavior.

Lastly, the “rural-born” label is often stigmatized. Future research can further consider managers’ perspectives on negative societal perceptions and stereotypes, and how these perceptions influence their behavioral decisions. This aids in better understanding the psychological mechanisms and behavioral motivations of entrepreneurs in the decision-making process.

Author Contributions: Conceptualization, W.Z. and J.-w.K.; Methodology, X.L. and S.L.; Data Curation, X.L.; Writing—Original Draft Preparation, W. Z. and J.-w.K.; Writing—Review and Editing, W.Z. and J.-w.K. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: The vast majority of the data is sourced from the CSMAR database, and the authors do not have the authority to disclose it.

Conflicts of Interest: The authors declare no conflict of interest.
References


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