

## Being Good by Hiring Directors with Foreign Experiences

Jian Zhang  
School of Finance  
Southwestern University of Finance and Economics  
555 Liutai Avenue, Chengdu  
Sichuan, 611130  
Email: [zhangjian@swufe.edu.cn](mailto:zhangjian@swufe.edu.cn)  
Phone: +86 13023270249  
Fax: +86 2887092129

Dongmin Kong  
School of Finance  
Zhongnan University of Economics and Law  
182# Nanhu Avenue, Wuhan  
Hubei, 430073 P.R. China  
E-mail: [kongdm@hust.edu.cn](mailto:kongdm@hust.edu.cn)  
Phone: +86 15927068886  
Fax: +86 2788386612

Ji Wu<sup>\*</sup>  
Institute for Financial & Accounting Studies (IFAS)  
Xiamen University  
422 Siming South Road, Xiamen  
Fujian, 361005 P.R. China  
Email: [georgewu@xmu.edu.cn](mailto:georgewu@xmu.edu.cn)  
Phone: +86 5922187359  
Fax: +86 5922181787

# **Being Good by Hiring Directors with Foreign Experiences**

## **Abstract**

Using a manually collected dataset on the overseas experiences of directors for Chinese listed firms, we examine effects of returnee directors on firms' corporate social responsibility engagement (CSR). Our results show that returnee directors significantly improve firms' CSR engagements. The significant positive relationship is more pronounced for firms in lower competitive industry, with high leverage ratios, with CEOs politically connected to the government, and with aged CEOs. Furthermore, we find that only returnee directors' long-term foreign experience matters, such as education and working experience, but short-term visiting experience does not contribute to above findings. Finally, our results are robust after controlling for endogeneity. This paper thus offers clear policy implications by suggesting that hiring more returnees as management directors could be one efficient way to enhance firms' CSR quality, which may be of particular interest to regulators in emerging markets.

**Key Words:** Corporate social responsibility, Returnee directors, China,

## 1 Introduction

This research investigates whether returnee directors positively improve firms' engagements of corporate social responsibility (CSR) in China, who have oversea education or working experience. There is an established and growing body of research into nature of development business CSR, and how firms could benefit from their CSR investment after several decades (McWilliams et al., 2006; Ramasamy and Yeung, 2009; and Moon and Shen, 2010). Unfortunately, there is still no consensus on a definition for CSR until the most recent (McWilliams et al., 2006). Davies (1973, p.313) present that:

*“...social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirement of the law, because this is what any good citizen would do...”*

Moreover, Carroll (2004) suggests that the framework of business responsibilities should include four dimensions, namely economic, legal, ethical and philanthropic activities, which the framework has been operationalized by many researchers (Maignan, 2001; and Crane and Matten, 2004) and broad enough to absorbing other concepts of CSR, i.e. stakeholder theory (Carroll, 2004) and corporate citizenship (Carroll, 1998).

### *Why firms engage in CSR*

According to the theory of stakeholder value maximization, firms should definitely

benefit from their CSR engagements. The CSR engagement increases the stakeholders' willingness to support firms' operation activities, which increase the shareholders' wealth (Deng et al., 2013). Theoretically, firm is regarded as a connection of contract between shareholders and all other stakeholders. Shareholders pay explicit contracts, such as wages and product warranties, and implicit contracts, such as a promise of a security job and confidence of products to their customers, to their stakeholders in exchanging the resource and effort from stakeholders (Coase, 1937; Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Cornell and Shapiro, 1987; and Deng et al., 2013). In such a relationship, there is no legal protection to ensure the implicit contracts which have been executed. Thus, Cornell and Shapiro (1987) suggest that the value of implicit contract is determined by the stakeholders' trust on firms' honest to the community. Firm's investment in CSR is more like a signal to stakeholders, thus Deng et al. (2013) suggest that firms should maintain a high level CSR engagements to result a good reputation on its implicit contracts. Consequently, Deng et al. (2013) conclude that stakeholders in firms with high investments in CSR engagements would accept a low level of explicit contracts but contribute more resources and efforts to firms than those stakeholders in firms with low investment in CSR engagements. Both shareholders and other stakeholders in high level CSR firms are easily alignment, and increase firms' long-term profitability and efficiency (Jensen, 2001; and Freeman et al., 2004).

Empirical research suggests that firms definitely benefit from their CSR engagements. For example, when consumers make their purchasing decisions, the CSR engagement

is one of the majority factors affecting their considerations (Poll, 2000; Bhattacharya and Sen, 2004; and Huang, 2013). Moreover, the merger announcement returns of both the acquirers and the targets are higher for high CSR acquirers than low CSR acquirers, even having a larger increase after the merge in long-term operation performance (Deng et al., 2013). Existing research is mostly focusing how CSR engagements improve firms' value or long-term profitability. However, there are relative few researches on investigating factors stimulating firms' CSR engagements. Therefore, we are going to examine one factor, the percentage of returnee directors, whether improves firms' CSR engagements in Chinese listed firms. Our result must be significantly meaningful to the world of business management, especially for the ethic issues.

### *Why Choose China?*

China provides a wholly novel environment for studying CSR engagements because both government and regulators have distinctive roles in virtue. In the last thirty years, China economy experienced spectacular growth, when the central government initiated an overhaul of its economic system. So far, the China economy is integrated into the global economy (Ip, 2008), which the issue of the CSR is emerging as a key feature of new global management (Matten and Moon, 2008; and Moon and Shen, 2010). However, the Chinese firms now are face two urgent problems. First, there is a large surplus of unskilled labor but significant shortage on well educated mangers nowadays (Giannetti et al, 2015). Farrell and Grant (2005) figure out that there is a

gap on about 75,000 skilled managers who is able to work under international business environment in the next ten to fifteen years in China. Some of reasons are that Chinese firms do not pay attention on employments' further education and career development. Firms only pursue short-term benefit, but not regard on its long-term development. In another words, Chinese firms was doing poorly in their social responsibility. Second, most Chinese firms have poor corporate governance and disclosure (Green, 2003; and Giannetti et al., 2015). For example, the Chinese firms pay less attention on firms' social responsibility, but focus on short-term profit maximization compared to firms in developed countries. As results, the Chinese firms lose their trust and confidence to customers and communities. Most Chinese firms set their goals on only maximizing the profits, and are easiest to sacrifice their reputation to customs and loyalty to employment in exchanging shareholders' benefit maximization.

Therefore, Chinese firms should urgently re-build their confidence to societies through the CSR engagements. In fact, the shortage of managerial talents and poor corporate governance are not only the problems to Chinese firms, but also problems to most firms in emerging markets (Giannetti et al, 2015). One way to solve out above problems is to attract more returnees joining the top management of the Chinese firms. Khanna (2008) suggests that those unethical firms should hire young managers who have experiences in either education or governance practices in developed countries to teach old guards of directors how to reach the international standards of governance. In fact, Westhead et al. (2001) suggest that the past experience of the human capital of

entrepreneurs is an important factor underpinning firms' locations and performance. Wright et al. (2008) further indicate that individual gain some knowledge in particular context and the knowledge gained over time may change firm's behavior in some ways (Brüderl, et al., 1992; Gimeno et al., 1997; and Bosma et al., 2004). The knowledge could be the academic knowledge including general education, scientific, and technical training, or practical business experience from their work in a commercial environment or through having started a business. We thus expect that returnees who are back from developed countries could positively impact on the social responsibility engagements for the Chinese firms.

### **Returnees in China**

Numbers of Chinese students going overseas consistently increased since 1970s, and became sizable in the early 1990s. According to the China Statistical Yearbook, there were 1.55 million Chinese students studying overseas in 2012, which are 399,600 students more than last year. Most of them were in developed countries, such as U.S, UK, German, Japan, and Australia. In fact, accumulative numbers of Chinese students studying overseas from 1978 to 2012 has reached 2.64 million. Many of these Chinese students also gained foreign work experience when they finished their studies. With the further development of China economy, provincial governments has designed various preferential policies to attract Chinese overseas talents since 1990s as “ . . . *developing an adequate scientific, technological and business environment will provide rewarding opportunities for the return of individuals who have upgraded their skills abroad*” (OECD Observer, 2002). The policy aims the highly skilled

emigrants who could increase the foster entrepreneurial activities and promoting the entry of new businesses (Dai and Liu, 2009; and Giannetti et al., 2015). Since then, tens of thousands of individuals who have overseas study or working experiences have been returning to China. Numbers of returnees was about 5,000 in 1995, and increased to 35,000 in 2006, and has a booming to reach 272,900 in 2012 reported by the China Statistical Yearbook,. Most of these returnees are foreign-trained scientists, or with fruitful foreign working experiences, especially in the management level. They may join corporate boards as dependent or independent directors once they come back from overseas. Giannetti et al. (2015) suggest that there is a process of the inversion of the brain drain which is by economic growth and political stability. Unfortunately, there is only very few comparative or descriptive research on the issue of returnees impacting on the China economy development (Saxenian, 2002; and Dai and Liu, 2009).

In sum, on the one hand, the Chinese firms consistently pay less attention on firms' CSR engagements because the elder directors are lack of the knowledge on CSR engagements benefiting firms' growth in long run. On the other hand, China has sizeable numbers of returnees with either academic knowledge, or practical business experiences, or both, who are mostly from developed countries. Quazi (2003) and Swanson (2008) conclude that top managers play extremely important roles in firms' CSR engagements. It is hard to image that firms earn a high quality CSR ranking but without socially responsible directors, since top managers have to sacrifice corporate objectives and interests in exchanging the socially responsible actions to firms (Wood

et al., 1986; Hunt et al., 1990; Waldman et al., 2006; and Singhapakdi et al., 2008).

Therefore, we would seek answers on whether specific human capital (i.e. overseas education and working experiences, and short-term visiting experience) of directors improves firms' CSR engagements for all listed Chinese firms?

### Main Findings

In this study, we manually collected the information of returnee directors for all Chinese listed companies. We measure scores of firm's CSR quality by using Running's report, which a higher score indicates a better CSR engagement than a lower score. Our main finding is that the percentage of returnee directors is significantly positively related to firms' scores of CSR. In other words, returnee directors in China significantly improve firms' CSR engagements. The result is robust when we use different criteria to measure the quality of CSR, such as measures in the *Sustainability Reporting Guidelines* (thereafter GRI). Second, we further confirm that the positive relationship between the scores of CSR and percentage of returnee directors is existing in low competitive industry and high leveraged firms, and firms with CEOs' political connected to government, and elder CEOs. Furthermore, we find that directors with working and educational experience will pay more attention on firms' CSR engagements, but this is not held for directors only with short-term visiting experience. Finally, the positive relationship still remains significantly even after controlling the provincial effect.

To further investigate the relationship between the scores of CSR and percentage of

returnee directors, we explicitly address the potential endogeneity problems and omitted variables using two-stage least squares (2sls) regressions. We employ the Returnee Policy Issue Year (the year issuing the policy to stimulatory hire returnees by Chinese provinces) and the dummy of British Colony (Chinese Province has been colonized by Commonwealth countries) as instrumental variables (thereafter *IV*). Results are consistent to our main findings and suggest our results are robustness to controlling for endogeneity concerns. These findings imply that firms in emerging markets should consider increasing the proportion of returnees in their managerial teams to improve the quality of CSR engagements, protect customer relationship, maintain stakeholders' confidence, and achieve firms' long-term aims.

### **Contributions**

We contribute to literatures in three ways. First, this study directly examines the relationship between proportion of returnees as firms' directors and the scores of CSR engagements in an emerging economy. This is the first study in relating the factor of improving the quality of CSR to returnees. Our findings help both academia and enterprises understanding factors to improve firms' CSR quality. Second, we contribute to literatures on how personal experience and managerial characteristic improves firms' corporate governance (Malmendier and Tate, 2005; Pérez-González, 2006; Bennedsen et al., 2007; and Schoar and Zuo, 2011). Theory indicates the importance of personal foreign experience (study, working, and short-term visiting) contributing to the knowledge spillover from people, firms, and even countries

(Filatotchev et al., 2009; Dasgupta, 2012; and Giannetti et al., 2015). More importantly, the issue of the relationship between CSR quality and returnees has attracted growing research interested in recent year, most of these studies are based on the U.S. enterprises, for example, Malmendier et al. (2011) and Benmelech and Frydman's research (2014). However, we provide the first empirical evidence in emerging economy on how returnees improve domestic firms' CSR quality, which is distinguished to previous findings. Third, we contribute to the theory of human capital, which focuses on a knowledge-based view and social capital theory. We examine how returnees improve firms' CSR performance in the biggest developing country. Since China has the highest numbers of returnees in the world, we thus are more interested in examining how the human and social capital factors of returnees improve domestic firms' CSR quality.

The rest of this paper is organised as follows. Section 2 reviews some important literature and presents the research hypotheses. Section 3 introduces the research methodology and the research data. Section 4 discusses the empirical results and Section 5 summarizes our findings and presents implications.

## **2 Literature Review and Hypotheses Development**

### ***2.1 How firms benefit from its CSR investment***

The argument on whether the investment of CSR to a firm is a zero sum game between corporations and society has never been stopped. Businesses benefit from its CSR engagements that have been proved in theoretical as well as empirical researches

(Weber, 2008). To implement CSR strategy effectively helps firm creating long-term value and capturing sustainable competitive advantages (McWilliams and Siegel, 2001 & 2010; Porter and Kramer, 2006; Waldman et al., 2006; and Huang et al., 2013). Moreover, in some early studies, Aupperle et al. (1985), Abratt and Sacks (1988), Russo and Fouts (1997), Waddock and Graves (1997), and Li and Zhang (2010) all find that CSR engagement does positively impact on firm's financial performance. Basu and Palazzo (2008) present that stakeholder demands, performance, and motivation are the major drivers to a firm implementing its CSR engagement. In the stakeholder theory, McWilliams et al. (2006) assert that firm benefits from certain CSR engagements, which are magnificent to their non-financial stakeholders' perspectives. Without these CSR engagements, those non-financial stakeholders might withdraw their support to the firm. Margolis and Walsh (2003), and Wood (2010) conclude that the performance-driven perspective focuses on the statistical relationship between CSR and CFP, which suggests managers to pay attention on CSR engagements. Finally, the motivation-driven view emphasizes the fundamental motivations (moral virtue) and extrinsic reasons (reputation) (Basu and Palazzo, 2008). Since majority of consumers regarding CSR engagement as an important factor in making their purchase decisions, firms thus should satisfy customers by delivering a distinctive value proposition (Bhattacharya and Sen, 2004; Poll, 2000; and Porter and Kramer, 2011).

Implementation of CSR adds value to firms in following five areas, including company image and reputation, employment motivation, cost saving, revenue increase,

and risk reduction (Weber, 2008). First, CSR engagements positively influence firms' image and reputation (Gray & Balmer, 1998; Fombrun & Wiedmann, 2001; Thorpe and Prakash-Mani, 2003; and Schwaiger, 2004). Gray & Balmer (1998) define the image as "a mental picture of the company held by its audiences", which is affected by public message and changed quickly. Unlike the image, the reputation is formed over time and influenced by stable performance and communications over a longer term, which reputation is defined by personal experiences and characteristics, such as stakeholders' judgment (Gray & Balmer, 1998). Moreover, company competitiveness can be affected by both image and reputation, which could be impacted by firms' CSR engagements (Gray & Balmer, 1998; Fombrun and Wiedmann, 2001; and Schwaiger, 2004). Second, implementation of CSR positively stimulates employees' motivation, retention, and recruitment (Com, 2001; Schaltegger and Wagner, 2006; and Weber, 2008). Weber (2008) asserts that CSR engagements improve working environment for employees, or draw motivation from the participation in CSR engagements such as volunteering programs. CSR engagements also indirectly attract future potential employees. Third, firms with high scores of CSR save operational cost compared to firms with low scores of CSR (Thorpe and Prakash-Mani, 2003; Schaltegger and Wagner, 2006; and Weber, 2008). For example, firms would enjoy an efficient time saving or expanding capital access channels due to a higher sensitivity of investors to sustainability issues, when firms sustainability implement a strategy to improve contacts to certain stakeholders, such as regulators (Epstein and Roy, 2001). Next, Thorpe and Prakash-Mani (2003) and Weber (2008) find that incremental of

CSR engagements results an increase of sales revenue and market shares. CSR engagements improve brand image and contribute developing market shares. Finally, CSR engagements reduce firms' risks, such as operational risk and financial risk, which is the avoidance of negative press from investors (Thorpe and Prakash-Mani, 2003; and Weber, 2008).

Although CSR engagements benefit to firms' growth, the issue of what factors improving firms CSR quality, especially in emerging markets, has received relative limited attention (Li and Zhang, 2008). In the early age, Jones (1999) , and Johnson and Greening (1999) related the determinants of CSR engagements to institutional structure, such as socio-cultural, national economy, industry, firm, and individual. Stanwick and Stanwick (1998) believe that the combination of organization size, financial performance, and environmental performance are positively related to firms' CSR engagements. Recently, scholars turn their attention to emerging markets. For example, Chapple and Moon (2005) point out factors in the respective national business systems that could explain reasons why firms engage in CSR in seven Asian countries. Zu and Song (2009) find that firms in traditional industry with small size, state-owned, and located in poor region are tent to have high CSR scores compared to other firms. Muller and Kolk (2010) find that the determination of CSR in Mexico auto parts suppliers relates to management commitment ethic. There is still lack of other studies in the field that factors improving firms' CSR scores.

## 2.2 Importance of Returnees to firms' long-term development

Human capital is one of the most important assets to firms, because knowledge and experience are regarded as firms' most valuable strategic resource and the principle basis for creating competitive advantages, which knowledge and experience are created and stored in individuals (Dai and Liu, 2009). Firms' long-term developments have to rely on individual knowledge and experience to produce goods and provide service, therefore firms should have the ability to integrate the knowledge and experience of different individuals (Kogut and Zander, 1992; Nonaka, 1994; Ghoshal and Moran, 1996; Grant, 1996; Spender, 1996; and Teece, 1998).

Literatures suggest a specific managerial characteristic which forces on returnee directors and directors. Bhagwati and Hamada (1974) state that returnees shift knowledge and skills learned abroad from overseas to their home countries, which the process has been called the "Brain Drain" phenomenon to a "Brain Gain" phenomenon (Beine et al., 2008; Kerr, 2008; Giannetti et al., 2015). Returnees, especially returnee directors, often receive specialized training from other countries, whose knowledge and skills are superior to those of local employees, and contribute to firms' long-term growth. Therefore, returnee directors and directors' past experience is one of the most important human capital of individuals to firms, which could help and benefit the development of firms, such as innovation and increase foreign sales (Liu et al., 2010; Dai and Kong, 2014; and Giannetti et al. 2015), and their managerial experience enhancing firms' reputation, increasing firms' accessibility to financial institutions, and expanding broad social and business networks (Wright et al., 1997; Shane and Khurana, 2003; and Filatotchev et al., 2009).

Empirically, Dai and Liu (2009) find that small and medium enterprises (SME) founded by returnees outperform than their peers founded by local entrepreneurs in a Chinese high-tech business park. They argue that the differences are attributed by knowledge and the international entrepreneurial orientation of returnee entrepreneurs. Filatotchev et al. (2009) find that entrepreneurs with international background and global networks positively contribute to firms' export orientation and performance. More importantly, returnee entrepreneurs positively impact on firms' innovation and thus result a significant spillover effect other than local firms (Liu et al., 2010; Filatotchev et al., 2011; Dasgupta, 2012). In a recent study, Giannetti et al. (2015) suggest that returnee directors significantly improve firms' corporate governance and performance via influencing corporate policies. This is because returnee directors have the advantage of higher education and overseas experience (Li et al., 2012).

In emerging markets, there are increased numbers of literatures focusing on the importance of returnees who study or work in developed countries, such as U.S. and U.K., and then return to their home countries with the incremental level of globalized markets and the liberalization of the transnational movement of skilled labor and scholars (Gmelch, 1980; Borjas and Bratsberg, 1996; McCormick and Wahba, 2001; & Saxenian, 2006).

China actually provides unique opportunity to study the issue of returnees in their home enterprises due to three reasons. First, Chinese firms are urgently shortage of experienced managers who are able to work in an international environment (Farrell and Grant, 2005; and Giannetti et al., 2015). Second, China has huge numbers of

migrants, including students and immigrations, and this number is increased steadily. More importantly, Chinese migrants are likely to return to their home countries with their advanced technological and managerial skills accumulated in the developed countries, and would result in filling entrepreneurial and technological gaps for between Chinese firms and firms in developed countries (Saxenian, 2006; Qin, 2007; and Harvey, 2009). Finally, nearly all of Chinese provinces have policy to attract highly talented returnees. These policies boom numbers of Chinese individuals with foreign education and working experiences in local labor market and ultimately increase total numbers of returnee directors in these provinces (Giannetti et al., 2015). However, most existing studies focus on economic benefits that brought by highly talented returnees to Chinese firms. None of studies by our knowledge investigate whether these returnee directors would improve firms CSR engagements in China. Moreover, empirical evidence suggests that returnees have positive effect on firms long-term growth, thus we are more interested in whether returnees are also positively related to firms CSR engagements in China.

**HYPOTHESIS 1:** *The percentage of returnee directors in Chinese firms is positively related to firms' CSR scores.*

### 2.3 CSR and firms' Characteristics

Firms with variety market power or under divergent levels of leverage may have different CSR engagements. Empirical research has focused on the impact of CSR engagements on firms' competitive statues. On the one hand, Bénabou and Tirole

(2010), and Cheng et al. (2013) unveil the CSR engagement is an expense of shareholders as a sign of an agency problem. Managers spend shareholders' money in gaining renown among major stakeholders, i.e. local politicians, NGOs, and labor union. Consequently, the CSR engagements only benefit stakeholders but negatively impact on shareholders wealth (Vance, 1975; Pagano and Volpin, 2005; Surroca and Tribo, 2008; Cronqvist et al., 2009; and Kim et al., 2015). Firms thus should reduce investment in CSR activities if firms in a tough competition business environment, because shareholders would regard philanthropy as a "normal" good but damage their wealth (Schervish and Havens, 1998; Nelson, 2001; and Fernandez-Kranz and Santalo, 2010). On the other hand, many studies denote that CSR investments create positive net present value for firms (Porter and Van der Linde 1995; Russo and Fouts 1997; McWilliams and Siegel 2001; Derwellet al., 2005; McWilliams et al. 2006; Porter and Kramer 2006; Beurden and Gossling 2008; Edmans, 2011; Dimson et al., 2013; Flammer, 2013; and Servaes and Tamayo, 2013). For example, Boulouta and Pitelis (2014) prove that the engagement of CSR increases firm's financial and social performance (Waddock and Graves 1997; and Husted and de Jesus Salazar 2006). Firms, especially in an intensive competitive environment, should increase their CSR investment, because CSR positively raise firms' competitiveness ability through numbers of channels, for example creating value to entering in a new markets (Pralahad 2004; and Porter and Kramer 2006;), maintain employee, customers, suppliers and communities' confidence to firms (Hillman and Keim 2001; and Sen and Bhattacharya, 2001), attracting new talent (Cochran 2007; and Montgomery and

Ramus 2011), and build up firms' reputation (Brown, 1998) to avoid costly stakeholders' conflicts (Schnietz and Epstein, 2005; and Fuller and Tian, 2006).

Obviously, the benefits of CSR engagements create long-term value for firms, no matter firms' competitive status. Empirical evidences are mixture and controversial. We thus are interested in whether returnee directors would also push those firms in low competitive industry engaging more CSR activities.

**HYPOTHESIS 2:** *The positive relationship between the percentage of returnee directors in Chinese firms and firms' CSR score is hold for firms in low competitive industry.*

As the theory states, a firm engages in CSR activities to reduce the information asymmetry problem with their stakeholders. If stakeholders have more concerns on firms' insider information, then these firms should have strong motivation in CSR activities. Jizi et al. (2014) report that firms could be through investing in employee relations, environmental policies and CSR product strategies to lower its cost of capital (Scholtens, 2008; Kolk and Pinkse, 2010; Ghoul et al., 2011; and Shen et al., 2015), since investors are more concerning on firms' social behavior when they make investment decisions (Simpson and Kohers, 2002; Aguilera et al., 2006; and Matten, 2006). The firm's leverage ratio reflects its debt ratio divided by its total book value. Firms with high leverage ratio have a high probability in default or insolvency bankruptcy, and also have a low refinancing ability due to the high level of debt (Bromiley, 1991). Furthermore, firms with high leverage ratio are normally with

moral hazard problems such as risk shifting (Jensen and Meckling, 1976) and debt overhanging (Myers, 1977). Thus, high leveraged firms are more sever in the switching cost threat than low leverage firms. In such cases, high leveraged firms could through engaging in CSR activities to reduce information asymmetry problems, since stakeholders have more concerns on high leveraged firms, which have higher idiosyncratic risks than low leveraged firms (Shen et al., 2015). Empirical results denote that high leveraged firms have strong motivation in engaging CSR activities than low leveraged firms; we thus conjecture that returnee directors in high leveraged firms would more concern on firms' CSR engagements than returnee directors in low leveraged firms.

**HYPOTHESIS 3:** *The positive relationship between the percentage of returnee directors in Chinese firms and firms' CSR score is stronger for firms with high leverage ratio than firms with low leverage ratio.*

#### 2.4 CSR and Directors' Characteristics

In this section, we explore how directors' characteristics impact on firms' CSR engagements. Directors play the most important role in making the CSR engagements, charge with the responsibility of formulating corporate strategy, and involve in promoting the image and reputation of their firm through social responsibility (Waldman et al., 2006; and Fabrizi et al., 2014).

China economy is organized differently to the Western economy style. China adopts Anglo-American style of corporate governance system, which there is no institutions

between the government and the market to constrain anti-social behavior (Moon and Shen, 2010). Therefore, business organizations must help national and provincial governments looked to CSR to re-build social legitimacy. In the last twenty years, China economy suffered a privatization or liberalization waves, many state-owned enterprises (SOEs) listed in the Shanghai and Shenzhen Stock Exchanges, but some of directors in these enterprises are still hold political positions. The listed directors' profits motive are unleashed, since many of these directors are unburdened of their previous social responsibilities, and they became associated with environmental pollution and social negligence in the eyes of the public (Young and MacRae, 2002; Moon and Shen, 2010). Consequently, Chinese firms are willing to emphasize their social and environmental responsibility to public, which is distinguished to other countries that governments have to take CSR initiatives using soft or indirect regulation (Moon and Shen, 2010).

On the hand, some national governments, including developed countries, have great influence on which firms gain resource and policy benefits. Firms with tight political connection would be on a more advanced position in gaining resources than firms without political connections (La Porta et al., 1999; Faccio & Lang, 2002; and Wang and Qian, 2011). Some firms are more dependent on their political connection for critical resources than others, especially in China (Pfeffer & Salancik, 1978; Meznar & Nigh, 1995; Peng & Luo, 2000; and Hillman, 2005). The engagements of CSR for firms definitely help them gaining sociopolitical legitimacy and building better relations with their primary stakeholders, which further enable them to receive

positive stakeholders' responses and to get access the political resources often critical to their long-term survival and financial success (Haley, 1991; Berman et al., 1999; Saiia et al., 2003; Hillman, 2005; and Wang and Qian, 2011). Consequently, the fourth research hypothesis can be written as:

**HYPOTHESIS 4:** *The positive relationship between the percentage of returnee directors in Chinese firms and firms' CSR score is only significant for firms with political connections but not for non- political connected firms.*

Literatures suggest that age is a factor having effect on value, as young directors tend to assign less importance to trust and reputation, and more focusing on money and advancement, than elder directors (England, 1978; and Barnett and Karson, 1989). Waldman et al. (2006) denote that the advancing age could be commensurate with a broader perspective on decision making, including multiple stakeholders and thus stronger CSR values. Holmström (1999) proposes a theory on qualifying directors' talent and ability through observing directors' output. The precision of information related to directors' ability increases with time move on. However, on the one hand, the market has very limited information on the manager's "type" in the early stage of the directors' career. On the other hand, young directors are more priority to their personal growth than wealth or advancement, and they are less ethical than older directors (Hall, 1976; Terpstra et al., 1993; Singhapakdi et al., 1999; and Godos-Diez et al. 2011). As the result, young directors have to deliver positive observable outcomes to the market; they thus heavily focus on short-term performance than elder directors, and are less willing to make long-term investments that delivery positive net

present value in future.

Since CSR activities are long-term investment, thus young directors may ignore the CSR engagement and prefer on delivering high and constant profits projects in the short-term (Fabrizi et al., 2014). On the contrary, the elder directors have less pressure from the market, thus they are more concerns of a wide array of stakeholders independently of the immediate effect on the firm's profits. The theory has been supported by recent empirical evidence on that elder directors have a stronger motivation on engaging the CSR than younger directors (McCuddy and Cavin, 2009; and Ng and Sears, 2012). Our expectation can be expressed as the fifth research hypothesis as following:

**HYPOTHESIS 5:** *The positive relationship between the percentage of returnee directors in Chinese firms and firms' CSR score is only significant for firms with elder directors but not for younger directors.*

### **3 Research Methodology**

We manually collect research data of directors' bibliography for the listed Chinese firms. We also collect data of scores of CSR and accounting information for listed Chinese firms from variety sources, which will be introduced in the following sections. The sample period is from 1999 to 2009. Our sample only includes firms with basic accounting and market information from the China Stock Market & Accounting Research Database (CSMAR), a major database providing Chinese firms data that is presented by GTA Information Technology. We exclude financial firms and firms with missing accounting information; therefore, we have 1,926 unique firms

in the sample. We perform the data analysis by panel data techniques to generate superior results compared with cross-sectional analysis (Baltagi, 2008; and Boulouta and Pitelis, 2014), which the panel data techniques are able to control of omitted variable bias (Halaby, 2004; and Boulouta and Pitelis, 2014). We also control for the endogeneity by using 2sls method, which will be described in details in a later section.

### **3.1 Measurements**

#### *3.1.1 Dependent Variables*

Our dependent variable is scores of CSR for the Chinese listed firms. We obtain the scores of CSR for each Chinese listed firm from Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* Running's CSR report is one of the most popular sources for grading Chinese firms' CSR engagements, and thus is widely used in academic research. The main score of CSR for each firm in the Running' report is comprised from the sum of four weighted aspects, i.e. macrocosm (30%), content (45%), technique (15%), and industry (10%) respectively. Macrocosm is represented by M, focusing on firm's strategy, corporate governance, and economic relations. Content is represented by C, including the financial information, the employment and human rights, the environment protection, the customer relationship, and the participant in local society development. Technique is represented by T, comprising by the disclosure of information, the innovation of the firm, the trust and transparency, the regularity, and efficiency of the information. Finally, industry is represented by i, which different industries have own

specific criteria to score the CSR engagements.

Beyond above, we also use a dummy of whether a firm has been included in the *Sustainability Reporting Guidelines* as an alternative measure of CSR engagements. The *Sustainability Reporting Guidelines* only reports scores for the Chinese firms who are doing better in CSR activities than others. Thus, if the firm having been included in the GRI equals one, indicating firms are better in CSR engagements than others, otherwise equals to zero.

### 3.1.2 Independent Variable

The independent variable is the percentage of returnee directors in director boards in Chinese listed firms. We define the “returnee” as that he or she has an experience on studying and/or working outside (mainland) China. We manually collect 32,823 unique directors’ and non-executive directors’ foreign experience in a variety of countries, i.e. education, work experience, and short-term exchange experience, from 1,926 publicly listed companies from 1999 to 2009. The information of directors’ bibliography is obtained from sina.com.cn and the companies’ annual reports. The directors’ personal information includes any academic degrees that the board member received overseas, the academic institution granting the degree, whether the director has worked abroad, and the country in which the director studied or worked. The working experience in a foreign branch of a Chinese company or in a Chinese branch of a foreign company, or in a joint venture as having foreign (work) experience is not regarded as the foreign experience and thus is excluded from the sample. This information allows us to explore how directors’ foreign experience matters. Beyond,

we also collected these directors' age and political statuses for the future sub-sample tests. The data has been winsorized the data at the 1% and 99% levels.

### 3.1.3 Control Variables

Our control variables are all collected from the CSMAR database, complemented with above hand-collected data of directors' information. The control variables include data of corporate governance, such as Top1 ownership, Top5 ownership, Top10 ownership, government ownership, executives' ownership, foreign ownership, institutional ownership, board size, percentages of independent directors, CEO duality, analyst coverage, and accounting information, i.e. size, leverage, Tobin's Q, capital expenditure/at, and PPE/at. Followed by Giannetti et al. (2015), the data of foreign ownership include foreign institutional, corporate, and individual investors, but does not include foreign branches of Chinese firms. Above control variables are all defined in the Appendix. All control variables are winsorized the data at the 1% and 99% levels.

### 3.2 Endogeneity Tests

We use the method of the Instrumental Variable (IV) estimation to control for multiple sources of endogeneity such as omitted variables, simultaneity, self-selection or measurement errors. The existence of the number of potential determinants of competitiveness might be vast or cannot be accurately measure or observed; thus there is a problem of omitted variable/unobserved heterogeneity in this line of research (Boulouta and Pitelis, 2014). For example, self-selection could bias our results. It can be argued that returnees would self choose firms with high CSR scores, and thus bias

our results. Furthermore, reverse causality might be another bias to our result. It is possible that firms located in a province might engage a high standard of CSR than firms located in other provinces. Consequently, we would use IV estimation techniques to control for all the above potential endogeneity problems by two instrument variables that highly correlate with the variable but not with the error term. To do this, we perform 2SLS regression analyses using Returnee Policy Issue Year and the dummy of British Colony as instrumental variables for the CSR score. The Returnee Policy Issue Year measures the different years that Chinese province issued policy to attract high skilled individuals with foreign experience to return and work in the province. During our sample period, nearly all provinces have issued such policy. We argue that the labor market for board directors is largely local in China as in overseas (Knyazeva et al., 2013; and Giannetti et al., 2015). As the results, to introduce such a policy would exogenously change the supply of potential directors with foreign experience for the firms located in those provinces. The results indicate a significant positive relationship between the Returnee Policy Issue Year and the firms' CSR scores, thus it is satisfied with the relevance requirement of instrumental variable. British Colony is a dummy variable that equals one if a firm located in a province where was a place for commonwealth countries' colony, and zero otherwise. Literatures unveil that British companies normally have clear strategies for managing both their stakeholder relationships and their CSR programs (Knox et al., 2005; and Chen and Bouvain, 2009). This might be caused by the culture and traditions, which both of them influence moral values (Langlois and Schlegelmilch, 1990). Compared

to other countries, British firms and institutional investors do issue reports of long-term social and environmental risk related to health and safety issues (Aguilera et al., 2006). More importantly, British firms pay much attention on the relationship to their customer and supplier-related issues compared to other countries (Hughes, 2001; and Chen and Bouvain, 2009). We thus expect the traditions would impact on Chinese firms located in those provinces that have been strongly influenced by British culture. The result shows the dummy variable of British Colony is also significantly positive related to firms' CSR scores. Therefore, we confirm the relevance of the dummy of British Colony as another instrument variable<sup>1</sup>.

## **4 Empirical Results and Discussion**

### 4.1 Statistics Description

Table 1 shows descriptive statistics of our sample. In average, returnee directors are appropriately 6% of total numbers of directors in the listed Chinese firms, which the highest proportion is 33%. The average percentage of returnee directors is still relative small, but it expresses a magnificent potential development in future. Furthermore, Table 1 reports that the average CSR scores for our sample firms in Running's report is about 34.85 with a 12.85 of standard deviation, which the range of CSR score is from 16.70 to 77.06. Table 1 also shows the CSR score for the subcategories in the Running's report, such as M, C, T, and i. The average scores (standard deviation) for each subcategory are 11.06 (4.589), 16.78 (6.124), 6.518 (2.201), and 1.743 (1.550)

---

<sup>1</sup> To save space, we do not report the first stage tests for our two instrument variables. Results are available upon to request.

respectively. Beyond above, Table 1 summarizes basic characteristics of the sample firms. For example, the average Top1 ownership holds 38.5% total shares, and the number is increased to 55.1% (59.3%) for the Top 5 (10) shareholders. The ratio suggests that shares are concentrated hold in major shareholders in China stock markets. For the structure of shareholders, 14.5% shares in average are hold by government. In contrast, shares which are hold by Directors, Foreigners, and Institutional Investors are 2.7%, 1%, and 3.5% respectively. This suggests that the government is still the biggest shareholder in the China stock markets, and other shareholders are remaining as minority shareholders. The average board size is about 10 members, and 37% of board members are independent board members. 13% of CEOs have duality position in our sample. The average leverage ratio is 0.514, and the highest level is 1.764, which suggests that few firms' having negative value of equity. Finally, the average Tobin's Q for all listed Chinese firms is 1.794.

(Insert Table 1 about Here)

#### 4.2 Main finding

Our main findings are reported in Table 2. The dependent variables are either firms' main scores of CSR, or scores of M, C, T, and i, that are introduced previously. Column 1 shows that the percentage of returnee directors is significantly positive related to firms' main scores of CSR engagement for the sample firms. In another word, firms with high proportions of returnee directors are doing better on their CSR engagement. Furthermore, we also observe a significant positive relationship between

size and main scores of CSR in column 1. This may indicate that big firms are more concern about their CSR engagements than small firms. The big firms normally have a nominated market power, and thus they could invest more on CSR activities to build a better relationship with their stakeholders, improve the quality of the reputation, and increase the value of brands than small firms. On the other hand, small firms do have more survival pressure than big firms, thus small firms cannot pursue high CSR engagements. However, column 1 finds a marginal significant negative relationship between government ownership and main scores of CSR. This suggests that private firms may invest more on CSR activities than SOEs in China. We explain reasons in the later section.

Results in column 2, 3, and 4 qualitatively support results in column 1, which percentage of returnee directors positively improve firms' CSR engagements from variety aspects, such as macrocosm, content, and technique that have been defined in Section 3. However, if we use the scores of  $i$  as dependent variable, the percentage of returnee directors still positively related to the scores of  $i$ , but it turns to insignificant.

Overall, our main findings support the first hypothesis on that there is a significant positive relationship between the percentage of returnee directors and firms' scores of CSR for the Chinese listed firms.

(Insert Table 2 about Here)

#### 4.3 Subsample analysis by firms characteristics

Table 3 reports the first sub-sample analysis that we sort our sample firms by their characteristics. First, sample firms have been sorted by the industry competition which is measured by the market power. If a firm has strong market power in an industry, then the industry competition is weak. Column 1 and 2 shows empirical results that the significant positive relationship between the percentage of returnee director and scores of CSR is only existence for firms in low competitive industry, but not for firm in high competitive industry. In another words, returnee directors would stimulate firms with monopoly market power to engage more CSR activities. We also observe that there are significant positive relationships between size and board size, and scores of CSR in both industries. The percentage of independent directors is positively related to the scores of CSR in low competitive industry, but it is marginal significantly negative related to the scores of CSR in high competitive industry. The explanation behind the phenomenon could be on the one hand, firms in the low competitive industry do not have pressure on survival, and thus they are more likely to make long-term investment of CSR to increase firms' social performance as discussed previously (Waddock and Graves 1997; and Husted and de Jesus Salazar 2006), In this sense, returnee directors have lager impact on firms' CSR engagements. On the other hand, firms in high competitive industry would reduce investments on CSR activities to increase the short-term profitability, thus returnee directors do not significant impact on scores of CSR for such firms (Schervish and Havens, 1998; Nelson, 2001; and Fernandez-Kranz & Santalo, 2010). Therefore, result cannot reject the hypothesis 2.

Second, we sort sample firms into two groups by the median value of their leverage ratio. Since firms with high leverage ratio having high probability of default, this sends an uncertainty signal to firms' stakeholders. Therefore, high leveraged firms should be more willing to pay for their CSR engagements than low leveraged firms to reduce information asymmetry problems (Shen et al., 2015). Column 3 shows a significant positive relationship between the percentages of returnee directors and scores of CSR for high leveraged firms; but it also appears that the relationship between the percentage of returnee directors and scores of CSR for low leveraged firms is marginal significantly negative in column 4. Result confirms that returnee directors in the high leveraged firms stimulate more CSR engagements than low leveraged firms (Scholtens, 2008; Kolk and Pinkse, 2010; Ghoul et al., 2011; and Shen et al., 2015). However, those returnee directors in the low leveraged firms might even reduce the investments in firms' CSR, since they do not have the same level of concerns on firms' financial healthy compared to high leveraged firms. Empirical result here cannot reject the third hypothesis either.

(Insert Table 3 about Here)

#### 4.4 Subsample analysis by directors' characteristics

In this section, we are going to perform other two sub-sample tests and a robustness test according to directors' characteristics, such as the age, the political statue, and the directors' past experiences.

##### 4.4.1 CEOs' characteristics

We sort our sample firms according to CEOs' personal characteristics and to further examine whether the significant positive relationship between percentage of returnee CEOs and scores of CSR is impacted by CEOs' features. First, we sort sample firms by whether their CEOs have political connections. Column 1 reports result for CEOs with political connections while column 2 reports results for CEOs without political connections. Results show that the returnee CEOs only have significant positive effect on firms' CSR engagements for firms with political connections but not for firms without political connections. Interestingly, we also observe a negative relationship between the percentage of government ownership and scores of CSR for firms with political connections. We explain the results as under the China centralized government management, the nature and public resource are tightly controlled by the government. Firms with close political connections but with less government ownership have to engage in more CSR activities to help them gaining sociopolitical legitimacy and building better relations with their primary stakeholders, and then they are able to be on an advanced position in gaining resources (Haley, 1991; Berman et al., 1999; La Porta et al., 1999; Faccio & Lang, 2002; Saiia et al., 2003; Hillman, 2005; and Wang and Qian, 2011). Therefore, our results are not surprise, and we cannot reject the fourth hypothesis.

Second, we divide our sample firms into two groups by the median age of CEOs, namely Old and Young. Intuitively, elder CEOs should pay more attention on firms' CSR engagements than young CEOs, since elder CEOs are more ethics and less pressure to develop their careers. Column 3 and 4 in Table 4 show the empirical

result. Result confirms our hypothesis on that the only elder returnee CEOs significantly positive improve the scores of CSR. We do not observe the same result for young CEOs' group. The results is not surprise, and confirms most findings in literatures, which elder CEOs have strong motivation in engaging CSR but young CEOs are more likely ignoring the firms' CSR activities due to a high pressure on pursuing high short-term profit and personal growth (Hall, 1976; Terpstra et al., 1993; Singhapakdi et al., 1999; McCuddy and Cavin, 2009; Godos-Díez et al. 2011; Ng and Sears, 2012; and Fabrizi et al., 2014). Thus, we cannot reject the fifth research hypothesis.

(Insert Table 4 about Here)

#### 4.4.2 CEOs' experience

We conduct a robustness test on how returnee CEOs' foreign experiences impact on the firms' scores of CSR. We use dummy to indicate returnee CEOs' foreign experiences, such as oversea working experience, short-term visiting experience, and education experience. Model 1 in Table 5 shows the dummy of returnee CEOs with oversea working experiences equals 1, otherwise equals 0; Model 2 in Table 5 shows the dummy of returnee CEOs with oversea short-term visiting experiences equals 1, otherwise equals 0; Model 3 in Table 5 shows the dummy of returnee CEOs with oversea educations experiences equals 1, otherwise equals 0. Empirical results show that returnee CEOs with oversea education experience would strongly significant positive relate to firms scores of CSR, and returnee CEOs with oversea working

experience is only marginal significant positive to firms' scores of CSR. However, there seems no a significant relationship between returnee CEOs' oversea short-term visiting experiences and firms' scores of CSR. The result is quite fit our expectation. Individuals need a longer time to learn how to develop ethics and the importance of CSR engagements to firms' further growth.

(Insert Table 5 about Here)

#### 4.5 Endogeneity (Table 6)

In this section, we report the results for the endogeneity test by using 2sls method. The two selected instrument variables have been introduced previously. We only report the 2sls result of controlling for two IVs simultaneously<sup>2</sup>. Table 6 reports the empirical results, where column 1 reports the first-stage regression result while the column 2 reports the second-stage regression result. In the column 1, the dependent variable is the main scores of CSR for sample firms. Two instrument variables and other control variables are as independent variables. The first-stage regression result shows that both of our instrument variables, the Returnee Policy Issue Year and the dummy of British Colony, are highly significantly positive related to the main scores of CSR, which t-values are 4.21 and 2.29 respectively. The *F-value* for the Cragg and Donald (1993) instrument relevance test rejects the null hypothesis, and thus confirms that both of instrument variables are relevance as IVs. Column 2 reports the second-stage OLS regression results. Result shows that the coefficient of percentage of returnee directors is still significantly positive related to the scores of CSR, which

---

<sup>2</sup> We do not report the result of endogeneity test for individually controlling for each IV. However, we do separately perform the 2sls tests for each IV. Results are as same as the results of controlling for two IVs simultaneously. Results are available upon to request.

is 70.02 ( $t=2.14$ ). Therefore, our finding in the Table 2 that percentage of returnee directors positively relates to the scores of CSR is robustness to controlling for endogeneity concerns.

(Insert Table 6 about Here)

#### 4.6 Robustness Test

This sections reports results for two robustness tests. First, we use a dummy variable as an alternative measure to grade sample firms' CSR engagements. Second, we control the provisional effect, and further examine whether the positive relationship between percentage of returnee directors and quality of CSR is still existence.

##### 4.6.1 Alternative measures for CSR

We perform two tests in this section. We create two dummy variables as dependent variable instead of the scores of CSR and perform a logistic test instead the OLS in Table 2. First, we use a dummy on whether a firm has been included in the Running's report, if a firm which is included in Running's report equals 1, otherwise equals to 0. Result is reported in the column 1 of Table 7. Second, we create a dummy on whether a firm has been included in *Sustainability Reporting Guidelines* released by Global Reporting Initiative, if firm which is in the GRI's report equals 1, otherwise equals 0. Result is reported in the column 2. Table 7 shows that the significant positive relationship between the percentage of returnee directors and scores of CSR is still existence, no matter whether a firm has been included in the Running's report or

GRI's report, which are 0.14 ( $t=2.52$ ) and 0.48 ( $t=4.01$ ) respectively. Our explanation would be that firms with high percentage of returnee directors are more engaging a high quality of CSR than other firms, and thus these firms are more likely included in either report.

(Insert Table 7 about Here)

#### 4.6.2 Control for provincial effect

There might be a wondering on that the positive relationship between percentage of returnee directors and firms' CSR score is caused by the dissimilarity of the provincial economic growth. Li and Zhang (2010) argue that CSR is negatively relates to the regional economic development in China, especially for state-owned firms in more developed province due to decreased political influence. Therefore, our positive relationship between percentage of returnee directors and firms' CSR scores might be the unique phenomenon for provinces which have lower GDP growth measured by the GDP per capital than other provinces, because poor provinces may have stronger political influence on firms' CSR. We control for the provincial effect by adding a variable of log value of GDP per capital for each province to further examine whether the percentage of returnee directors still positively impact on firms' scores of CSR in this section.

Table 8 shows that the positive relationship between percentage of returnee directors and firms' CSR score is still significant for our main CSR score and C-score, but it is only marginal significant for M-score after controlling by provincial effect. However,

results for either T-score or i-score turn to statistically insignificant in Table 8. In general, results in Table 8 are qualitatively as same as previous findings in Table 2. Therefore, the dissimilarity of provincial economic growth is not the cause on our main findings. The significant positive relationship between percentage of returnee directors and firms' CSR quality remains existence.

(Insert Table 8 about Here)

## **5. Summary and Implications**

In this paper, we seek answers on whether returnee directors could strength firms' CSR engagements for the Chinese listed firms during the period from 1999 to 2009. We obtain the scores of CSR for Chinese firms from Running's CSR report as dependent variable. Furthermore, we manually collect personal information of returnee directors from sina.com.cn and the companies' annual reports. Our main finding proves that there is a significant positive relationship between the percentage of returnee directors and scores of CSR in Chinese listed firms. The sub-sample analyses further confirm that this relationship is pronounced for firms in lower competitive industry, with high leverage ratios, CEOs with political connections to government, and with aged CEOs. Directors' foreign experience is also matter on their attitude on CSR engagement. The directors with long-term foreign experience, such as education and working, will significantly positively improve firms' CSR activities, but the relationship between directors' short-term visiting experience and scores of CSR is insignificant. Finally, our main finding is robustness controlling for

endogeneity concerns, which we use both the Returnee Policy Issue Year and the dummy of British Colony as instrument variables.

Our results imply that Chinese firms should hire more returnee directors with long-term foreign experience to improve their CSR quality. This is a useful way to re-build Chinese firms' reputation, to increase their brand value, and to improve the relationship with stakeholders. On the other hand, provincial governors should consistently issue policies to attract more skilled and knowledgeable individual coming back from overseas. The well-trained returnee would contribute to the ethic issue to the local firms. Consequently, our findings may be meaningful to policy makers and regulators of emerging markets.

## References Lists

- Abratt, R. and D. Sacks (1988). 'The marketing challenge: towards being profitable and socially responsible', *Journal of Business Ethics* 7(7), 497–507.
- Aguilera, R. V., C. A. Williams, J. M. Conley & D. E. Rupp (2006). 'Corporate Governance and Social Responsibility: A Comparative Analysis of the UK and the US', *Corporate Governance: An International Review* 14(3), 147–158.
- Alchian, A.A., & Demsetz, H., (1972). Production, information costs, and economic organization. *American Economic Review* 62, 777–795.
- Aupperle, K., A. Carroll & J. Hatfield (1985). 'An empirical examination of the relationship between corporate social responsibility and profitability', *Academy of Management Journal* 28(2), 446–463.
- Basu K, & Palazzo G. (2008). Corporate social responsibility: A process model of sense making. *Academy of Management Review* 33: 122–136.
- Baltagi, B. H. (2008). *Econometric analysis of panel data* (4th ed.). Chichester: Wiley.
- Barnett, J. H., & Karson, M.J. (1989). Managers, values, and executive decisions: An exploration of the role of gender, career stage, organizational level, function, and the importance of ethics, relationships and results in managerial decision-making. *Journal of Business Ethics* 8 (10), 747— 771.
- Beine, M., Docquier, F., & Rapoport, H., (2008). Brain drain and human capital formation in developing countries: Winners and losers. *Economic Journal* 118, 631-652
- Bénabou, R., & Tirole, J., (2010). Individual and corporate social responsibility. *Economica* 77, 1-19.
- Benmelech, E., & Frydman, C., (2014). Military CEOs. *Journal of Financial Economics* 117(1), 43-59.
- Bennedsen, M., Nielsen, K. M., Pérez-González, F., & Wolfenzon, D., (2007). Inside the family firm: The role of families in succession decisions and performance. *Quarterly Journal of Economics* 122 (2), 647–691.
- Beurden, P. V., & Gossling, T. (2008). The worth of values—A literature review on the relation between corporate social and financial performance. *Journal of Business Ethics*, 82, 407–424.

- Bhagwati, J. & K. Hamada. (1974). The brain drain, international integration of markets for professionals and unemployment: a theoretical analysis. *Journal of Development Economics*, 1(1): 19-42.
- Bhattacharya C, & Sen S. (2004). Doing better at doing good: When, why, and how consumers respond to corporate social initiatives. *California Management Review* 47: 9–24.
- Borjas G, & Bratsberg B. (1996). Who leaves? The outmigration of the foreign-born. *Review of Economics and Statistics* 78: 165–176.
- Bosma, N., van Praag, M., Thurik, R., & de Wit, G. (2004). The value of human and social capital investments for the business performance of startups. *Small Business Economics*, 23, 227–236.
- Boulouta, I., & Pitelis, C. N. (2014). Who Needs CSR? The Impact of Corporate Social Responsibility on National Competitiveness. *Journal of Business Ethics*, 119(3), 349–364.
- Bromiley P (1991) Testing a causal model of corporate risk taking and performance. *Acad. Management J.*34:37–59.
- Brown, B. (1998). Do stock market investors reward companies with reputations for social performance? *Corporate Reputation Review*, 1(3), 271–280
- Brüderl, J., Preisendorfer, P., & Zeigler, R. (1992). Survival chances of newly founded business organizations. *American Sociological Review*, 57, 227–242.
- Carroll, A. B. (1998). ‘The Four Faces of Corporate Citizenship’, *Business and Society Review* 100(1), 1–7
- Carroll, A. B. (2004). ‘Managing Ethically with Global Stakeholders: A Present and Future Challenge’, *Academy of Management Executive* 18(2), 114–120
- Castanias, R.P. & Helfat, C.E. (1992). Managerial and windfall rents in the market for corporate control. *Journal of Economic Behavior and Organization*, 18, 153–184.
- Chapple, W. & J. Moon. (2005). ‘Corporate Social Responsibility (CSR) in Asia: A Seven-Country Study of CSR Web Site Reporting’, *Business & Society* 44(4), 415–441.
- Chen, S., & Bouvain, P. (2009). Is corporate responsibility converging? a comparison of corporate responsibility reporting in the USA, UK, Australia, and Germany. *Journal of Business Ethics*, 87(SUPPL. 1), 299–317.

- Cheng, H., Hong, H., & Shue, K., (2014). Do managers do good with other people's money? Chicago Booth Research Paper No.12-47.
- Coase, R.H., (1937). The nature of the firm. *Economica* 4, 386–405.
- Cochran, P. L. (2007). The evolution of corporate social responsibility. *Business Horizons*, 50, 449–454.
- Com (2001) (Ed): Green paper: Promoting a European framework for Corporate Social Responsibility, COM (2001) 366 final, 18.7.2001, Brussels: Commission of the European Communities.
- Cornell, B., & Shapiro, A.C., (1987). Corporate stakeholder and corporate finance. *Financial Management* 16, 5–14.
- Cragg, J.G., & Donald, S.G., (1993). Testing identifiability and specification in instrumental variable models. *Econometric Theory* 9, 222–240.
- Crane, A. & D. Matten (2008). *Business Ethics* (Oxford University Press, Oxford).
- Cronqvist, H., Heyman, F., Nilsson, M., Svaleryd, H., & Vlachios, J., (2009). Do entrenched managers pay their workers more? *Journal of Finance*, 64, 309-339
- Cronqvist, H., Yu, F. (2015). Shaped by Their Daughters: Executives, Female Socialization, and Corporate Social Responsibility. Available at SSRN: <http://ssrn.com/abstract=2618358>
- Dai, O., & Liu, X. (2009). Returnee entrepreneurs and firm performance in Chinese high-technology industries. *International Business Review*, 18(4), 373–386.
- Davies, K. (1973). 'The Case for and Against Business Assumptions of Social Responsibilities', *Academy of Management Journal* 16(2), 312–322.
- Deng, X., Kang, J. K., & Low, B. S. (2013). Corporate social responsibility and stakeholder value maximization: Evidence from mergers. *Journal of Financial Economics*, 110(1), 87–109.
- Derwell, J. Guenster, N., Bauer, R., & Koedijk, K., (2005). The eco-efficiency premium puzzle. *Financial Analysts Journal* 61, 51-63.
- Dimson, E., Karakas, O., & Li, X., (2014). Active ownership. SSRN Working Paper, (<http://ssrn.com/abstract=2154724>)
- Dowell, G., Hart, S., & Yeung, B., (2000). Do corporate global environmental standards create or destroy market value? *Management Science* 46, 1059-1074.

- Edmans, A., (2011). Does the stock market fully value intangibles? Employee satisfaction and equity prices. *Journal of Financial Economics* 101, 621-640.
- England, G. W. (1978). 'Managers and their value systems: A five-country comparative study. *Columbia Journal of World Business* 13 (2), 35-44.
- Epstein, M. J. & Roy, M.-J. (2001) Sustainability in action: Identifying and measuring the key performance drivers. *Long Range Planning* 34(5), 585–604
- Fabrizi M., Mallin C., & Michelon G. (2014). The role of CEO's personal incentives in driving corporate social responsibility. *Journal of Business Ethics*, 124(2), 311-326.
- Faccio, M., & Lang, L. H. P. (2002). The ultimate ownership of Western European corporations. *Journal of Financial Economics*, 65: 365–395.
- Farrell, Diana, & Andrew J. Grant, (2005). *Addressing China's Looming Talent Shortage*, (McKinsey & Company, New York).
- Fernandez-Kranz D. & Santalo J. (2010). When Necessity Becomes a Virtue The Effect of Product Market Competition on Corporate Social Response. *Journal of Economics & Management Strategy*, 19(2), 453–487
- Flammer, C., (2013). Corporate social responsibility and shareholder reaction: the environmental awareness of investors. *Academy of Management Journal* 56, 758-781.
- Fombrun, C. J.& Wiedmann, K.-P. (2001) Unternehmensreputation und der "Reputation Quotient" (RQ). *PR-Magazin* 32(12), 45–52.
- Freeman, R.E., Wicks, A.C., & Parmar, B., (2004). Stakeholder theory and 'the corporate objective revisited. *Organization Science* 15, 364–369.
- Fuller, T., & Tian, Y. (2006). Social and symbolic capital and responsible entrepreneurship. *Journal of Business Ethics*, 67, 287–304.
- Ghoul, S. E., Guedhami, O., Kwok, C. C. Y., & Mishra, D. R. (2011). Does corporate social responsibility affect the cost of capital? *Journal of Banking & Finance*, 35(9), 2388–2406.
- Ghoshal, S., & Moran, P. (1996). Bad for practice: A critique of the transaction cost theory. *Academy of Management Review*, 21, 13–47.
- Giannetti, M., Liao, G. and Yu, X. (2015). The Brain Gain of Corporate Boards: Evidence from China. *Journal of Finance*, 70: 1629–1682.

- Jimeno, J., Folta, T.B., Cooper, A.C., & Woo, C.Y. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, 42, 750–783.
- Gmelch G. (1980). Returning migration. *Annual Review of Anthropology* 9: 135–159.
- Godos-Díez, J. L., Fernández-Gago, R., & Martínez-Campillo, A. (2011). How Important Are CEOs to CSR Practices? An Analysis of the Mediating Effect of the Perceived Role of Ethics and Social Responsibility. *Journal of Business Ethics*, 98(4), 531–548.
- Grant, R. M. (1996). Towards a knowledge-based theory of the firm. *Strategic Management Journal*, 17, 109–122.
- Gray, E. R. & Balmer, J. M. T. (1998) Managing corporate image and corporate reputation. *Long Range Planning* 31(5), 695–702.
- Green, Stephen, (2003). *China's Stockmarket: A Guide to its Progress, Players and Prospects* (Wiley, John & Sons, Incorporated).
- Halaby, C. (2004). Panel models in sociological research. *Annual Review of Sociology*, 30, 507–544.
- Hall, E. T. (1976). *Beyond Culture* (Anchor Books/Doubleday, Garden City, NY).
- Hillman, A. J. (2005). Politicians on the board of directors: Do connections affect the bottom line? *Journal of Management*, 31: 464–481.
- Hillman, A. J., & Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal*, 22(2), 125–139.
- Holmström, B. (1999). Managerial incentive problems: a dynamic perspective. *Review of Economic Studies* 66(1), 169-182.
- Huang, S. K. (2013). The impact of CEO characteristics on corporate sustainable development. *Corporate Social Responsibility and Environmental Management*, 20(4), 234–244.
- Husted, B., & de Jesus Salazar, J. (2006). Taking Friedman seriously: Maximising profit and social performance. *Journal of Management Studies*, 43, 75–91.
- Hunt, S. D., P. L. Kiecker & L. B. Chonko. (1990). 'Social Responsibility and Personal Success: A Research Note', *Journal of the Academy of Marketing Science* 18(3), 239–244.

- Ip, P. K. (2008). 'The Challenge of Developing a Business Ethics in China', *Journal of Business Ethics* 88, 211–224
- Jensen, M.C., (2001). Value maximization, stakeholder theory, and the corporate objective function. *Journal of Applied Corporate Finance* 14, 8–21.
- Jensen, M.C., & Meckling, W.H., (1976). Theory of the firm: managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics* 3, 305–360.
- Jizi, M. I., Salama, A., Dixon, R., & Stratling, R. (2013). Corporate Governance and Corporate Social Responsibility Disclosure: Evidence from the US Banking Sector. *Journal of Business Ethics*, 1–15.
- Johnson, R. A. & D. W. Greening. (1999). 'The Effects of Corporate Governance and Institutional Ownership Types on Corporate Social Performance', *Academy of Management Journal* 42(5), 564–576.
- Jones, M. T. (1999). 'The Institutional Determinants of Social Responsibility', *Journal of Business Ethics* 20(2), 163–179.
- Kerr, W.R., (2008). Ethnic scientific communities and international technology diffusion. *Review of Economics and Statistics* 90, 518-537
- Khanna, Tarun, (2008). *Billions of Entrepreneurs: How China and India Are Reshaping Their Futures and Yours* (Harvard Business School Press, Cambridge, MA).
- Kim, H., Park, K., & Ryu, D. (2015). Corporate environmental responsibility: a legal origins perspective. *Journal of Business Ethics*.
- Knox, S., S. Maklan & P. French. (2005). 'Corporate Social Responsibility: Exploring Stakeholder Relationships and Programme Reporting Across Leading FTSE Companies', *Journal of Business Ethics* 61, 7–28.
- Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3(3), 383–397.
- Kolk, A., & Pinkse, J. (2010). The integration of corporate governance in corporate social responsibility disclosures. *Corporate Social Responsibility and Environmental Management*, 17(1), 26–150.
- La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *Journal of Finance*, 54: 471–517.

- Langlois, C. C. & B. B. Schlegelmich. (1990). 'Do Corporate Codes of Ethics Reflect National Character? Evidence from Europe and the United States', *Journal of International Business Studies* 21(4), 519–539.
- Li, W., & Zhang, R. (2010). Corporate Social Responsibility, Ownership Structure, and Political Interference: Evidence from China. *Journal of Business Ethics*, 96(4), 631–645.
- Li, H., Zhang, Y., Li Y., Zhou L., & Zhang W. (2012). Returnees Versus Local: Who Perform Better in China's Technology entrepreneurship? *Strategic Entrepreneurship Journal*, 6:257-272
- Maignan, I. (2001). 'Consumers' Perception of Corporate Social Responsibility: A Cross Cultural Perception', *Journal of Business Ethics* 30(1), 57–72.
- Malmendier, U., & Tate, G., (2005). CEO overconfidence and corporate investment. *Journal of Finance* 60 (6), 2661–2700.
- Malmendier, U., Tate, G. & Yan, J. (2011). Overconfidence and Early-Life Experiences: The Effect of Managerial Traits on Corporate Financial Policies. *Journal of Finance*, 66: 1687–1733.
- Margolis J, & Walsh J. (2003). Misery loves companies: rethinking social initiatives by business. *Administrative Science Quarterly* 48: 268–305.
- Matten, D. (2006). Why do companies engage in corporate social responsibility? Background, reasons and basic concepts. The ICCA handbook on corporate social responsibility. West Sussex: Wiley.
- Matten, D. & J. Moon (2008). "“Implicit” and “Explicit” CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility', *Academy of Management Review* 33(2), 404–424
- McCormick B, & Wahba J. (2001). Overseas working experience, savings and entrepreneurship amongst return migrants to LDCs. *Scottish Journal of Political Economy* 48: 164–178.
- McCuddy, M. K., & Cavin, M. C. (2009). The demographic context of servant leadership. *Journal of the Academy of Business and Economics*, 9(2), 29–139
- McWilliams A, & Siegel D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review* 26: 117–127.
- McWilliams, A., D. S. Siegel & M. Wright (2006). 'Corporate Social Responsibility: Strategic Implications', *Journal of Management Studies* 43(1), 1–18.

- McWilliams A, & Siegel D. (2010). Creating and capturing value: Strategic corporate social responsibility, resource-based theory, and sustainable competitive advantage. *Journal of Management* 1–15.
- Meznar, M. B., & Nigh, D. (1995). Buffer or bridge? Environmental and organizational determinants of public affairs activities in American firms. *Academy of Management Journal*, 38: 975–996.
- Moon, J., & Shen, X. (2010). CSR in China research: Saliency, focus and nature. *Journal of Business Ethics*, 94(4), 613–629.
- Montgomery, D. B., & Ramus, C. A. (2011). Calibrating MBA Job Preferences for the 21st Century. *Academy of Management Learning & Education*, 10(1), 9–26
- Myers S (1977) Determinants of corporate borrowing. *Journal of Financial Economics*. 5:147–175.
- Nelson, W.R., 2001, “Incorporating Fairness into Game Theory and Economics: Comment,” *American Economic Review*, 91, 1180–1183.
- Ng, E.S. and Sears, G.J. (2012). CEO leadership styles and the implementation of organizational diversity practices: moderating effects of social values and age. *Journal of Business Ethics* 105(1), 41-52.
- Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, 5(1), 14–37.
- OECD Observer. (2002). International mobility of the highly skilled. Policy Brief, July 2002.
- Pagano, M., & Volpin, P.F., (2005). Manager, workers, and corporate control. *Journal of Finance* 60, 841-868
- Peng, M. W., & Luo, Y. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal*, 43: 486–501.
- Pérez-González, F. (2006). Inherited Control and Firm Performance. *American Economic Review* 96 (5), 1559-1588.
- Pfeffer, J., & Salancik, G. (1978)a. *The external control of organizations: A resource-dependence perspective*. New York: Harper & Row.
- Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84, 78–92.

- Porter M, & Kramer M. (2011). Creating shared value: How to reinvent capitalism - and unleash a wave of innovation and growth. *Harvard Business Review* 89: 62–77.
- Porter, M. E., & Van der Linde, C. (1995). Toward a new conception of the environment–competitiveness relationship. *Journal of Economic Perspectives*, 9, 97–118.
- Pralahad, C. K. (2004). Fortune at the bottom of the pyramid: Eradicating poverty through profits. Upper Saddle River, NJ: Wharton School Publishing.
- Quazi, A. M. (2003). ‘Identifying the Determinants of Corporate Managers Perceived Social Obligations’, *Management Decision* 41(9), 822–831
- Ramasamy, B., & Yeung, M. (2009). Chinese consumers’ perception of corporate social responsibility (CSR). *Journal of Business Ethics*, 88(SUPPL. 1), 119–132. <http://doi.org/10.1007/s10551-008-9825-x>
- Russo, M. V., & Fouts, P. A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal*, 40(3), 534–559.
- Ryu, Doojin, (2015). Corporate Social Responsibility, Product Market Competition, and Shareholder Wealth. Available at SSRN: <http://ssrn.com/abstract=2623333>
- Saiia, D. H., Carroll, A. B., & Buchholtz, A. K. (2003). Philanthropy as strategy: When corporate charity “begins at home.” *Business and Society*, 42: 169–201.
- Saxenian A. (2006). *The New Argonauts: Regional Advantage in a Global Economy*. Harvard University Press: Cambridge, MA.
- Schervish, P.G. and J.J. Havens, 1998, “Money and Magnanimity: New Findings on the Distribution of Income, Wealth and Philanthropy,” *Nonprofit Management and Leadership*, 8, 265–282.
- Schnietz, K., & Epstein, M. J. (2005). Exploring the financial value of a reputation for corporate social responsibility during a crisis. *Corporate Reputation Review*, 7(4), 327–345.
- Schoar, A., & Zuo, L., (2013). Shaped by booms and busts: How the economy impacts CEO careers and management styles. Working paper, MIT Sloan School of Management.
- Scholten, B. (2008). Corporate social responsibility in the international banking industry. *Journal of Business Ethics*, 86(2), 159–175.
- Schwaiger, M. (2004) Components and parameters of corporate reputation - An

- empirical study. Schmalenbach *Business Review* 56(1), 46–71.
- Sen, S., & Bhattacharya, C. B. (2001). Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. *Journal of Marketing Research*, 38(2), 225–244.
- Shen R., Tang Y., & Zhang Y. (2015). To Be Special, To Be Responsible How Product specificity affects corporate social responsibility. Nanyang Technological University Working Paper
- Servaes H., & Tamayo, A., (2013). The impact of corporate social responsibility on firm value: the role of customer awareness. *Management Science* 59, 1045-1061.
- Simpson, W. G., & Kohers, T. (2002). The link between corporate social and financial performance: Evidence from the banking industry. *Journal of Business Ethics*, 35(2), 97–109.
- Singhapakdi, A., M. Gopinath, J. K. Marta and L. L. Carter. (2008). ‘Antecedents and Consequences of Perceived Importance of Ethics in Marketing Situations: A Study of Thai Businesspeople’, *Journal of Business Ethics* 81(4), 887–904.
- Singhapakdi, A., S. J. Vitell and G. R. Franke. (1999). ‘Antecedents, Consequences and Mediating Effects of Perceived Moral Intensity and Personal Moral Philosophies’, *Journal of the Academy of Marketing Science* 27(1), 19–35.
- Spender, J. C. (1996). Making knowledge the basis of a dynamic theory of the firm. *Strategic Management Journal*, 17, 45–62.
- Stanwick, P. A. & S. D. Stanwick. (1998). ‘The Relationship Between Corporate Social Performance and Organizational Size, Financial Performance, and Environmental Performance: An Empirical Examination’, *Journal of Business Ethics* 17(2), 195–204.
- Surroca, J., & Tribo, J.A., (2008). Managerial entrenchment and corporate social performance. *J. Business Finance and Accounting* 35, 748-789.
- Swanson, D. L. (2008). ‘Top Managers as Drivers for Corporate Social Responsibility’, in A. Crane et al. (eds.), *The Oxford Handbook of Corporate Social Responsibility* (Oxford University Press, Norfolk), pp. 227–248.
- Teece, D. J. (1998). Capturing value from knowledge assets: The new economy, markets for knowhow and intangible assets. *California Management Review*, 40, 55–79.
- Terpstra, D. E., E. J. Rozell & R. K. Robinson. (1993). ‘The Influence of Personality and Demographic

- Variables on Ethical Decisions Related to Insider Trading', *Journal of Psychology* 127(4), 375–389
- Thorpe, J. & Prakash-Mani, K. (2003) Developing value: The business case for sustainability in emerging markets. *Greener Management International* 44(Winter), 17–32.
- Vance, S., (1975). Are socially responsible corporations good investment risks? *Management Review* 64, 18-24.
- Waddock, S. A. & S. B. Graves. (1997). 'The Corporate Social Performance-Financial Performance Link', *Strategic Management Journal* 18(4), 303–319.
- Waldman D, Siegel D, & Javidan M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies* 43: 1703–1725.
- Wang, H., & Qian, C. (2011). Corporate Philanthropy and Corporate Financial Performance: The Roles of Stakeholder Response and Political Access. *Academy of Management Journal*, 54(6), 1159–1181.
- Weber, M. (2008). The business case for corporate social responsibility: A company-level measurement approach for CSR. *European Management Journal*, 26(4), 247–261.
- Westhead, P., Wright, M., & Ucbasaran, D. (2001). The internationalization of new and small firms: A resource-based view. *Journal of Business Venturing*, 16(4), 333–358.
- Wright, M., Liu X., Buck T., & Fliatotchev I., (2008). Returnee Entrepreneurs, Science Park Location Choice and Performance: An Analysis of High-Technology SMEs in China. *Entrepreneurship Theory and Practice*. 131-155.
- Wood D. (2010). Measuring corporate social performance: A review. *International Journal of Management Review* 50–84.
- Wood, V. R., L. B. Chonko & S. D. Hunt. (1986). 'Social Responsibility and Personal Success: Are They Incompatible?', *Journal of Business Research* 14(3), 193–212.
- Zu, L. & L. Song. (2009). 'Determinants of Managerial Values on Corporate Social Responsibility: Evidence from China', *Journal of Business Ethics* 88 (Supplement), 105–117.

## Table1 Summary statistics

*CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Oversea returnee* is measured by the number of oversea returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. All variables are winsorized at 1% and 99%. The variable's name can explain its definition.

	(1) N	(2) mean	(3) sd	(4) min	(5) max
Oversea returnee ratio	1,926	0.060	0.082	0.000	0.333
CSR Score	1,926	34.85	12.85	16.70	77.06
M	1,626	11.06	4.589	4.533	24.49
C	1,626	16.78	6.124	5.980	35.17
T	1,624	6.518	2.201	3.640	15.70
I	1,322	1.743	1.550	0.000	6.855
Size	1,926	22.77	1.581	19.27	26.71
Board size	1,926	9.720	2.173	5.000	15.00
Indep%	1,926	0.368	0.055	0.286	0.571
CEO duality	1,926	0.126	0.332	0.000	1.000
Leverage	1,926	0.514	0.212	0.037	1.764
Tobinq	1,926	1.794	1.212	0.700	10.88
PPE/at	1,926	0.242	0.187	0.001	0.936
Capex/at	1,926	0.060	0.056	-0.054	0.269
Gov. ownership	1,926	0.145	0.221	0.000	0.736
Foreign ownership	1,926	0.010	0.050	0.000	0.430
Executives ownership	1,926	0.027	0.105	0.000	0.676

Institutional ownership	1,926	0.035	0.069	0.000	0.326
Analyst	1,926	16.53	13.56	0.000	48.00
Top5 ownership	1,926	0.551	0.173	0.175	0.894
Top10 ownership	1,926	0.593	0.170	0.200	0.908
Top5 concentration	1,926	0.196	0.133	0.013	0.574

---

**Table 2 The association between CSR and overseas returnees**

This table investigates the association between CSR and overseas returnees. The dependent variable is the CSR score of the public firms in column 1. The dependent variable is the M subcategory index in the CSR score of the public firms in column 2. The dependent variable is the C subcategory index in the CSR score of the public firms in column 3. The dependent variable is the T subcategory index in the CSR score of the public firms in column 4. The dependent variable is the I subcategory index in the CSR score of the public firms in column 5. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Overseas returnee* is measured by the number of overseas returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\* and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

VARIABLES	(1) CSR score	(2) M	(3) C	(4) T	(5) I
Overseas returnee	8.29** (2.20)	2.70* (1.79)	6.25*** (3.14)	1.37* (1.80)	0.54 (1.07)
Size	3.44*** (10.59)	1.11*** (8.35)	1.69*** (10.02)	0.57*** (8.69)	0.32*** (7.08)
Board size	0.46*** (3.08)	0.18*** (3.03)	0.24*** (3.06)	0.09*** (2.89)	0.05** (2.42)
Indep%	3.60 (0.80)	2.50 (1.36)	0.64 (0.27)	1.16 (1.33)	0.76 (1.27)
CEO duality	0.63	0.20	0.65*	0.00	-0.03

	(0.92)	(0.71)	(1.80)	(0.04)	(-0.32)
Leverage	-0.68	-0.37	-0.76	0.01	0.08
	(-0.42)	(-0.54)	(-0.88)	(0.02)	(0.36)
Tobinq	0.20	0.09	0.11	0.04	0.06**
	(0.80)	(0.82)	(0.87)	(1.01)	(2.01)
PPE/at	-2.37	-1.78**	-0.47	-0.46	0.18
	(-1.18)	(-2.08)	(-0.44)	(-1.10)	(0.67)
Capex/at	-3.64	-0.90	-0.25	-1.76**	0.54
	(-0.79)	(-0.45)	(-0.10)	(-1.98)	(0.70)
Analyst	0.03	-0.00	0.01	0.01	0.00
	(1.21)	(-0.08)	(0.93)	(1.36)	(0.84)
Gov. ownership	-2.34*	-0.83	-0.93	-0.83***	-0.21
	(-1.70)	(-1.44)	(-1.32)	(-2.83)	(-1.11)
Foreign ownership	-2.95	-2.46	-1.38	-1.04	1.47**
	(-0.59)	(-1.07)	(-0.48)	(-0.94)	(2.17)
Executives ownership	3.41	0.92	1.71	0.87**	0.25
	(1.46)	(1.05)	(1.34)	(2.05)	(0.81)
Inst. ownership	2.71	2.65	2.66	0.05	-0.45
	(0.75)	(1.63)	(1.32)	(0.06)	(-0.88)
TOP5 ownership	-7.85	-2.60	0.20	-2.58**	-1.14
	(-1.29)	(-1.04)	(0.06)	(-2.18)	(-1.31)
TOP10 ownership	13.16***	5.58***	5.85***	2.16***	0.44
	(4.03)	(4.35)	(3.49)	(3.42)	(1.06)
TOP5 concentration	3.39	-0.26	-3.06	2.16	1.37
	(0.37)	(-0.07)	(-0.65)	(1.22)	(1.06)
Constant	-58.12***	-17.70***	-30.01***	-8.15***	-6.28***
	(-7.89)	(-5.70)	(-7.74)	(-5.50)	(-6.28)
Year fixed effect	Yes	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes	Yes
Observations	1,922	1,623	1,623	1,621	1,320
R-squared	0.41	0.33	0.39	0.36	0.43

Robust t-statistics in parentheses, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 3 Subsample analysis by firms' Characteristics**

The dependent variable is the CSR score of the public firms in column 1. Industry competition is measured by the Herfindahl-Hirschmann Index of a firm's sales. When the HHI index of a firm is above the sample median, we assign it in an industry with low competition, otherwise in an industry with high competition. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Oversea returnee* is measured by the number of oversea returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\* and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

	Industry competition		Leverage	
	Low	High	Low	High
Oversea returnee	17.79*** (3.67)	-3.96 (-0.69)	-9.87* (-1.69)	14.98*** (3.17)
Size	3.01*** (7.14)	3.70*** (7.25)	3.74*** (6.10)	3.25*** (7.89)
Board size	0.39** (2.08)	0.60** (2.47)	-0.53** (-2.31)	1.00*** (5.18)
Indep%	14.94*** (2.59)	-11.82* (-1.67)	0.49 (0.07)	0.76 (0.13)
CEO duality	-0.31 (-0.32)	1.24 (1.28)	1.01 (1.15)	0.64 (0.57)
Leverage	1.32 (0.62)	-4.63* (-1.83)	-1.70 (-0.52)	-1.40 (-0.42)

Tobinq	0.49 (1.44)	-0.39 (-1.09)	0.19 (0.68)	0.61 (0.96)
PPE/at	0.12 (0.05)	-4.19 (-1.19)	-1.70 (-0.57)	-1.50 (-0.56)
Capex/at	-14.05** (-2.41)	11.05 (1.49)	0.33 (0.05)	-6.97 (-1.07)
Analyst	0.05 (1.42)	0.03 (0.60)	0.00 (0.06)	0.07* (1.82)
Gov. ownership	-2.51 (-1.45)	-2.16 (-0.98)	-0.16 (-0.08)	-2.50 (-1.42)
Foreign ownership	0.44 (0.08)	-9.63 (-0.96)	-11.33** (-2.28)	3.01 (0.32)
Executives own.	2.22 (0.66)	4.56 (1.26)	1.75 (0.64)	-0.58 (-0.07)
Inst. ownership	0.74 (0.14)	3.98 (0.78)	-5.29 (-1.13)	8.47 (1.42)
TOP5 ownership	-3.24 (-0.40)	-17.07* (-1.85)	-0.08 (-0.01)	-15.59* (-1.88)
TOP10 ownership	13.59*** (3.34)	10.64* (1.90)	15.98*** (3.17)	9.63** (2.20)
TOP5 concentration	-3.63 (-0.30)	18.63 (1.34)	-8.82 (-0.60)	18.02 (1.49)
Constant	-54.76*** (-5.73)	-56.63*** (-4.95)	-56.88*** (-4.23)	-56.35*** (-5.70)
Year fixed effect	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes
Observations	1,146	776	761	1,161
R-squared	0.48	0.28	0.24	0.49

---

**Table 4 Subsample analysis based on CEO characteristics**

This table reports the results of subsample analysis based on the CEO characteristics. We define old CEO and younger CEO based on the sample age median of CEO. Following the literature, we define a CEO as politically connected CEO if (1) he/she was a former government official; (2) he/she is a current or former member of the People's Congress; (3) he/she is a current or former member of the People's Political Consultative Conference. The dependent variable is the CSR score of the public firms in column 1. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd. M, C, T, I* is the score for the subcategories of the CSR score. *Oversea returnee* is measured by the number of oversea returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\*, and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

	Politically connected CEO		CEO's Age	
	Yes	No	Old CEO	Younger CEO
Oversea returnee	10.67* (1.91)	3.57 (0.66)	10.30** (2.16)	-2.18 (-0.32)
Size	4.38*** (9.26)	2.35*** (5.55)	3.76*** (9.69)	2.41*** (3.84)
Board size	0.36 (1.57)	0.61*** (2.93)	0.71*** (3.83)	0.09 (0.34)
Indep%	0.64 (0.10)	5.51 (0.83)	9.21 (1.60)	1.14 (0.16)
CEO duality	0.77 (0.71)	0.55 (0.57)	0.01 (0.01)	2.56** (1.97)

Leverage	-3.21 (-1.19)	1.50 (0.73)	-0.48 (-0.24)	0.49 (0.16)
Tobinq	0.60 (1.51)	-0.26 (-0.77)	0.55 (1.56)	-0.31 (-0.95)
PPE/at	-5.99* (-1.66)	-0.11 (-0.05)	-5.77** (-2.12)	2.89 (0.90)
Capex/at	-7.57 (-0.94)	1.94 (0.36)	-3.98 (-0.60)	-0.64 (-0.10)
Analyst	0.02 (0.53)	0.07* (1.81)	-0.01 (-0.36)	0.10** (2.24)
Gov. ownership	-5.41*** (-2.68)	0.21 (0.11)	-3.13* (-1.94)	1.76 (0.64)
Foreign ownership	7.85 (0.78)	-6.38 (-1.06)	0.89 (0.14)	7.12 (0.91)
Executives own.	1.17 (0.30)	3.68 (1.14)	6.82* (1.94)	0.96 (0.30)
Inst. ownership	8.34 (1.54)	-1.46 (-0.29)	6.91 (1.43)	0.18 (0.03)
TOP5 ownership	-1.61 (-0.17)	-12.80 (-1.64)	-14.17** (-1.97)	15.24 (1.28)
TOP10 ownership	17.99*** (3.74)	7.28* (1.65)	13.10*** (3.32)	11.83* (1.90)
TOP5 concentration	-7.83 (-0.56)	13.89 (1.14)	10.76 (0.99)	-23.66 (-1.31)
Constant	-77.71*** (-7.36)	-33.77*** (-3.26)	-64.59*** (-6.97)	-42.64*** (-3.28)
Year fixed effect	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes
Observations	916	1,006	1,301	621
R-squared	0.46	0.31	0.44	0.31

**Table 5: Subsample analysis based on foreign working experience, visiting experience or education experience.**

This table reports the results of subsample analysis based on whether the returnees have foreign working experience, visiting experience or education experience. The dependent variable is the CSR score of the public firms in column 1. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Oversea\_work\_ratio* is measured by the number of oversea returnees with foreign working experience divided by the number of board members. *Oversea\_visit\_ratio* is measured by the number of oversea returnees with foreign visiting experience divided by the number of board members. *Oversea\_edu\_ratio* is measured by the number of oversea returnees with foreign education divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\* and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

	(1)	(2)	(3)
	Model	Model	Model
Oversea_work_ratio	11.03* (1.96)		
Oversea_visit_ratio		-0.76 (-0.10)	
Oversea_edu_ratio			20.10*** (3.44)

Size	3.45*** (10.79)	3.57*** (11.09)	3.27*** (9.84)
Board size	0.47*** (3.16)	0.48*** (3.24)	0.48*** (3.17)
Indep%	3.73 (0.83)	4.50 (1.00)	3.96 (0.88)
CEO duality	0.68 (0.99)	0.62 (0.91)	0.55 (0.81)
Leverage	-0.72 (-0.45)	-0.73 (-0.45)	-0.79 (-0.49)
Tobinq	0.21 (0.81)	0.23 (0.90)	0.18 (0.72)
PPE/at	-2.36 (-1.17)	-2.56 (-1.26)	-2.61 (-1.30)
Capex/at	-4.04 (-0.88)	-3.86 (-0.84)	-2.96 (-0.64)
Analyst	0.04 (1.40)	0.03 (1.28)	0.03 (1.17)
Gov. ownership	-2.33* (-1.70)	-2.41* (-1.75)	-2.43* (-1.77)
Foreign ownership	-2.65 (-0.53)	-2.19 (-0.44)	-2.17 (-0.42)
Executives own.	3.51 (1.49)	3.45 (1.47)	3.15 (1.36)
Inst. ownership	2.41 (0.67)	2.08 (0.59)	3.52 (0.97)
TOP5 ownership	-7.77 (-1.27)	-9.10 (-1.49)	-6.50 (-1.07)
TOP10 ownership	13.39*** (4.13)	14.37*** (4.51)	12.80*** (3.96)
TOP5 concentration	3.20 (0.35)	3.89 (0.42)	2.28 (0.25)
Constant	-58.77*** (-8.10)	-61.59*** (-8.42)	-54.79*** (-7.26)
Year fixed effect	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes
Observations	1,922	1,922	1,922
R-squared	0.41	0.41	0.42

---

**Table 6. CSR score and oversea returnee in 2SLS regression**

The dependent variable is the CSR score of the public firms. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Oversea returnee* is measured by the number of oversea returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. *British\_colony* is a dummy variable that equals one if a firm located in a province where was a place for commonwealth countries' colony, and zero otherwise. Hiring returnee policy is a dummy variable assigning the value of one if the year is after the year when the province, the firm located, issues the policy to stimulatory hire returnees. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\* and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

	(1) First Stage	(2) Second Stage
Oversea returnee		70.02** (2.14)
Size	0.02*** (6.88)	2.30*** (3.56)
Board size	0.00*** (3.22)	0.31 (1.59)
Indep%	0.11*** (3.14)	-2.55 (-0.41)
CEO duality	-0.00 (-0.31)	0.83 (1.11)

Leverage	-0.00 (-0.26)	0.93 (0.53)
Tobinq	0.00** (2.11)	0.09 (0.27)
PPE/at	-0.02* (-1.70)	-0.37 (-0.17)
Capex/at	-0.01 (-0.35)	-4.05 (-0.78)
Analyst	0.00 (0.49)	0.03 (1.00)
Gov. ownership	-0.01 (-0.51)	-1.77 (-1.17)
Foreign ownership	0.09** (2.27)	-9.41 (-1.38)
Executives ownership	0.00 (0.19)	4.68* (1.72)
Inst. ownership	-0.08*** (-2.99)	6.02 (1.31)
TOP5 ownership	-0.15*** (-3.48)	3.52 (0.42)
TOP10 ownership	0.15*** (7.10)	3.54 (0.61)
TOP5 concentration	0.07 (1.06)	-1.41 (-0.14)
British_colony	0.01*** (4.21)	
Hiring returnee policy	0.01** (2.29)	
Hansen J statistic P-value	0.652	.
Cragg-Donald Wald F statistic	10.3	(.)
Constant	-0.44*** (-7.99)	-32.14** (-2.04)
Year fixed effect	Yes	Yes
Industry fixed effect	Yes	Yes
Observations	1,829	1,829
R-squared	0.32	0.32

---

**Table 7 Alternative measures for the CSR**

The dependent variable is dummy variable measuring whether the firm is included in Runling CSR report in column 1. The dependent variable is dummy variable measuring whether the firm obeys Global Reporting Initiative GRI <*Sustainability Reporting Guidelines*> in column 2. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Oversea returnee* is measured by the number of oversea returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. *British\_colony* is a dummy variable that equals one if a firm located in a province where was a place for commonwealth countries' colony, and zero otherwise. Hiring returnee policy is a dummy variable assigning the value of one if the year is after the year when the province, the firm located, issues the policy to stimulatory hire returnees. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\* and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

	(1) Whether the firm is included in Run Ling's CSR report	(2) Whether the firm obeys GRI < <i>Sustainability Reporting Guidelines</i> >
Oversea returnee	0.14** (2.52)	0.48*** (4.01)
Size	0.12*** (23.56)	0.10*** (10.11)

Board size	0.00 (0.28)	0.01** (2.26)
Indep%	0.15* (1.89)	0.07 (0.50)
CEO duality	-0.02** (-2.07)	0.00 (0.16)
Leverage	-0.14*** (-6.67)	-0.05 (-0.94)
Tobinq	0.03*** (7.32)	0.01 (1.26)
PPE/at	0.03 (0.95)	-0.19*** (-3.15)
Capex/at	0.18*** (2.58)	-0.17 (-1.17)
Analyst	0.00*** (6.76)	-0.00 (-0.47)
Gov. ownership	0.02 (0.97)	-0.04 (-0.88)
Foreign ownership	-0.20*** (-3.34)	-0.13 (-0.95)
Executives own.	-0.06*** (-2.68)	0.03 (0.44)
Inst. ownership	0.01 (0.14)	-0.19* (-1.72)
TOP5 ownership	-0.07 (-0.71)	-0.26 (-1.42)
TOP10 ownership	-0.01 (-0.24)	0.30*** (3.35)
TOP5 concentration	0.02 (0.16)	0.12 (0.45)
Constant	-2.28*** (-20.58)	-2.22*** (-10.45)
Year fixed effect	Yes	Yes
Industry fixed effect	Yes	Yes
Observations	9,699	1,999
R-squared	0.28	0.28

---

**Table 8: Additional controls**

The dependent variable is the CSR score of the public firms in column 1. The dependent variable is the M subcategory index in the CSR score of the public firms in column 2. The dependent variable is the C subcategory index in the CSR score of the public firms in column 3. The dependent variable is the T subcategory index in the CSR score of the public firms in column 4. The dependent variable is the I subcategory index in the CSR score of the public firms in column 5. *CSR score* is the total CSR score of the public firm obtained from the Running's CSR report, which is presented by *Running and Loving Consulting for Common Welfare Co. Ltd.* *M, C, T, I* is the score for the subcategories of the CSR score. *Oversea returnee* is measured by the number of oversea returnees divided by the number of board members. *Size* is the log value of a firm's total asset. *Board size* is the total number of directors in the board. *Indep%* is the percentage of the independent director in the board. *CEO duality* is defined as one if the firm's CEO is also the chairman of the board, otherwise zero. *Leverage* is the ratio of total debt over total asset. *Tobinq* is the Tobin's Q value of the firm. *PPE/at* is the value of a firm's plant, property, and equipment over total asset. *Capex/at* is a firm's capital expenditure divided by total asset. *Analyst* is the total number of analysts following the firm. *Gov. ownership* is the shares owned by the government divided by the total number of shares outstanding. *Foreign ownership* is the shares owned by the foreign investors divided by the total number of shares outstanding. *Executives ownership* is the shares owned by the top executives of the firm divided by the total number of shares outstanding. *Inst. ownership* is the shares owned by the institutional investors divided by the total number of shares outstanding. *Top5 ownership* is the total number of shares held by the top 5 shareholders divided by the total number of shares outstanding. *Top10 ownership* is the total number of shares held by the top 10 shareholders divided by the total number of shares outstanding. *Top5 concentration* is the Herfindahl-Hirschmann Index of shares held by the top 5 shareholders. *Log(GDP per capita)* is the log value of provincial GDP per capita. All variables are winsorized at 1% and 99%. The variable's name can explain its definition. We adopt the robust standard errors in the regression. \*, \*\* and \*\*\* indicate statistical significance at the 10%, 5%, and 1% level respectively.

VARIABLES	(1) CSR score	(2) M	(3) C	(4) T	(5) I
Oversea returnee	8.17** (2.16)	2.70* (1.78)	6.24*** (3.12)	1.24 (1.62)	0.50 (0.99)
Size	3.41*** (10.55)	1.11*** (8.30)	1.69*** (10.01)	0.54*** (8.45)	0.31*** (6.91)
Board size	0.46*** (3.10)	0.18*** (3.03)	0.24*** (3.07)	0.09*** (2.98)	0.05** (2.46)
Indep%	3.65 (0.81)	2.50 (1.35)	0.64 (0.27)	1.21 (1.39)	0.77 (1.28)
CEO duality	0.61	0.20	0.65*	-0.02	-0.04

	(0.89)	(0.71)	(1.79)	(-0.16)	(-0.41)
Leverage	-0.63	-0.37	-0.75	0.07	0.10
	(-0.39)	(-0.54)	(-0.87)	(0.23)	(0.44)
Tobinq	0.20	0.09	0.11	0.04	0.06*
	(0.77)	(0.82)	(0.87)	(0.86)	(1.95)
PPE/at	-2.35	-1.78**	-0.47	-0.45	0.19
	(-1.17)	(-2.08)	(-0.44)	(-1.08)	(0.69)
Capex/at	-3.47	-0.90	-0.23	-1.56*	0.59
	(-0.76)	(-0.45)	(-0.09)	(-1.75)	(0.77)
Analyst	0.03	-0.00	0.01	0.01	0.00
	(1.23)	(-0.08)	(0.94)	(1.44)	(0.86)
Gov. ownership	-2.33*	-0.83	-0.93	-0.81***	-0.21
	(-1.70)	(-1.44)	(-1.32)	(-2.80)	(-1.10)
Foreign ownership	-3.04	-2.46	-1.39	-1.08	1.46**
	(-0.60)	(-1.07)	(-0.48)	(-0.98)	(2.16)
Executives own.	3.36	0.92	1.71	0.81*	0.24
	(1.43)	(1.05)	(1.33)	(1.94)	(0.77)
Inst. ownership	2.90	2.65	2.68	0.25	-0.39
	(0.80)	(1.63)	(1.32)	(0.34)	(-0.76)
TOP5 ownership	-7.98	-2.60	0.18	-2.74**	-1.18
	(-1.31)	(-1.04)	(0.06)	(-2.32)	(-1.35)
TOP10 ownership	13.16***	5.58***	5.85***	2.15***	0.44
	(4.03)	(4.35)	(3.49)	(3.42)	(1.06)
TOP5 concentration	3.46	-0.26	-3.05	2.27	1.39
	(0.38)	(-0.07)	(-0.65)	(1.29)	(1.08)
Log(GDP per capita)	0.23	0.00	0.02	0.24**	0.07
	(0.39)	(0.01)	(0.07)	(2.13)	(0.79)
Constant	-60.04***	-17.72***	-30.19***	-10.16***	-6.85***
	(-6.54)	(-4.59)	(-6.19)	(-5.48)	(-5.44)
Year fixed effect	Yes	Yes	Yes	Yes	Yes
Industry fixed effect	Yes	Yes	Yes	Yes	Yes
Observations	1,922	1,623	1,623	1,621	1,320
R-squared	0.39	0.33	0.37	0.36	0.43

## Appendix I: Variable definition

Variables	Definition	Data Source
CSR score	The total CSR score of the public firm obtained from the Running's CSR report.	Running and Loving Consulting for Common Welfare Co. Ltd.
M	The score for the subcategories of M in the CSR score.	Running and Loving Consulting for Common Welfare Co. Ltd.
C	The score for the subcategories of C in the CSR score.	Running and Loving Consulting for Common Welfare Co. Ltd.
T	The score for the subcategories of T in the CSR score.	Running and Loving Consulting for Common Welfare Co. Ltd.
I	The score for the subcategories of I in the CSR score.	Running and Loving Consulting for Common Welfare Co. Ltd.
Oversea returnee	The number of oversea returnees divided by the number of board members.	Director's CV
Size	The log of total assets.	CSMAR
Board size	The board size of the firm.	CSMAR
Indep%	The percentage of the independent director in the board.	CSMAR
CEO duality	A dummy variable defined as 1 if the firm's CEO is also the chairman of the board.	CSMAR
Leverage	The ratio of total debt over total asset.	CSMAR
Tobinq	The firm's Tobin's Q value.	CSMAR

PPE/at	The value of a firm's plant, property, and equipment over total asset.	CSMAR
Capex/at	A firm's capital expenditure divided by total asset.	CSMAR
Analyst	The number of analysts following the firm.	CSMAR
Gov. ownership	The shares owned by the government divided by the total number of shares outstanding.	CSMAR
Foreign ownership	The shares owned by the foreign investors divided by the total number of shares outstanding.	CSMAR
Inst. ownership	Total number of shares held by institution over the total number outstanding shares of the firm.	CSMAR
Top5 ownership	The total number of shares held by the top 5 shareholders divided by the total number of shares outstanding.	CSMAR
Top10 ownership	The total number of shares held by the top 10 shareholders divided by the total number of shares outstanding.	CSMAR
Top5 concentration	The Herfindahl-Hirschmann Index of shares held by the top 5 shareholders.	CSMAR
Industry competition	The Herfindahl-Hirschmann Index of a firm's sales.	CSMAR
Politically connected CEO	Following the literature, we define a CEO as politically connected CEO if (1) he/she was a former government official; (2) he/she is a current or former member of the People's Congress; (3) he/she is a current or former member of the People's Political Consultative Conference	CEO's CV
Oversea_work_ratio	The number of oversea returnees with foreign working experience divided by the number of board members.	Director's CV
Oversea_visit_ratio	The number of oversea returnees with foreign visiting experience divided by the number of board members.	Director's CV
Oversea_edu_ratio	The number of oversea returnees with foreign education divided by the number of board members.	Director's CV
British_colony	A dummy variable that equals one if a firm located in a province where was a place for commonwealth countries' colony, and zero otherwise.	Government's website
Hiring returnee	A dummy variable assigning the value of one	Government's

policy	if the year is after the year when the province, the firm located, issues the policy to stimulatory hire returnees.	website
Log(GDP per capita)	The log value of provincial GDP per capita.	CSMAR