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CEO Experience and Enterprise Environment, Social and Governance Performance: Evidence from China

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Abstract: Practicing ESG concepts is considered a viable way to achieve sustainable development for enterprises and is an important contributor to realizing high-quality economic development. This paper builds on the upper echelons theory, which posits that a company's strategic decisions are influenced by the cognitive perceptions and values of its CEO. Based on the data of Chinese A-share listed companies from 2009 to 2021, this paper empirically examines the impact of CEOs' green, academic, and political experiences on corporate ESG performance through multiple regression analysis. This study found that CEO experience has a significant impact on corporate ESG performance: rich green, academic, and political experience promotes corporate ESG performance. A stepwise regression test found that CEO experience drives corporate ESG performance by improving corporate green innovation and alleviating financing constraints. Further analysis showed that the contribution of CEO experience to ESG performance is more pronounced for firms with younger CEOs, non-state-owned enterprises, and high-polluting industries, although CEO gender is insignificant. The findings of this study provide important policy implications to improve ESG responsibility.

Keywords: CEO experience; ESG; CEO power; green innovation; financing constraint

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1. Introduction

Addressing the multifaceted challenges arising from China's rapid economic transformation and global economic headwinds has become imperative. Ecological and environmental issues such as excessive pollutant emissions, social challenges like urban-rural healthcare imbalances, and governance problems exemplified by financial fraud obscured by the initial phase of rapid economic growth have continued to emerge, arousing widespread public concern and garnering significant national attention. The 2017 19th Party Congress report introduced the concept of sustainable development, providing a blueprint for China's advancement of a green economy and ecological civilization. In 2020, President Xi Jinping proposed at the United Nations General Assembly the goal of achieving a carbon peak by 2030 and carbon neutrality by 2060. Achieving sustainable economic development is the theme of China's economic and social development during the Fourteenth Five-Year Plan period and beyond and is relevant to the overall situation of socialist modernization. Whether enterprises, as the microscopic mainstay of economic development, can take substantive steps in realizing sustainable development will have a decisive impact on the promotion of China's economy to achieve sustainable development. Therefore, the concept of ESG, which consists of environment (E), social (S), and governance (G), has received extensive attention from all walks of life.

ESG is a concept that takes into account the harmonization of environmental, social, and governance development and aims to unify economic and social values. It is a comprehensive matrix of indicators to assess environmental sustainability, social value, and governance capacity [1]. According to a report by Accenture, businesses are emphasizing

ESG issues to generate shared social value in addition to their commitment to producing and enhancing economic efficiency. Superior ESG performance not only augments shareholder wealth but also mitigates the cost of capital [2] and enables companies to use R&D resources more effectively to enhance market value [3]. It also drives companies to adapt to economic globalization and sustainable development by focusing on non-financial returns and stakeholder value [4]. Poor ESG performance means that companies do not pay enough attention to environmental and social responsibility and that corporate governance is not sound at all stages. This undermines the interests of many parties, including the market and employees, which in turn lowers the evaluation placed on businesses by society and reduces their long-term effectiveness [5]. Corporate ESG responsibility fulfillment has been elevated to a strategic level in recent years as awareness of and capacity for fulfilling corporate ESG responsibility has grown. Numerous theoretical and empirical studies have been done on this topic by academics. Existing research has focused on the impact of ESG performance on operational efficiency [6,7], level of innovation [8,9], level of risk-taking [10,11], and firm performance [12,13] and value [14,15]. However, there is less research on the drivers of ESG performance. Some scholars have explored the impact of factors such as research institutional investors [16,17], environmental regulations [18,19], and CEO background [20,21] on corporate ESG performance. For this reason, the question of how to encourage businesses to pay attention to environmental, social, and governance issues in order to spur innovation and development momentum has, therefore, emerged as a key problem to be resolved for the sustainable development of businesses in China.

As an important corporate strategy, the implementation of ESG decisions is influenced by various factors, and managers hold a vital role as the executors of such ESG decisions. The upper echelon theory posits that due to the dynamic nature of companies' internal and external environments, managerial characteristics impact their strategic choices, which consequently shape organizational behavior [22]. The CEO resides at the apex of the management power hierarchy and helms the formulation of corporate strategic decisions [23,24]. Studies in behavioral and psychological research demonstrate that CEO's past experiences directly impact their behavior patterns and play a key role in shaping preferences for company decisions. Imprinting theory further states that individual growth experiences continuously and consistently impact subsequent decisions and behaviors by changing individuals' psychological traits, cognitive structures, and knowledge skills [25]. As established research has expressed, CEOs with international experience can drive strategic change, promote green innovation, and accelerate the internationalization of their companies [26–28]. CEOs with financial experience can decrease business financial restatements, increase the integrity of financial reporting, and lower the danger of stock price collapse [29–31]. Additionally, CEOs with calamity experience may, on the one hand, curtail corporate innovation spending and boost financial reserves [32]. On the other side, it also encourages businesses to give generously, leading to improved social performance [33,34]. Interim CEOs are more inclined to engage in positive earnings management for turnaround motives [35]. CEOs with military experience have a significant contribution to corporate governance, and the weaker the government intervention in their region, the stronger the CEO's role in improving corporate governance [36]. Thus, CEO experience has a significant impact on corporate governance and ESG performance, which is a comprehensive reflection of environmental, social, and corporate governance. Therefore, the research question of this paper is whether CEO experience influences firms' ESG performance and to explore the mechanism underpinning this influence based on the aforementioned impact.

Based on this premise, this paper explores the impact of CEO experience on firms' ESG performance using a sample of Chinese A-share listed companies in Shanghai and Shenzhen from 2009 to 2021. CEO experience includes green experience, academic experience, and political experience. The findings show that CEO experience significantly contributes to the enhancement of corporate ESG performance, and CEO power reinforces the effect. Mechanism analysis shows that CEO experience improves firms' ESG performance by promoting firms' green innovation and alleviating firms' financing constraints. In addition, we delve into the intrinsic heterogeneity among CEO age, CEO gender, ownership type, and industry nature.

The remainder of this essay is structured as follows. Section 2 reviews the relevant literature. Section 3 presents the theoretical analysis and hypotheses development. Section 4 outlines the research methodology and data. Our empirical findings are reported in Section 5. Section 6 discusses the results, and Section 7 concludes the paper.

2. Literature Review

Corporate ESG performance can reflect a company's overall performance and help stakeholders better understand a company's sustainability and value. It has been shown that good ESG performance can improve corporate performance, innovation efficiency, risk-taking level, and corporate value. The release of ESG reports can greatly reduce the difficulty for external stakeholders to recognize non-financial information within the company, promote the relationship between the company and various stakeholders, and then achieve the purpose of improving financial performance [37]. Active fulfillment of ESG responsibilities builds corporate reputation, reduces corporate risk, builds competitive advantage, increases product value, and ultimately improves corporate performance [37]. Good ESG performance of enterprises can play the role of market supervision, and incentives, and drive enterprises to take the initiative to carry out green transformation and improve the efficiency of green innovation [38]. Ashwin Kumar et al. [39] found that companies with higher ESG responsibility performance can interact with the outside world more positively, which can garner respect and trust, bolster corporate valuation, and dramatically mitigate future financial and non-compliance risks. This result is in line with Shafer and Szado's [40] findings, which found that effective ESG practices can lower businesses' ex-ante estimations of risk and raise their resilience to it. Miralles-Quirós et al. [41] discovered that proactive CSR initiatives support a differentiated growth strategy that helps raise corporate value.

Therefore, good ESG performance can bring sustainable development opportunities and long-term business value to enterprises. Therefore, improving ESG performance has become a strategic goal and an important competitive advantage for more and more companies [42]. It is of great significance to explore how to improve the ESG performance of enterprises. From a stakeholder perspective, mutual institutional investors can enhance corporate ESG performance through governance and synergy effects. Investor focus can significantly improve a company's ESG performance [43]. Management background is also an important factor influencing a company's ESG performance. From the CEO's side, according to Borghesi et al. [44], CEOs who are younger, female, and regularly appear in the media are more likely to disclose firm ESG, while ESG levels are higher for companies that are bigger, have more free cash flow, and invest more in advertising. Tamimi and Sebastianelli [45] argued that CEO duality was significantly and positively related to corporate ESG performance. In their investigation of the connection between a CEO's educational background and ESG, Garcia-Blandon et al. [46] found that CEOs with engineering degrees had greater levels of ESG performance. And CEOs with MBA degrees displayed worse ESG performance. With a sample of 118 US companies listed in the S&P 500 Index between 2011 and 2018, Dabbebi et al. [47] found that CEOs who are highly narcissistic are more likely to disclose corporate ESG.

From the existing literature, firms' ESG performance is affected by factors such as co-investors, CEO's gender, and CEO's educational background, and fewer studies have explored the impact of CEO composite experience on firms' ESG performance. Therefore, in this study, we attempt to provide a better theoretical explanation of whether CEO experience affects corporate ESG and how the potential incentives and constraints operate. In addition, the further examination of CEO power will offer useful implications for later corporate governance and policy implementation by businesses engaged in green reform and ESG investing.

3. Theoretical Analysis and Research Hypothesis

3.1. CEO Experience and ESG

The upper echelon theory contends that the traditional agency theory's homogeneous CEO assumption is incongruent with reality. Managerial values orientation and cognitive capabilities can exert a significant influence on the firm's decision-making processes and strategic implementation [48]. CEOs are the primary decision-makers and executors of major strategic decisions, and the interaction of their past experiences forms a unique imprint [49], which becomes a key factor influencing the formulation and implementation of corporate strategic decisions [50]. We selected three categories of CEO experiences that may impact the execution of corporate ESG responsibilities by integrating the research focus of this study and societal perspectives. These three types of experience are green experience, academic experience, and political experience. Contingent upon the knowledge, resources, and competencies acquired from these experiences, the influence of CEOs on corporate ESG performance varies.

First, corporate sustainability decisions reflect, to a large extent, management's understanding of the environment and the extent to which it cares about it. CEOs with green experience possess not only elevated ethical standards but also heightened social responsibility cognizance [51] and also give more attention to ESG development issues, which helps to improve the environmental focus of the overall corporate management team [52]. The attentional basis view suggests that the outcome of business decisions depends not only on the personal characteristics of the decision-maker but is also influenced by his or her attention and other cognitive factors [53]. Companies will be more proactive in fulfilling their relevant obligations when the CEO invests more time and effort in ESG. If CEOs have green experience, then they will be more familiar with actions in the sustainable development process and will be able to think about the importance of ESG issues from the perspective of developing a circular economy and green ecological win-win [54]. Furthermore, CEOs with green experience are inclined to undertake tangible actions aimed at integrating sustainability imperatives into overarching corporate strategies [55]. They actively seek opportunities to leverage the fulfillment of ESG responsibilities as a means to foster growth and establish competitive advantages. Presently, sustainability constitutes a globally acknowledged trend, driven by mounting environmental, social, and governance challenges. Heightened pressures from governments, the public, and various stakeholders compel companies to respond [56]. CEOs possessing green experience exhibit heightened motivation and capacity to address these pressures, thereby enhancing stakeholder acceptance by internalizing external demands [57]. Angriawan and Abebe [58] also contend that executives with green experience can use their particular environmental expertise and knowledge to lower the risk of corporate environmental expenditures, inspiring businesses to spend more on environmental investments and better fulfill their ESG responsibilities.

Second, an increasing number of academic professionals are becoming CEOs of businesses, which greatly impacts corporate decision-making. By its very nature, academic research is a creative and exploratory mental activity and a moral activity rich in social ethics. ESG, as an important manifestation of a forward-looking development strategy, requires corporate managers to have a high awareness of environmental and social responsibility [59]. Actively carrying out ESG duties is regarded as an effective strategy for CEOs with academic experience to boost their reputation in society. Cho et al. [60] also show that companies with academic executives tend to exhibit higher social responsibility performance ratings. CEOs with academic experience are referred to as "senior intellectuals" and hold a position of prominence in society [61]. CEOs will be more willing to perform ESG because of the cognitive imprint academic experience has left on them [62]. This imprint will encourage CEOs to adopt a more environmentally conscious mindset and pay closer attention to the environmental demands of stakeholders like residents and environmental organizations. Additionally, there is a lag in the advantages of corporate ESG investments in terms of time value, which could lead to subpar short-term financial performance. As a result, CEOs that lack long-term planning are more inclined to allocate their few resources to “quick, cheap, and easy” projects [63], which lowers ESG-responsible investment. In contrast, CEOs with academic experience typically possess a broad viewpoint and unique insights in addition to a strong academic background. Long-term academic and research work develops independent thinking skills and strong insight [64], which aid CEOs in overcoming short-term decision-making tendencies by focusing on long-term corporate development planning in addition to the company’s immediate economic interests [65], which is helpful for the fulfillment of corporate ESG responsibilities.

Third, CEOs with political expertise can create strong, mutually beneficial relationships between businesses and governments [66], which can significantly affect how well businesses carry out their ESG obligations [67]. On the one hand, according to the resource dependence theory, the operation and growth of enterprises require the support of several resources, including human resources, financial capital, and the institutional environment. ESG is equally constrained by enterprise resources. Due to their unique political status and social influence, CEOs with political experience have a significant impact on businesses in the form of “resource effects” [68], which help businesses access more convenient, affordable, and superior social resources and, in some cases, encourage the investment in ESG governance. For example, Wu Xiaoru, the president of KU Xunfei, has presided over major national natural fund projects for many times and achieved rich scientific research results, which provides strong support for enterprises to better access to talent resources, financial capital, and other aspects. On the other side, CEOs with political experience are more perceptive to changes in policy, respond more quickly, and tend to have a head start in ESG investing. Their relationship with the government means that CEOs are better able to comprehend the government’s policy aims for accelerating sustainable development [69]. As a result, they can respond promptly and strategically to fit societal development objectives by carrying out their ESG obligations. In addition, CEOs with political experience are more likely to support the country’s concept of sustainable and innovative development because of their convictions. Even if they do not explicitly express such intentions, they may be subject to more pressure from public scrutiny due to the higher visibility that comes with political experience. Firms and CEOs inevitably need to fulfill their ESG responsibilities and build a favorable image if they want to continuously gain resources and policy advantages from their political connections. It is worth noting that macro-control is a major feature of China’s market economy. For reasons of ecological civilization building, personal promotion, etc., local governments at all levels actively encourage companies to carry out ESG practice activities, as these practices are part of the performance evaluation of governments at all levels. However, due to the imbalance between the costs and benefits of ESG investments, most companies lack the incentive to take a leadership role in ESG. In this situation, it is undeniable that CEOs with political experience are exposed to more government pressure and are expected to adopt a proactive, outstanding leadership role and carry out greater ESG responsibility [66].

Finally, the influence of a single experience on company conduct has received widespread scholarly recognition. Different experiences, however, do not function independently; instead, there is an interactive relationship in which they interpenetrate and influence one another. They all work together to sculpt the CEO’s managerial decision-making approach, affecting ESG. Ideas, judgment, and resources are three important influencing factors for CEOs to make ESG-related decisions. In the research scenario described in this paper, CEOs with green experiences have a more comprehensive and in-depth understanding of ESG. They are, therefore, more likely to generate awareness and ideas about fulfilling their ESG duties. At the same time, academic experience provides CEOs with good strategic insight and judgment. The rational thinking shaped by academic experience helps CEOs deeply understand the complex realities and endorse the long-term benefits and social effects of ESG implementation. This promotes a transition in corporate investing toward long-term ESG value investing. CEO political experience, in turn, provides the resources and conditions for companies to fulfill ESG. A CEO’s political experience expands the boundaries of their interpersonal contacts, which brings about the improvement of resource integration ability and boundary-spanning search ability, thus alleviating the various constraints faced by corporate ESG to a certain extent. In summary, these experiences shape the CEO's cognitive and holistic network view [70], which helps the CEO coordinate and balance the multiple needs of stakeholders to drive ESG while considering economic benefits. Accordingly, we propose the following Hypothesis 1.

Hypothesis 1: *CEO experience promotes improved corporate ESG performance.*

3.2. The Moderating Effect of CEO Power

Power refers to the ability of an individual to exert influence, function, and achieve goals in a given relationship or organization. The CEO is an important strategic decision-maker in the company and exerts influence on the strategic decisions of the company through their power [71]. The CEO has more control over the company, and the more authority they have, the more the direction of corporate decisions reflects personal preferences and interest orientation [72]. Finkelstein [73] first introduced the concept of CEO power intensity and empirically investigated the role of CEO power on the corporate strategy of firms. In general, a CEO with more power has more authority and resources at his or her disposal and can better coordinate the perceptions and actions of the executive team members [74], who will ultimately act in unison [75]. Conversely, a less powerful CEO is unable to integrate the team and coordinate the team's perceptions and behaviors. Therefore, the more power CEOs with experience have, the more probable they will incorporate their environmental ideals and awareness of social responsibility into the implementation of strategic company decisions to promote the fulfillment of corporate ESG responsibilities [76]. Also, a CEO with less authority will be forced to compromise on ESG problems, which will ultimately result in a less responsible organization when implementing ESG. Even if the CEO wishes to raise ESG spending, the board and other management will restrain or reject them, leading to a general underinvestment in corporate ESG. In other words, the more powerful CEO has the potential to let his or her opinions and actions finally take precedence during the dialogue and decision-making process [77,78], enabling the business to raise ESG inputs and enhance corporate ESG performance as desired. To sum up, we propose Hypothesis 2.

Hypothesis 2: *CEO Power reinforces the Impact of CEO Experience on Corporate ESG Performance.*

4. Study Design

4.1. Sample

The data utilized for this study were sourced from the CSMAR database, the CNRDS database, and the Huazheng ESG database. Huazheng ESG rating has been providing ESG ratings for some listed companies since 2009, and its rating results contain overall ESG ratings and scores, as well as sub-scores of E, S, and G. Given data availability, the sample selected all A-share listed companies' data from 2009 to 2021 and does the following processing: (1) excludes companies with ST and *ST; (2) winsorized the data at the 1st and 99th percentiles to eliminate outliers; (3); and obtained 28,296 valid samples.

4.2. Variables

4.2.1. Corporate ESG

The majority of academics currently use ratings from independent rating organizations to gauge the corporate ESG. A few well-known global rating companies are MSCI, Bloomberg, and FTSE Russell. In China, there are also different organizations, such as Huazheng, SynTao Green Finance, and Hexun.com, that evaluate the ESG responsibility fulfillment of Chinese companies. There are notable disparities between the rating outcomes of various ESG rating agencies both in China and internationally because of the varying degrees of development of social, technological, and other external environments, as well as ESG evaluation systems. This paper selects the ESG rating developed by Huazheng to measure the ESG performance of listed companies. As one of the first independent data providers involved in ESG rating in China, Huazheng has incorporated assessment indicators that correspond to the actual circumstances of the Chinese capital market by making reference to the traditional international rating framework, which is more in accordance with the reality of the Chinese market. Meanwhile, in contrast to other rating agencies' index systems, the Huazheng ESG rating system uses dynamic tracking for routine evaluation and data adjusting, which significantly benefits timeliness, accuracy, and completeness. There are three levels and nine grades in the Huazheng ESG: AAA, AA, A, BBB, BB, B, CCC, CC, and C. As part of our empirical study, we rank the ratings above in this paper from low to high in the order of one to nine.

4.2.2. CEO Experience

By merging information on executive traits from the CSMAR database and the Internet, we manually gathered and screened CEO experience.

Green experience (Green): CEOs have received a "green" related education, such as environmental majors, environmental science majors, environmental engineering, and other professional degrees. Otherwise, the CEO has been engaged in "green" related work, such as serving in the Ministry of Environmental Protection, the Environmental Protection Bureau, the Environmental Protection Committee, the Sustainable Development Committee, or the Low Carbon Economy Transition Institute. If the CEO has green experience, Green is defined as 1; otherwise, it is 0.

Academic experience (Academic): The CEO is considered to have academic experience if he/she is engaged in scientific research and teaching in universities, research institutes, or research-based societies (associations). Academic experience was given a value of 1 or 0.

Political experience (Politic): The CEO is deemed to have political experience (Politic) if they have held positions in all tiers of the CCP, all tiers of popular governments, all tiers of democratic parties, and all tiers of social organizations), Politic was given the value of 1 or 0.

CEO experience (CEO experience): This indicator was obtained by simply summing up the above experience. This article focuses on this indicator.

4.2.3. CEO Power

Based on the research of Veprauskaitė and Adams [79] and Li et al. [80], CEO power was calculated based on CEO salary. As Boyd [81] points out, powerful CEOs are more likely to be paid far more than the industry average. In more detail, we calculated the ratio of CEO remuneration to the salaries of the top three executives, and we assigned a CEO power value of 1 if this ratio was in the top quartile of the yearly industry distribution and 0 if it was not.

4.2.4. Control Variables

We selected control variables, including firm size (Size), gearing ratio (Lev), operating income growth rate (Growth), return on total assets (ROA), return on net assets (ROE), book-to-market ratio (BM), board size (Board), and the top ten shareholders' shareholding ratio (Top 10), to control the impact of other variables on the performance of corporate ESG responsibilities. In addition, year and industry dummy variables were set in this paper to control for year and industry fixed effects (Table 1).

Table 1. Variable definition.

Variable Type	Variable Name	Variable Symbols	Variable Definition
Dependent variable	Corporate ESG	ESG	Huazheng ESG
Explanatory variable	CEO experience	CEO experiences	The sum of CEO's green, academic, and political experiences
control variable	Firm size	Size	Ln (total assets)
	Gearing ratio	Lev	Total liabilities/total assets
	Operating income growth rate	Growth	Revenue growth rate
	Return on total assets	ROA	Net profit/total assets
	Return on net assets	ROE	Net profit/net assets
	Book-to-market ratio	BM	Market value/book value
	Board size	Board	Ln (number of directors)
	Top ten shareholders' shareholding ratio	Top 10	The shareholding ratio of the top ten shareholders
	Year	Year	Annual dummy variable
	Industry	Ind	Industry dummy variables

4.3. Model Construction

To test the effect of CEO experience on firms' ESG performance, we developed the following linear regression model:

$$ESG_{it} = \beta_0 + \beta_1 CEO\ experience_{it} + \gamma Controls_{it} + \delta_Y + \mu_I + \varepsilon_{it} \quad (1)$$

In Equation (1), i represents the firm, t represents the year, $ESG_{i,t}$ denotes the ESG score of i firm in t year, and $CEO\ experience_{i,t}$ denotes the number of experiences that the CEO of i firm in t year. This paper focuses on the regression coefficient β_1. If $\beta_1 > 0$, it indicates that CEO experience is favorable to corporate ESG. Conversely, it decreases corporate ESG.

To test Hypothesis 2, we added the moderating variable of CEO power to Model 1, resulting in Linear Regression Model 2:

$$\begin{aligned} ESG_{it} = \beta_0 + \beta_1 CEOexperience_{it} + \beta_2 CEOexperience_{it} \times CEOpower_{it} + \beta_3 CEOpower_{it} \\ + \gamma Controls_{it} + \delta_Y + \mu_I + \varepsilon_{it} \end{aligned} \quad (2)$$

5. Empirical Analysis

5.1. Descriptive Statistics

Firstly, the study analyzed the descriptive statistics of the study variable, as shown in Table 2. The average ESG score for publicly traded firms is 4.123, with a standard deviation of 1.085 and a range of 1 to 8. This suggests that the sample companies' efforts to fulfill their ESG responsibilities vary significantly. The autonomy of listed Chinese firms to engage in ESG initiatives and the level of responsibility fulfillment are typically low. The execution of ESG obligations by listed firms needs to be further enhanced. While some businesses are more active in engaging in ESG activities, some still refuse to take the initiative to embrace ESG duties. With a minimum value of 0 and a maximum value of 3, CEO experience has a mean value of 0.420. This shows that the percentage of businesses having CEOs with relevant expertise is generally low, and CEO expertise traits differ greatly. The minimum value of CEO power is 0 and the maximum value is 1. The mean value is 0.236, which indicates that CEOs of our companies will be more constrained and have less power. The maximum value of firm size is 26.211, the minimum value is 19.892, and the standard deviation is 1.288, which indicates that there is a large difference in the size of the firms. The mean value of Lev is 0.431, the maximum value is 0.884, and the minimum value is 0.056, which indicates that there is a large variability in the balance sheet ratio among the firms. The minimum value of TOP 10 is 23.523, the maximum value is 90.032, and the standard deviation is 15.031, which indicates that there is a large variability in the proportion of large shareholders among the firms. The standard deviation is 15.031, and there is a great difference in the shareholding ratio of the major shareholders among different enterprises. In addition, we also calculated the VIF for each variable, and none of the values exceeded 10, indicating that multicollinearity is generally not a problem in the regression analysis that follows.

Table 2. Descriptive statistics.

	N	Mean	Std	Min	Mid	Max
ESG	28,296	4.123	1.085	1	4	8
CEO experience	28,296	0.420	0.659	0	0	3
CEO power	28,296	0.236	0.425	0	0	1
Size	28,296	22.21	1.288	19.892	22.031	26.211
Lev	28,296	0.431	0.204	0.056	0.425	0.884
Growth	28,296	0.179	0.415	−0.551	0.112	2.665
Roa	28,296	0.0420	0.060	−0.213	0.039	0.216
Roe	28,296	0.0690	0.120	−0.565	0.073	0.354
Bm	28,296	0.613	0.248	0.116	0.608	1.162
Board	28,296	8.617	1.696	5	9	15
Top 10	28,296	58.280	15.031	23.523	59.101	90.342

5.2. Regression Analysis

This study uses the multiple linear regression approach to examine the impact of CEO experience on corporate ESG. The regression findings are displayed in Table 3. As can be seen in column 1 of Table 3, the regression coefficient of CEO experience is 0.091, which is significantly positive at the 1% level. This indicates that CEO experience positively contributes to corporate ESG performance, a result that remains consistent with Hypothesis 1. The richer the CEO experience, the more likely the firm is to engage in ESG responsibility fulfillment. Among the control variables, the regression coefficient of size is 0.264 and is significantly positive at the 1% level, which may be due to the fact that the larger the size of the enterprise, the more importance it attaches to the fulfillment of responsibility in environmental, social and governance aspects; the regression coefficient of Lev is significantly negative at the 1% level, which may be due to the fact that the fulfillment of ESG responsibility requires more capital investment and the higher the balance ratio of the enterprise, the more pressure it has on its capital, asking whether it can have sufficient funds for ESG investment. The coefficient of Roa is 3.326 and is significantly positive at the 1% level because the higher the Roa of the enterprise, the better the profitability of the enterprise, and the better performance reduces the financial pressure of the enterprise, which makes the enterprise capable of fulfilling ESG responsibilities.

The moderating role of CEO power is shown in column 2 of Table 3. The outcomes indicate that the coefficient of CEO experience x CEO power is 0.066, which is significantly positive at a 1% level. This indicates that controlling for other things being equal, the more power a CEO with experience has, the more likely he or she is to advance various corporate ESG policies and thus achieve higher ESG performance. Hypothesis 2 is proved. Among the control variables, the coefficient of growth is −0.139, which is significantly negative at a 1% level. The reasons for this may be that the high-growth firms are in place of SMEs, the firms are in the growth period, the firms are focusing on improving the performance of the firms, and they are neglecting the ESG inputs.

Table 3. Regression analysis.

Variables	ESG	ESG
CEO experience	0.091 ***	0.077 ***
	(10.04)	(7.29)
CEO experience × CEO power		0.066 ***
		(3.23)
CEO power		−0.126 ***
		(−7.50)
Size	0.264 ***	0.261 ***
	(36.81)	(36.42)
Lev	−0.810 ***	−0.805 ***
	(−19.66)	(−19.55)
Growth	−0.140 ***	−0.139 ***
	(−9.28)	(−9.26)
Roa	3.326 ***	3.363 ***
	(12.32)	(12.46)
Roe	−0.196	−0.196
	(−1.55)	(−1.55)
Bm	0.143 ***	0.141 ***
	(4.04)	(3.97)
Board	−0.009 ***	−0.011 ***
	(−2.36)	(−2.92)
Top 10	0.003 ***	0.003 ***
	(6.30)	(6.28)
Constant	−1.739 ***	−1.637 ***
	(−11.88)	(−11.15)
Year	YES	YES
Industry	YES	YES
N	28296	28296
R^2	0.174	0.176

*** $p < 0.01$.

5.3. Robustness Tests

5.3.1. Sub-Indicator Test

To test Hypothesis 1, we conducted robustness tests on the sub-indicators of ESG performance and CEO experience, respectively. The Huazheng ESG rating system includes scores for three sub-indicators: environment, society, and corporate governance. We substitute the dependent variables with each segmented indicator, as displayed in columns 1–3 of Table 4, to make sure that our result is not being driven by a strong element. Both the overall ESG indicator and the subdivision indicators have a significant positive connection, according to the CEO experience coefficients. This result is consistent with the above study, suggesting that CEO experience contributes to the improvement of firms' ESG performance.

Table 4. Sub-indicator test.

	ESG Sub-Indicators			Experience Sub-Indicators		
	E	**S**	**G**	**ESG**	**ESG**	**ESG**
CEO experience	0.091 ***	0.218 ***	0.021 *			
	(9.47)	(14.68)	(1.89)			
Green				0.198 ***		
				(5.64)		
Academic					0.136 ***	
					(8.73)	
Politic						0.084 ***
						(5.66)
Size	0.248 ***	0.256 ***	0.201 ***	0.264 ***	0.265 ***	0.263 ***
	(32.59)	(21.73)	(22.69)	(36.73)	(36.90)	(36.68)

Table 4. *Cont.*

	ESG Sub-Indicators			Experience Sub-Indicators		
	E	**S**	**G**	**ESG**	**ESG**	**ESG**
Lev	0.079 *	0.098	−1.775 ***	−0.825 ***	−0.809 ***	−0.815 ***
	(1.81)	(1.45)	(−34.84)	(−20.00)	(−19.62)	(−19.74)
Growth	−0.104 ***	−0.055 ***	−0.203 ***	−0.139 ***	−0.140 ***	−0.138 ***
	(−6.46)	(−2.23)	(−10.89)	(−9.20)	(−9.31)	(−9.17)
Roa	−0.073	3.781 ***	4.758 ***	3.308 ***	3.322 ***	3.331 ***
	(−0.25)	(8.53)	(14.25)	(12.23)	(12.29)	(12.32)
Roe	0.234 *	0.035	−0.662 ***	−0.176	−0.190	−0.190
	(1.74)	(0.17)	(−4.23)	(−1.39)	(−1.50)	(−1.50)
Bm	−0.016	−0.067	0.248 ***	0.138 ***	0.142 ***	0.140 ***
	(−0.43)	(−1.15)	(5.67)	(3.90)	(4.02)	(3.95)
Board	0.006	0.021 ***	−0.036 ***	−0.009 ***	−0.010 ***	−0.009 ***
	(1.53)	(3.33)	(−7.82)	(−2.52)	(−2.58)	(−2.43)
Top 10	−0.001 ***	0.002 ***	0.005 ***	0.003 ***	0.003 ***	0.003 ***
	(−2.76)	(2.38)	(10.18)	(6.53)	(6.26)	(6.42)
Constant	−3.176 ***	−4.173 ***	3.280 ***	−1.352 ***	−1.381 ***	−1.371 ***
	(−20.40)	(−17.37)	(18.13)	(−9.84)	(−10.06)	(−9.98)
Year	YES	YES	YES	YES	YES	YES
Industry	YES	YES	YES	YES	YES	YES
N	28,296	28,296	28,296	28,296	28,296	28,296
R^2	0.177	0.304	0.213	0.172	0.174	0.172

*** $p < 0.01$, * $p < 0.1$.

We also subdivided the CEO experience into green experience, academic experience, and political experience to re-run the regression test, as shown in columns 4–6 of Table 4. We can see that the regression coefficients of green experience, academic experience, and political experience are still significantly positively correlated at the 1% level, suggesting that all three aspects of the CEO's green, academic, and political experience contribute to the improvement of corporate ESG performance. The above results further prove the robustness of the relevant hypotheses.

5.3.2. Substitution of Explanatory Variables Test

There are certain differences in the ESG evaluation systems of different institutions. To test the reliability of the regression results, this article uses ESG rating data from Hexun.com to replace the Huazheng ESG rating data used in the benchmark model for regression. The results are shown in column 1 of Table 5. After selecting data from other institutions, we discovered that the CEO experience coefficient is still positively associated at the 1% level.

Table 5. Robustness test results.

	Hexun ESG	**Partial Year Regression**	**Heckman Two-Stage Method**	**DID**
CEO experience	0.406 ***	0.096 ***	0.101 ***	
	(3.46)	(8.95)	(10.88)	
IMR			0.149 ***	
			(4.97)	
Treat × Post				0.084 ***
				(2.82)
Treat				−0.020
				(−1.01)
Post				0.134 ***
				(4.88)
Size	3.857 ***	0.262 ***	0.262 ***	0.210 ***
	(40.70)	(29.14)	(36.48)	(14.90)
Lev	−6.120 ***	−0.786 ***	−0.820 ***	−0.751 ***
	(−11.37)	(−16.17)	(−19.88)	(−13.66)
Growth	−1.156 ***	−0.173 ***	−0.139 ***	−0.065 ***
	(−5.90)	(−10.39)	(−9.21)	(−5.10)

Table 5. *Cont.*

	Hexun ESG	Partial Year Regression	Heckman Two-Stage Method	DID
Roa	66.361 ***	3.372 ***	3.373 ***	1.169 ***
	(18.78)	(10.33)	(12.49)	(4.45)
Roe	18.763 ***	−0.443 ***	−0.206	−0.034
	(11.33)	(−2.96)	(−1.63)	(−0.29)
Bm	−2.039 ***	0.221 ***	0.141 ***	0.161 ***
	(−4.36)	(4.73)	(3.99)	(4.05)
Board	0.127 ***	−0.007	−0.010 ***	−0.019 ***
	(2.58)	(−1.61)	(−2.70)	(−3.36)
Top 10	0.031 ***	0.000	0.003 ***	0.002 ***
	(5.64)	(0.46)	(6.56)	(3.09)
Constant	−61.649 ***	−1.521 ***	−1.856 ***	−0.354
	(−31.91)	(−8.50)	(−12.52)	(−1.21)
Year	YES	YES	YES	YES
Industry	YES	YES	YES	NO
Firm	NO	NO	NO	YES
N	25155	17041	28292	27970
R^2	0.391	0.185	0.175	0.570

*** $p < 0.01$.

5.3.3. Partial Sample Data Regression Test

The CSRC revised the Code of Governance for Listed Companies in 2018, specifically adding environmental protection and social responsibility content. This established the basic framework for ESG disclosure of listed companies and promoted the development of ESG in China. In order to lessen the impact of the in-question policies, we chose the sample from 2009 to 2017 for the robustness tests, as indicated in column 2. The regression results support the conclusions of Hypothesis 1.

5.3.4. Heckman's Two-Stage Method Test

To mitigate endogeneity issues stemming from sample bias, we employed the Heckman two-stage method for robustness testing. Initially, we divided CEOs into two groups based on their relevant experience and introduced factors such as age, gender, and ownership that may influence CEO experience into a Probit regression equation to estimate the IMR rate. Subsequently, in the second stage of regression analysis, as depicted in column 3 of Table 5, the computed IMR was incorporated as a control variable. Following the consideration of sample selection bias, the coefficient associated with CEO experience remained significantly positive at the 1% level, suggesting that CEO experience facilitates enhancements in corporate ESG performance. Thus, the conclusion remains robust and reliable.

5.3.5. Difference-in-Differences Estimation Test

In addition, we used difference-in-differences estimation to test endogeneity issues. We created dummy variables for multi-period DIDs depending on the date of the initial publication of the ESG reports of listed businesses. The definition of the treat variable is the same as it was in the Heckman method: it is split into two groups depending on whether the CEO has relevant expertise or not, with relevant experience having a value of 1 and without relevant experience having a value of 0. If the company releases its ESG report for the first time in t year, the post variable will take on the value of 1 for this year and any following years. If not, it will assume the value of 0. Column 4 of Table 5 has the regression findings. We discover that the treat × post has a strong positive correlation with ESG, demonstrating that the results still support our Hypothesis 1 even when endogeneity is considered.

5.4. Mechanism Analysis

Based on the existing research, this study makes the case that CEO experience can improve corporate green innovation, ease corporate financing restrictions, and ultimately improve ESG performance. This is done in order to offer insight into the mechanisms by which CEO experiences affect the fulfillment of corporate ESG responsibilities. The regression model is as follows:

$$Mediating\ variable_{it} = \beta_0 + \beta_1 CEO\ experience_{it} + \gamma Controls_{it} + \delta_Y + \mu_I + \varepsilon_{it} \quad (3)$$

$$ESG_{it} = \beta_0 + \beta_1 CEO\ experience_{it} + \beta_2 Mediating\ variable_{it} + \gamma Controls_{it} + \delta_Y + \mu_I + \varepsilon_{it} \quad (4)$$

Mediating variable is a mediating variable, including two variables: green innovation and financing constraints.

The World Intellectual Property Organization's "Green Patent List" is used in this paper to identify green patents. The logarithm of the total number of green invention patents and utility models independently filed by enterprises in the same year plus one is then used to calculate enterprises' green innovation level. The findings of the mechanism test for corporate green innovation are displayed in columns 1 and 2 of Table 5. The table shows that CEO experiences significantly contribute to the level of corporate green innovation [82], which in turn positively impacts the fulfillment of corporate ESG responsibilities.

The financing constraint is one of the important factors affecting the ESG responsibility of enterprises, which can only be afforded when there are idle financial resources. To this end, we examine the role of financing constraints between CEO experience and corporate ESG. The KZ index, which was suggested by Kaplan and Zingales [83], is used to measure the finance constraint indicator. Columns 3 and 4 of Table 5 display the results of the regression. As we expected, a CEO's past expertise aids in easing financial restrictions on the company [84], which increases the financial sustainability of the company's ESG investments.

The above results indicate that green innovation and financing constraints partially mediate between CEO experience and corporate ESG (Table 6).

Table 6. Mechanism analysis.

	Green Innovation	ESG	Finance Constraint	ESG
CEO experience	0.055 ***	0.084 ***	−0.041 ***	0.090 ***
	(8.52)	(9.25)	(−3.14)	(9.88)
Green innovation		0.136 ***		
		(16.25)		
Finance constraint				−0.038 ***
				(−9.20)
Size	0.135 ***	0.245 ***	−0.066 ***	0.261 ***
	(26.63)	(33.99)	(−6.32)	(36.50)
Lev	0.121 ***	−0.827 ***	6.048 ***	−0.582 ***
	(4.17)	(−20.14)	(101.25)	(−12.11)
Growth	−0.053 ***	−0.133 ***	−0.033	−0.141 ***
	(−5.02)	(−8.84)	(−1.49)	(−9.38)
Roa	0.325 *	3.282 ***	−24.388 ***	2.405 ***
	(1.70)	(12.21)	(−62.31)	(8.36)
Roe	0.181 ***	−0.221 *	5.100 ***	−0.004
	(2.02)	(−1.75)	(27.82)	(−0.03)
Bm	−0.131 ***	0.161 ***	−2.178 ***	0.061 *
	(−5.22)	(4.56)	(−42.45)	(1.66)
Board	0.015 ***	−0.011 ***	−0.024 ***	−0.010 ***
	(5.69)	(−2.92)	(−4.47)	(−2.61)
Top 10	−0.001 ***	0.003 ***	−0.016 ***	0.002 ***
	(−2.10)	(6.53)	(−26.45)	(4.80)
Constant	−2.993 ***	−1.331 ***	3.545 ***	−1.605 ***
	(−28.97)	(−9.01)	(16.71)	(−10.93)
Year	YES	YES	YES	YES
Industry	YES	YES	YES	YES
N	28296	28296	28296	28296
R^2	0.167	0.182	0.639	0.177

*** $p < 0.01$, * $p < 0.1$.

6. Discussion

6.1. Heterogeneity of CEO Age

The upper echelon theory posits that the executive team wields the primary decision-making authority within an organization. Moreover, it suggests that the divergence in their individual characteristics influences the development of cognition and values, thereby resulting in varied behavioral performances among team members and diminishing the efficiency of corporate decision-making processes [6]. Age, as the most intuitive characteristic, has an impact on ESG decision-making. CEOs of different age groups have different cognitive abilities and thinking patterns at different stages and may have different considerations for their own needs, behaviors, and careers, resulting in different strategic behaviors within the company. Older CEOs tend to avoid risks and focus on the financial value of the enterprise, while younger CEOs tend to have higher-risk capital structures, which are beneficial for the ESG performance of the enterprise. At the same time, younger CEOs are better able to observe the institutional context in which their companies operate and are more sensitive to pertinent legislative changes. According to the results in column 1 of Table 7, the interaction term between CEO experience and age is significantly negative −0.005 and significant at the 1% level, indicating that young CEOs are more likely to fulfill their environmental and social responsibilities.

Table 7. Heterogeneity analysis results.

	ESG	ESG	ESG	ESG
CEO experience	0.355 ***	0.123 ***	0.120 ***	0.079 ***
	(5.15)	(3.65)	(11.31)	(7.71)
CEO experience × Age	−0.005 ***			
	(−3.96)			
CEO experience × Sex		−0.035		
		(−0.99)		
CEO experience × Soe			−0.050 ***	
			(−2.42)	
CEO experience × Polluter				0.062 ***
				(2.81)
Age	0.006 ***			
	(5.72)			
Sex		−0.017		
		(−0.57)		
Soe			0.203 ***	
			(12.77)	
Poll				0.100 *
				(1.71)
Size	0.262 ***	0.264 ***	0.248 ***	0.264 ***
	(36.43)	(36.80)	(34.27)	(36.73)
Lev	−0.809 ***	−0.809 ***	−0.846 ***	−0.810 ***
	(−19.64)	(−19.64)	(−20.54)	(−19.64)
Growth	−0.138 ***	−0.140 ***	−0.126 ***	−0.140 ***
	(−9.14)	(−9.29)	(−8.39)	(−9.26)
Roa	3.305 ***	3.330 ***	3.450 ***	3.331 ***
	(12.24)	(12.33)	(12.81)	(12.34)
Roe	−0.193	−0.198	−0.227 *	−0.200
	(−1.53)	(−1.57)	(−1.80)	(−1.58)
Bm	0.143 ***	0.144 ***	0.137 ***	0.145 ***
	(4.04)	(4.06)	(3.89)	(4.09)
Board	−0.010 ***	−0.009 ***	−0.016 ***	−0.009 ***
	(−2.53)	(−2.28)	(−4.23)	(−2.42)
Top 10	0.003 ***	0.003 ***	0.003 ***	0.003 ***
	(6.11)	(6.24)	(7.25)	(6.26)
Constant	−1.979 ***	−1.727 ***	−1.489 ***	−1.724 ***
	(−13.02)	(−11.65)	(−10.09)	(−11.77)
Year	YES	YES	YES	YES
Industry	YES	YES	YES	YES
N	28296	28296	28296	28296
R^2	0.175	0.174	0.179	0.175

*** $p < 0.01$, * $p < 0.1$.

6.2. Heterogeneity of CEO Gender

According to the gender–social role hypothesis, women are more sensitive to environmental issues and are more concerned with morality and social welfare [85]. In numerous studies, women's performance in sustainable development has also been proven to be much more correlated with morality and social welfare. Does the influence of CEO gender enhance the effect of CEO experience on corporate ESG performance? This article conducts a regression analysis on the gender of CEOs. If the CEO is male, the sex value is 1; otherwise, it is 0. The results are shown in the second column of Table 7. From the table, we can find that the coefficient of CEO experience $\times$ Sex is negative but not significant. This may be because China's contemporary corporate system was not founded until much later and does not have the same laws governing female CEOs as industrialized nations. This has led to a low proportion of female CEOs across all publicly traded companies in China, partially concealing the effects of gender differences.

6.3. Heterogeneity of Ownership

The nature of property rights is an important factor affecting the development of enterprise operations, and different ownership enterprises may have significant differences in strategic behavior and corporate governance. Compared to non-state-owned enterprises, state-owned enterprises need to set an example in fulfilling social responsibilities due to their political attributes. CEOs often have policies and mandatory responsibilities when fulfilling ESG responsibilities [86], while non-state-owned enterprises aim to improve corporate performance. Actively fulfilling ESG responsibilities can attract the attention of stakeholders, obtain more resources, enhance the competitive advantage of the enterprise, and promote its long-term development. Therefore, the process of CEOs driving the fulfillment of ESG responsibilities in enterprises has a certain degree of property heterogeneity. This section conducts regression analysis on the nature of ownership. If the enterprise is a state-owned enterprise, the Soe value is 1; otherwise, it is 0. As shown in column 3 of Table 7, the coefficient of CEO experience x Soe is significantly negative at the 1% level, indicating that in non-state-owned enterprises, CEO experience has a more significant impact on ESG promotion. As pioneers in implementing critical national development objectives, SOEs are by nature saddled with the significant responsibility of actively meeting environmental, social, and corporate governance obligations. As a result, the CEO experience may be less significant in enhancing the completion of ESG obligations.

6.4. Heterogeneity of Industry

In the context of ecological civilization construction, pollution emissions are an important issue of social concern. The differences in industry nature may have varying degrees of impact on the ESG performance of a company due to CEO experiences. On the one hand, compared to non-heavily polluting enterprises, heavily polluting enterprises may face stronger environmental regulatory pressure and social public opinion supervision due to their high emissions, high pollution, and high energy consumption characteristics [87]. The professional knowledge of CEOs in fulfilling corporate environmental, social, and governance responsibilities can better promote the improvement of ESG performance of heavily polluting enterprises [74]. On the other hand, heavy-polluting enterprises, based on their characteristics, must strengthen the quality of their ESG information disclosure in order to continuously gain a competitive advantage and reduce transaction and regulatory costs [88]. To further explore whether the impact of CEO experience on corporate ESG performance is influenced by their own level of pollution, we divide companies into two categories: heavily polluting companies and non-heavily polluting companies. Polluters in this paper are evaluated based on three laws and regulations: the "List of Listed Companies' Environmental Verification Industry Classification and Management", the "Guidelines for Disclosure of Environmental Information of Listed Companies", and the "Guidelines for Industry Classification of Listed Companies". We identified 16 categories of industries, such as thermal power, iron and steel, and mining, as heavy-polluting industries. If the enterprise belongs to these 16 industries, the polluter takes the value of 1; otherwise, the value is 0. The conclusion shown in column 4 of Table 7 shows that the regression coefficient of CEO experience x Polluter is 0.062 and significant at the 1% level, indicating that CEO experience has a more significant effect on improving ESG performance in heavily polluting enterprises.

7. Conclusions

This article takes Chinese A-share listed companies in Shanghai and Shenzhen from 2009 to 2021 as the research sample to explore the impact of CEO experience on corporate performance. The main research conclusions of this article are as follows: (1) CEO experience has a significant promoting effect on corporate ESG performance and has a significant promoting effect on the three dimensions of environment, social responsibility, and corporate governance; (2) CEO experience can improve ESG performance of enterprises by promoting green technology innovation and alleviating financing constraints; and (3) from the perspective of management characteristics, CEO power strengthens the influence of CEO experience on corporate ESG performance. The younger the CEO is, the stronger the effect of CEO experience on corporate ESG performance, while the influence of CEO gender is not significant. From the perspective of corporate nature, the CEO experience of non-state-owned enterprises and heavily polluting enterprises has a stronger impact on improving ESG performance.

This study has important theoretical and practical significance. Firstly, this article enriches the research results on the factors influencing ESG performance. The existing literature mainly explores the impact of institutional investors, environmental regulations, and other factors on ESG performance. The text focuses on CEO experiences, enriching relevant research on ESG performance. Secondly, the research content on ESG performance has been deepened. This article reveals the mechanism by which CEO experience affects corporate ESG performance from two aspects: green innovation and financing constraints. The heterogeneity of ESG performance was explored from the perspectives of CEO age, CEO gender, property rights, and industry, deepening the research content of ESG performance. In terms of practical significance, the research results of this article are of great significance for enterprises to accelerate the implementation of green and sustainable development strategies and play a key role in environmental governance. We have the following insights. Firstly, enterprises should establish a dynamic management structure that is suitable for their strategic goals and environment and optimize strategic human resource management. The successful implementation of corporate environmental, social, and governance strategies requires professional leadership. When selecting a CEO candidate, the board of directors should fully consider the CEO's experience in green, academic, and political aspects. Secondly, the board of directors should boldly delegate power and empower selected CEOs to fully utilize their abilities and improve the environmental, social, and corporate governance performance of the company.

This study also has several limitations. First, although this article provides a certain theoretical foundation, it lacks a more comprehensive theoretical framework that combines organizational behavior, leadership theory, and corporate governance. The CEO's experience is influenced by many factors and is a multi-level concept. This article only tests the impact of the CEO's green, academic, and political experience on corporate ESG performance, which has certain limitations. In the future, industry-specific experience, executive tenure, and other factors can be added for comprehensive testing. Although the CEO's experience includes green, academic, and political dimensions, it is a multi-level concept, and future research can explore other dimensions of experience. The dynamics of power are multifaceted, involving not only the authority of formal institutions but also the influence of informal institutions, networks, and relationships within and outside organizations. This article's discussion of CEO power mainly focuses on the power within organizations, and in the future, more detailed discussions on CEO power dynamics will be conducted. Second, our study includes only Chinese-listed companies due to sample limitations, hindering the generalizability of our findings. Future research could consider small and medium-sized enterprises (SMEs) and other national firms.

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