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Monitoring or Decision-Making? Executives' Overseas Background and the Risk of Corporate Financial Distress

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Abstract: As the drive to attract overseas talent has become a national strategy, executives with overseas experience now occupy a growing share of the leadership of Chinese listed firms. Existing work has largely examined "offensive" outcomes such as innovation and firm value, while paying less attention to defensive risk governance or to the division between management and the board. Using 54,480 firm-year observations for Chinese A-share non-financial firms from 2008 to 2024 and drawing on upper-echelons and imprinting theory, this study examines how overseas-background leadership relates to ST/*ST financial distress. A direct aggregate test supports H1: a 10-percentage-point increase in position-weighted senior-leadership overseas exposure is associated with a 0.27-percentage-point lower distress probability. Position-specific estimates show that the board overseas ratio is significantly negative, whereas management and CEO measures are not; the chairman is treated separately as a board office and is also insignificant. Decomposition shows that the board result is concentrated among overseas-background independent directors, consistent with monitoring rather than managerial decision-making. The finding survives lagged tests, logit estimation, firm fixed effects, alternative measures, propensity-score matching with satisfactory post-match balance, and a placebo test. Subsample patterns are suggestive for eastern and manufacturing firms, but their interaction terms are insignificant; only firm maturity yields statistically confirmed moderation. The evidence is therefore associational rather than fully causal and supports H5 only in part.

Keywords: Executives' Overseas Background, Board of Directors, Financial Distress, Corporate Governance, Monitoring Function, Imprinting Theory

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1. Introduction

Since China opened up, a succession of national initiatives, the Thousand Talents Plan and the broader push to recruit high-level overseas talent among them, has drawn back a large pool of people who studied or worked abroad, and many of them have moved into the leadership of listed firms. By the end of our sample period, more than three in ten A-share firms had at least one director or senior executive with an overseas background, and this "returnee" group has become a force that shapes corporate governance and strategic choice in China (Giannetti et al., 2015; Dai & Kong, 2017). Because such executives carry distinctive imprints in how they perceive problems, what they value, what they know, and whom they know, the question of how they affect firm behaviour and economic outcomes has drawn sustained interest (Song & Wen, 2016; Qi et al., 2023).

A good deal of evidence points to the upside of an overseas background. Overseas experience has been linked to stronger technological innovation and innovation efficiency (Lu et al., 2021; Qiao & Xu, 2022), to green innovation (Zhang et al., 2023; Shen et al., 2022), to better investment efficiency (Dai & Kong, 2017), to higher firm value (Liu et al., 2021), to corporate social responsibility (Li et al., 2020; Wen & Song, 2017), and to the curbing of tunnelling through higher-quality external audits (Zhang et al., 2020). Taken together, this literature sketches one main storyline: the overseas-background executive as an engine of growth and value creation.

Two gaps remain. First, studies of overseas-background leaders concentrate on "offensive" outcomes—innovation, value and performance—rather than the defensive task of preventing financial distress, despite distress being a consequential governance failure for investors and markets (Jiang et al., 2009; Altman, 1968). Second, prior work often aggregates senior leaders or centres on the CEO, leaving governance organs and formal roles insufficiently distinguished. Under the separation of decision management from decision control (Fama & Jensen, 1983; Fama, 1980), management makes and implements operating decisions, whereas the board monitors and controls those decisions (Adams et al., 2010). The present study therefore asks not merely whether overseas experience matters, but through which organ and role it is activated.

Against this backdrop, we examine A-share non-financial firms from 2008 to 2024 by combining upper-echelons theory (Hambrick & Mason, 1984) with imprinting theory (Marquis & Tilcsik, 2013). The aggregate senior-leadership test supports H1. Position-specific tests then show that the board overseas ratio lowers distress, while management and CEO measures do not. Because the chairman is legally a board office, *Chair_ov* is retained only as an ancillary role-specific diagnostic and is not assigned to management's decision channel. Decomposing the board shows that overseas independent directors, rather than executive directors, account for the monitoring result. The evidence is robust across alternative estimators and matching, while only maturity—not region or manufacturing—produces statistically confirmed moderation.

The study makes three contributions. First, it redirects the overseas-background literature from offensive output toward defensive risk governance. Second, it replaces a homogeneous "executive" category with a governance-organ and role-based design: management and the CEO represent the decision channel, the board represents decision control, and independent directors provide the sharpest monitoring test (Masulis et al., 2012). Third, it distinguishes within-group significance from between-group moderation and derives implementable implications for nominations, committee assignment, disclosure and risk monitoring.

2. Literature Review and Hypotheses

2.1. Literature Review

Upper echelons, imprinting, and managerial heterogeneity. Upper-echelons theory holds that a firm's strategic choices and outcomes reflect the cognition and values of its top managers, so observable background traits can help predict firm behaviour (Hambrick & Mason, 1984; Hambrick, 2007); later work systematised and made this framework more dynamic, stressing that the experience mix of the top team keeps shaping decisions (Carpenter et al., 2004). Imprinting theory adds a time dimension: the environment a person inhabits during sensitive career periods leaves a durable mark on cognition and behaviour that outlasts the environment itself (Marquis & Tilcsik, 2013; Dai et al., 2016). For managers who studied or worked abroad, the long-term orientation, risk awareness and compliance norms formed in mature markets are exactly such an imprint (Zhou et al., 2017). On this logic, an overseas background should exert a systematic influence on firm behaviour and risk.

The "offensive" consequences of an overseas background. Prior evidence is substantial but predominantly outcome-oriented. Overseas experience is associated with technological and green innovation (Luo & Yu, 2012; Song & Wen, 2016; Qiao & Xu, 2022; Zhang et al., 2023; Shen et al., 2022), investment efficiency (Dai & Kong, 2017), firm value (Liu et al., 2021; Cui et al., 2021), corporate social responsibility (Li et al., 2020; Wen & Song, 2017), and risk-taking (Song et al., 2017). This evidence establishes potential human-capital value, but it generally does not identify whether that value is exercised through managerial choice, board control, or a specific board role; nor does it directly test the defensive outcome of financial distress.

Board monitoring, outside directors, and governance. Agency theory locates the board at the centre of monitoring once ownership and control separate (Jensen & Meckling, 1976; Fama, 1980; Fama & Jensen, 1983). Independent directors are structurally removed from day-to-day management and thus offer the clearest role-based monitoring test. International evidence links multidimensional board diversity to lower firm risk and shows that board attributes can help predict distress (Bernile et al., 2018; Yousaf et al., 2021; Cho & Hashemi Joo, 2024). In China, overseas or diverse boards have also been associated with governance quality, firm value and lower distress likelihood (Giannetti et al., 2015; Liu et al., 2021; Ali et al., 2022). These findings motivate a design that compares management with the board and then separates independent from executive directors inside the board.

Determinants of financial distress. Financial distress reflects both weak fundamentals and governance failure. Ratio-based prediction begins with profitability, liquidity and leverage (Altman, 1968), while later work shows that executive overconfidence can induce over-expansion and distress (Jiang et al., 2009), that CEO power can amplify performance volatility through weaker

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disclosure quality (Quan & Wu, 2010), and that board composition and diversity add governance-based information (Yousaf et al., 2021; Ali et al., 2022). Earnings quality is another relevant precursor: long-window A-share evidence shows persistent, industry-divergent real activities earnings management that can transmit into cash-flow and inventory risk (Gan et al., 2026). This literature makes clear that financial variables, reporting behaviour and governance jointly matter; our contribution concerns the governance component, not a complete prediction model.

Summary and research gap. Existing studies provide evidence that overseas experience can support innovation, responsibility and value, but they remain comparatively descriptive about where formal authority and control reside. Treating all senior personnel as one category can blur a legally and economically meaningful distinction: management and the CEO execute decisions; the chairman presides over the board; independent directors specialise in monitoring. The present study therefore links a defensive outcome to a division-of-functions framework and tests successively the aggregate leadership association (H1), management and CEO decision channel (H2), board monitoring channel (H3), and relative dominance of monitoring (H4).

2.2. Theoretical Analysis and Hypotheses

Combining upper-echelons and imprinting theory suggests that overseas study or work can leave durable imprints in long-term orientation, risk awareness, compliance norms, and access to international knowledge and networks (Marquis & Tilcsik, 2013; Zhou et al., 2017). When these attributes are deployed in either management or the board, they can improve the early identification and containment of operating and financial risks. This aggregate prediction precedes the role-specific competing channels:

Hypothesis 1 (H1): The higher the overseas-background level of a firm's senior leadership, the lower the probability of financial distress.

The first role-specific route is a decision channel. Management and the CEO formulate and implement operating, investment and financing choices. Overseas experience may broaden strategic search, improve cross-border information processing and temper short-horizon decisions. The chairman is not included in this channel because the office is legally and organisationally part of the board rather than the management team. Hence:

Hypothesis 2 (H2): The higher the overseas-background level of the management team and CEO, the lower the probability of financial distress.

The second route is a monitoring channel. Under the separation of decision management and decision control (Fama & Jensen, 1983; Adams et al., 2010), the board checks management, approves major decisions and oversees disclosure and audit. Overseas-background directors—especially independent directors—may import stricter reporting and risk-control norms, demand stronger audit scrutiny, and constrain earnings management or tunnelling (Zhang et al., 2020; Masulis et al., 2012). Hence:

Hypothesis 3 (H3): The higher the proportion of overseas-background directors, the lower the probability of financial distress.

H3 and H4 concern more than coefficient significance: they compare governance functions. Distress prevention requires the detection and restraint of accumulating risk, a task more directly aligned with board control than with management's pursuit of operating outcomes. If monitoring is the dominant route, the board association should survive alongside management and should be concentrated in independent rather than executive directors.

Hypothesis 4 (H4): Relative to management's decision function, the board's monitoring function plays the leading role in preventing financial distress; that is, the board ratio's effect is stronger than and independent of management's, and is driven mainly by monitoring independent directors.

Imprints do not operate automatically; they are activated when the surrounding context both supplies complementary resources and creates a governance need. Eastern markets may offer deeper professional-service and talent infrastructures, manufacturing exposes firms to longer operating chains and inventory or compliance risks, and mature firms combine organisational complexity with sharper agency problems. Related work likewise argues that internationalisation benefits depend on internal governance adaptation and external compliance support (Cao & Gan, 2026), while cross-border project evidence highlights the complementary roles of risk-management capability and cross-cultural communication (Zhang et al., 2026). These external and internal activation conditions motivate the following ex ante prediction:

Hypothesis 5 (H5): The board ratio's distress-mitigating effect is more pronounced in eastern, manufacturing, and mature firms.

Figure 1 summarises the framework. In text, the model starts with H1's aggregate senior-leadership exposure and then separates two parallel routes: management and the CEO form the decision channel (H2), while the board forms the monitoring channel

(H3). H4 compares the routes and identifies independent directors as the decisive monitoring role. H5 proposes that external institutional support and internal governance need activate the board imprint across region, industry and maturity.

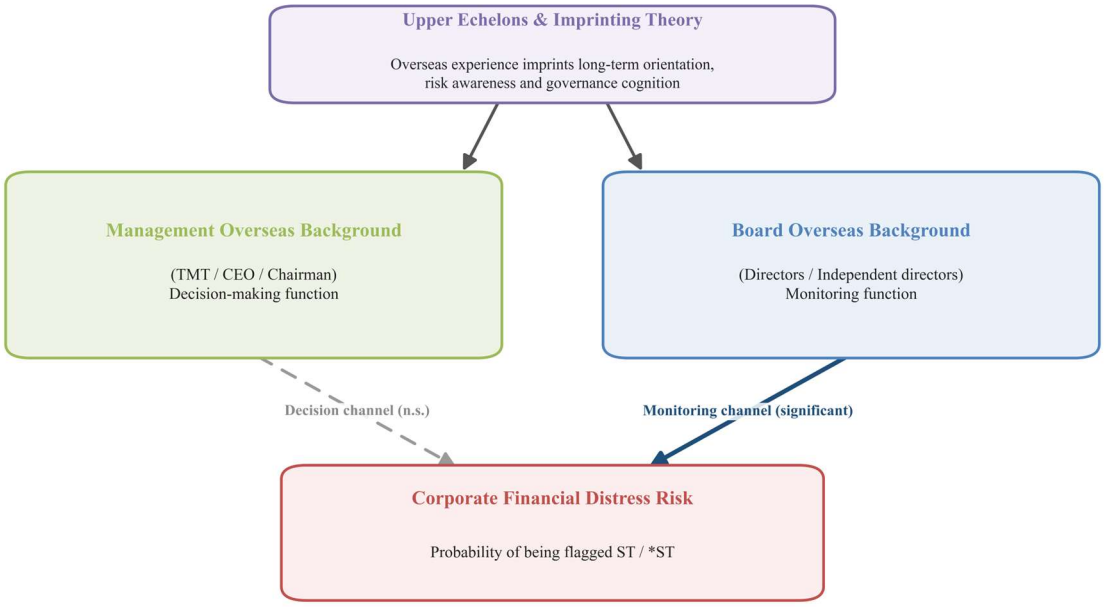


Figure 1. Research Framework and Mechanism.

Textual alternative for Figure 1: overseas experience leaves cognitive, compliance and network imprints. H1 tests their aggregate association with distress. H2 assigns managerial decision-making to the management team and CEO; H3 assigns decision control to the board; H4 compares the routes and tests whether independent-director monitoring dominates; H5 evaluates whether external institutional support and internal monitoring need activate the board imprint.

3. Research Design

3.1. Sample and Data

The initial sample is A-share firms listed in Shanghai and Shenzhen from 2008 to 2024. Information on the overseas background of directors and senior executives comes from the CSMAR "personal characteristics of listed-company figures" (TMT_FIGUREINFO) file, and firm-level information from the CSMAR "basic information of listed companies" file. Following common practice, we drop financial firms; keep A-share firms on the two main exchanges; remove observations missing key variables; and drop cases with a negative firm age or listing age. The final panel has 54,480 firm-year observations covering 5,261 firms; 1,990 firm-year observations (3.65%) are flagged ST/*ST. All continuous variables are winsorised at the 1st and 99th percentiles.

3.2. Variable Definitions and Measurement

Dependent variable: financial distress (*ST*). *ST* equals one when a firm is designated ST, *ST or PT in year *t* and zero otherwise. This administrative market designation captures severe financial or governance deterioration in China, but is not identical to legal bankruptcy, default or distance-to-default measures used in other jurisdictions (Altman, 1968; Jiang et al., 2009).

Explanatory variables. Let *OS* equal one if individual *k* in firm *i* and year *t* has off-mainland study or work experience. The board and management overseas ratios follow Equations (1) and (2). For H1, *Leadership_ratio* is the position-weighted aggregate: overseas-background board slots plus overseas-background executive-team slots, divided by total board plus executive-team slots. A dual-role person contributes one slot to each organ, matching the governance-position interpretation.

$$BOD_{ratio,i,t} = \frac{\sum_{k \in Board} OS_{k,i,t}}{N_{Board,i,t}} \quad (1)$$

$$Exec_{ratio,i,t} = \frac{\sum_{k \in TMT} OS_{k,i,t}}{N_{TMT,i,t}} \quad (2)$$

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Here N_{Board} and N_{TMT} are the sizes of the board and management team. *CEO_ov* equals one when the CEO has an overseas background. *Chair_ov* identifies an overseas-background chairman but is treated only as an ancillary board-office diagnostic; it is not part of H2's management channel. *Indep_ov* counts overseas-background independent directors. To separate monitoring from operational participation inside the board, Equation (3) divides overseas directors into independent and executive-director ratios, which sum to the board ratio:

$$IndepOS_{ratio,i,t} = \frac{OS_{Indep,i,t}}{N_{Board,i,t}};$$
$$ExecDirOS_{ratio,i,t} = \frac{OS_{Board,i,t} - OS_{Indep,i,t}}{N_{Board,i,t}} \quad (3)$$

Controls and winsorising. Controls are board size (*lnBoard*), management-team size (*lnTMT*), firm age (*lnFirmAge*) and listing age (*lnListAge*), all in natural logs to ease skewness. For any continuous variable *x*, winsorising follows Equation (4), where Q(0.01) and Q(0.99) are its 1st and 99th percentiles:

$$x^* = \min\{\max[x, \mathrm{Q}(0.01)], \mathrm{Q}(0.99)\} \quad (4)$$

The models include year, industry (CSRC industry class) and province fixed effects, which absorb macro time shocks, industry attributes (manufacturing, for instance, is absorbed by the industry effect) and regional differences; standard errors are clustered at the firm level. Variable definitions appear in Table 1.

Table 1. Variable Definitions.

Type	Variable	Symbol	Definition
Dependent	Financial distress	*ST*	1 if flagged ST/*ST/PT in year *t*, else 0
Explanatory	Board overseas ratio	*BOD_ratio*	Overseas directors / board size; see Equation (1)
	Management overseas ratio	*Exec_ratio*	Overseas executives / TMT size; see Equation (2)
	CEO overseas background	*CEO_ov*	1 if CEO has overseas background, else 0
	Chairman overseas background	*Chair_ov*	1 if chairman has overseas background, else 0
	Overseas independent directors	*Indep_ov*	Number of overseas-background independent directors
Control	Board size	*lnBoard*	ln(*board size + 1*)
	Management-team size	*lnTMT*	ln(*TMT size*)
	Firm age	*lnFirmAge*	ln(*year − founding year + 1*)
	Listing age	*lnListAge*	ln(*year − listing year + 1*)
Fixed effects	Year/industry/province	μ / λ / δ	Year, CSRC industry class, province fixed effects
Explanatory	Aggregate senior leadership overseas exposure	*Leader-ship_ratio*	(Overseas board slots + overseas executive-team slots) / (board size + executive-team size); direct H1 test

3.3. Model Specification

The baseline is a linear probability model (LPM), Equation (5):

$$ST_{i,t} = \alpha + \beta Overseas_{i,t} + \gamma' Controls_{i,t} + \mu_t + \lambda_j + \delta_p + \varepsilon_{i,t} \quad (5)$$

where *Overseas* denotes the aggregate or position-specific measure, *Controls* the control vector, and μ, λ and δ the year, industry and province fixed effects. LPM coefficients are probability-point associations. Because *ST* is binary, we also estimate logit models as a functional-form check. The fixed effects and clustered standard errors improve comparability, but they do not by themselves establish causality.

$$\mathrm{P}(ST_{i,t} = 1) = \Lambda(\alpha + \beta Overseas_{i,t} + \gamma' Controls_{i,t} + \mu_t + \lambda_j) \quad (6)$$

To compare positions on one scale, continuous explanatory variables are standardised (Equation (7)), and standardised coefficients capture the effect of a one-standard-deviation change; the economic magnitude of a variable follows from the marginal effect in Equation (8):

$$X_{std} = \frac{X - \text{Mean}(X)}{\text{SD}(X)} \tag{7}$$

$$\Delta P = \beta \times \text{SD}(X);\ \text{relative effect} = \frac{\Delta P}{\text{Mean}(ST)} \tag{8}$$

For H1, β is estimated on *Leadership_ratio*. H2–H4 are then assessed with position-specific measures. Negative coefficients indicate that greater overseas exposure is associated with a lower probability of distress.

4. Empirical Results

4.1. Descriptive Statistics and Stylised Facts

Table 2 reports the descriptive statistics. Financial distress (*ST*) has a mean of 0.037, so about 3.65% of firm-years are under special treatment. The board overseas ratio averages 0.104 and the management ratio 0.062; 10.06% of firms have an overseas-background CEO and 10.37% an overseas-background chairman; the average firm has 0.44 overseas independent directors; and 26.29% of firms have at least one overseas executive (*Has_ov*). An overseas background, then, is fairly common at the top of Chinese listed firms, but unevenly spread across positions.

Table 2. Descriptive Statistics.

Variable	*N*	Mean	SD	Min	Median	Max
Financial distress (*ST*)	54,480	0.037	0.188	0.000	0.000	1.000
Board overseas ratio (*BOD_ratio*)	54,480	0.104	0.132	0.000	0.091	0.571
Management overseas ratio (*Exec_ratio*)	54,480	0.062	0.125	0.000	0.000	0.600
CEO overseas (*CEO_ov*)	54,480	0.101	0.301	0.000	0.000	1.000
Chairman overseas (*Chair_ov*)	54,480	0.104	0.305	0.000	0.000	1.000
Overseas independent directors (*Indep_ov*)	54,480	0.444	0.701	0.000	0.000	3.000
Has overseas executive (*Has_ov*)	54,480	0.263	0.440	0.000	0.000	1.000
Board size (*Board*)	54,480	9.023	2.741	1.000	9.000	34.000
Management-team size (*TMT*)	54,480	6.870	3.484	1.000	6.000	45.000
Firm age (*FirmAge*)	54,480	18.994	6.426	6.000	19.000	36.000
Listing age (*ListAge*)	54,480	10.281	7.936	0.000	9.000	29.000
Manufacturing (*Manu*)	54,480	0.657	0.475	0.000	1.000	1.000

Figure 2 traces how an overseas background and financial distress evolved from 2008 to 2024. The share of firms with overseas executives, and the board and management ratios alike, all climb steadily: the share with overseas executives rises from 14.1% in 2008 to 33.2% in 2024, while the ST/*ST rate trends down, with a temporary rebound in 2020 under external shocks. One line rising as the other falls already hints at a negative link.

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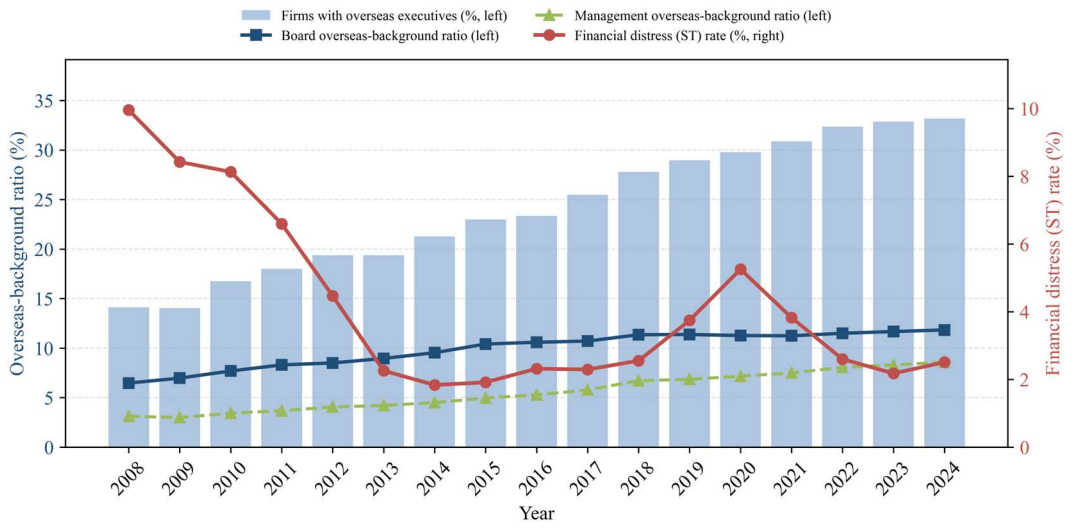


Figure 2. Executives' Overseas Background and Corporate Financial Distress over Time (2008–2024).

Figure 3 gives the regional picture. The east has the highest board ratio (11.5%) and the lowest ST rate (2.84%); moving to the central and western regions, the overseas-background level falls and the ST rate rises (5.01% and 6.33%). This "more overseas background, less distress" pattern lends visual support to the central hypothesis.

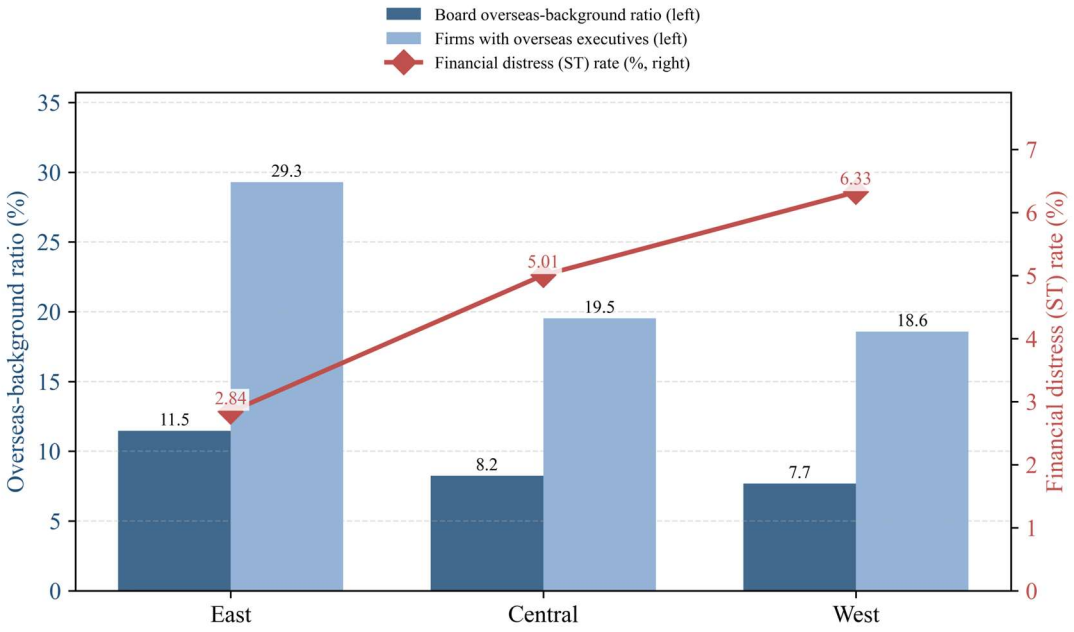


Figure 3. Regional Distribution of Overseas Background and Financial Distress.

4.2. Correlation Analysis

Table 3 reports Pearson correlations. *ST* is negatively correlated with every overseas-background measure, most strongly with the board ratio (−0.048); the measures are positively correlated among themselves, but variance inflation factors in the regressions are all well below 10, so multicollinearity is not a concern.

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Table 3. Correlation Matrix of Main Variables.

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) *ST*	1.000						
(2) *BOD_ratio*	−0.048	1.000					
(3) *Exec_ratio*	−0.027	0.550	1.000				
(4) *CEO_ov*	−0.024	0.459	0.644	1.000			
(5) *Chair_ov*	−0.025	0.499	0.436	0.501	1.000		
(6) *lnTMT*	−0.140	0.030	−0.003	0.018	0.000	1.000	
(7) *lnListAge*	0.133	−0.056	−0.069	−0.077	−0.065	−0.335	1.000

4.3. Baseline Regression: Monitoring or Decision-Making?

Table 4 first supplies the direct test missing from the original design. Panel A regresses *ST* on *Leadership_ratio*, the position-weighted aggregate of overseas-background board and executive-team slots, with the same controls, fixed effects and firm-clustered standard errors. Its coefficient is −0.0274 ($t = -2.67$, $p = 0.0076$), so a 10-percentage-point increase in aggregate exposure is associated with a 0.27-percentage-point lower distress probability. H1 is therefore supported.

Table 4. Baseline Regressions (Dependent Variable: Financial Distress, *ST*).

Panel A. Direct Test of H1 Using Aggregate Senior-leadership Overseas Exposure.	
Variable	(1) *ST*
Leadership_ratio	−0.0274***
	(−2.67)
Specification and fit	Controls/FE/clustered SE: Yes; N = 54,480; R^2 = 0.0570

Panel B. Position-specific Baseline Estimates for H2–H4.						
Variable	(1)	(2)	(3)	(4)	(5)	(6)
Exec_ratio	−0.008					0.008
	(−0.82)					(0.62)
BOD_ratio		−0.030***				−0.039***
		(−3.50)				(−3.87)
CEO_ov			−0.002			0.003
			(−0.51)			(0.74)
Chair_ov				−0.004		0.001
				(−1.21)		(0.28)
Indep_ov					−0.006***	
					(−4.38)	
lnBoard	−0.001	−0.001	−0.001	−0.001	0.001	−0.001
	(−0.18)	(−0.22)	(−0.18)	(−0.18)	(0.24)	(−0.20)
lnTMT	−0.048***	−0.048***	−0.048***	−0.048***	−0.048***	−0.048***
	(−11.34)	(−11.25)	(−11.33)	(−11.34)	(−11.18)	(−11.23)
lnFirmAge	0.019***	0.019***	0.019***	0.019***	0.019***	0.019***
	(4.08)	(3.97)	(4.12)	(4.09)	(4.01)	(3.99)
lnListAge	0.015***	0.015***	0.015***	0.015***	0.015***	0.015***
	(10.41)	(10.42)	(10.40)	(10.38)	(10.52)	(10.48)
Year/Ind./Prov. *FE*	Yes	Yes	Yes	Yes	Yes	Yes
N	54,480	54,480	54,480	54,480	54,480	54,480
R^2	0.0567	0.0571	0.0567	0.0567	0.0571	0.0572

Note: *Leadership_ratio* is the position-weighted share of overseas-background board and executive-team slots. A person serving in both organs contributes one slot to each denominator. Firm-clustered *t*-statistics in parentheses; ***, **, * denote significance at 1%, 5%, and 10%. Panel B R^2 values are reported to four decimals to show differences that were hidden by three-decimal rounding.

Panel B turns to governance roles. The board ratio is −0.030 ($t = -3.50$), supporting H3, and the overseas-independent-director count is −0.006 ($t = -4.38$). By contrast, the management ratio and CEO indicator are insignificant, so H2 is not supported. *Chair_ov* is also insignificant, but because the chairman is a board office this result is not evidence about the management channel. In the joint specification, only the board ratio remains significant (−0.039, $t = -3.87$), supporting H4's monitoring-dominance prediction.

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A one-standard-deviation increase in the board ratio (0.132) corresponds to an approximately 0.40-percentage-point decline in distress probability, or 10.9% of the sample mean. This is economically meaningful relative to the low 3.65% event rate, although outcome definitions and scales prevent a one-to-one numerical comparison with studies of volatility, Z-scores or bankruptcy prediction (Bernile et al., 2018; Yousaf et al., 2021; Ali et al., 2022; Cho & Hashemi Joo, 2024). The comparison is therefore directional: board composition contains non-trivial risk information across different distress metrics.

Model fit and omitted-variable caution. The Panel B R^2 values range only from 0.0567 to 0.0572 because *ST* is a rare binary event and each overseas-background measure adds limited incremental explanatory power to the same fixed-effect model; the paper is explanatory, not a distress-prediction exercise. The similarity is not a coding error. Leverage would normally raise distress risk, whereas size and profitability would normally lower it. If internationally exposed boards are associated with lower leverage or with larger, more profitable firms, omitting these variables can make the negative board coefficient too large in absolute value. Conversely, remedial recruitment of overseas directors by weak firms could attenuate it. The direction and magnitude of net bias cannot be identified with the available variables. Fixed effects, lags, matching and alternative models reduce some concerns but do not remove time-varying confounding; coefficients are therefore interpreted as robust associations rather than definitive causal effects.

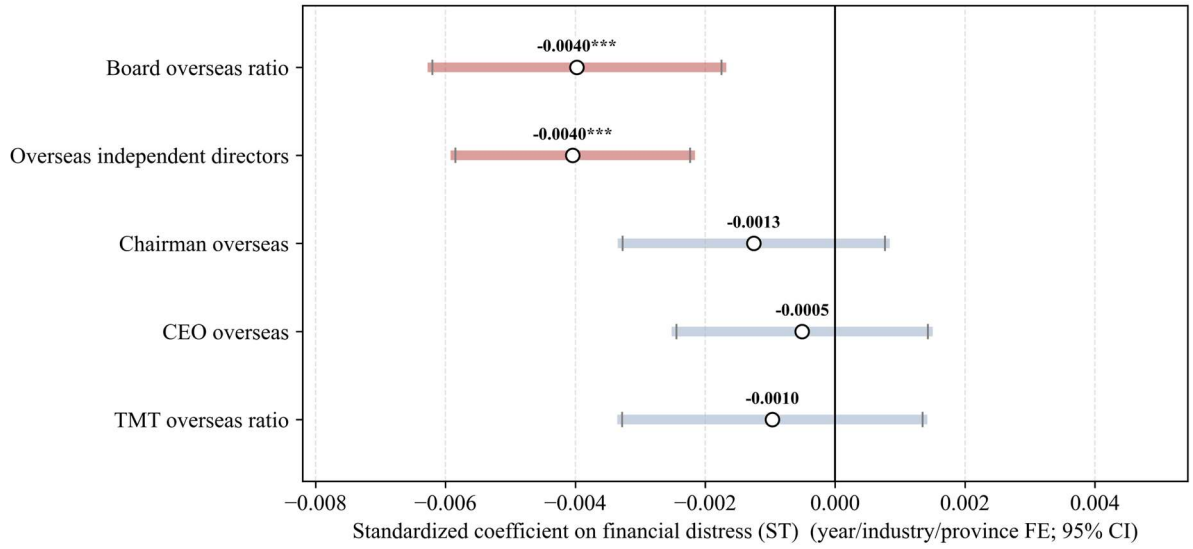


Figure 4. Standardised Coefficients of Overseas Background by Position on Financial Distress (95% CI).

4.4. Univariate Grouping and the Dose-Response Relationship

Beyond the regressions, two simple charts reinforce the pattern. Figure 5 splits firms into four groups by board ratio. Firms with no overseas director have an ST rate as high as 4.74%; once any overseas director is present, the rate falls clearly into the 2–3% range. Figure 6 shows an even cleaner dose-response: as the number of overseas directors rises from 0 to 1, 2 and 3 or more, the ST rate falls almost monotonically: 4.74%, 3.25%, 2.12% and 1.69%. More overseas directors, less distress; the visual evidence lines up with the regressions and eases any worry about a misspecified non-linearity.

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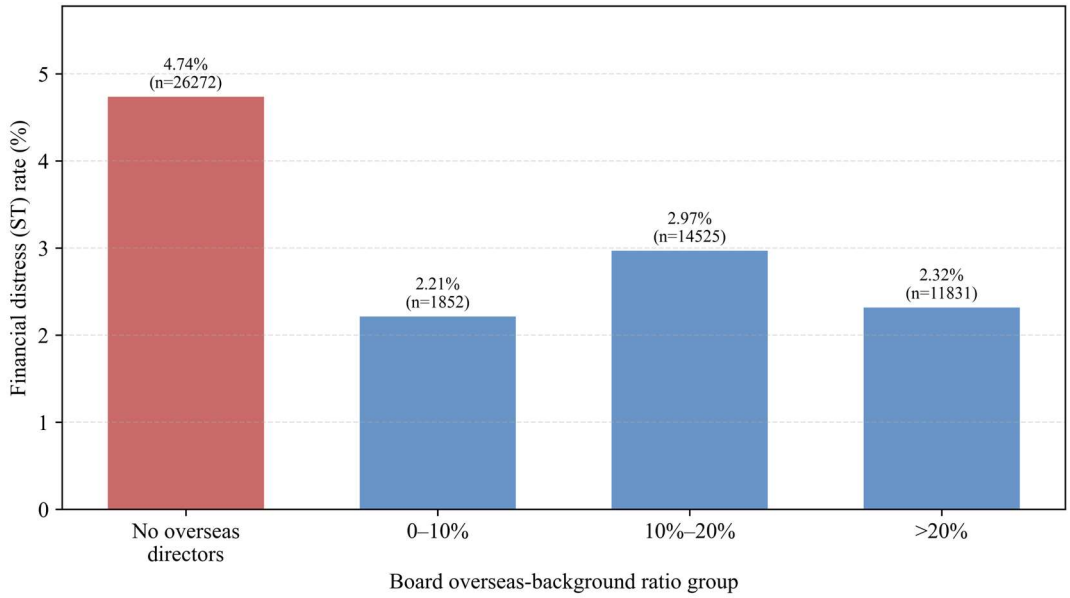


Figure 5. Financial Distress Rate Across Board-Overseas-Ratio Groups.

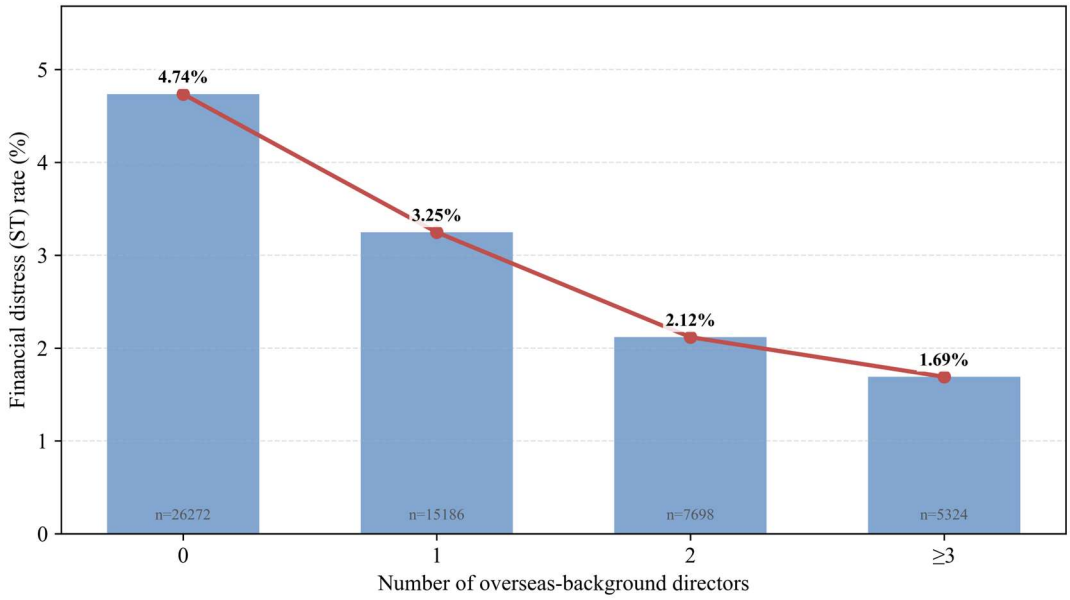


Figure 6. Dose-Response between the Number of Overseas Directors and the Distress Rate.

4.5. Channel Identification: Independent or Executive Directors?

The baseline shows the board, not management, doing the work; but the board itself divides labour. Independent directors stand apart from management and specialise in monitoring, while executive directors take part in operations and sit closer to the "decision" end. If the effect comes mainly from overseas independent directors, that is more direct evidence for the monitoring route. We therefore split the board ratio by Equation (3) into an independent-director ratio and an executive-director ratio, entered separately and together; Table 5 reports the results.

The picture is clear. Entered alone, the overseas independent-director ratio carries −0.064, significant at 1% (t = −4.88), whereas the executive-director ratio is just −0.012 and insignificant (t = −1.04); entered together, the independent ratio stays strongly significant (−0.063, t = −4.86) and the executive ratio stays insignificant (−0.006, t = −0.52). The board's power to curb distress, in short, comes almost entirely from the monitoring independent directors, not from executive directors in operations, pinning down, from inside the board, the "monitoring leads" logic of H4 (Adams et al., 2010; Masulis et al., 2012).

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Table 5. Channel Identification: Independent vs. Executive Directors.

Variable	(1) Indep. only	(2) Exec. only	(3) Both
Overseas independent-director ratio	−0.064***		−0.063***
	(−4.88)		(−4.86)
Overseas executive-director ratio		−0.012	−0.006
		(−1.04)	(−0.52)
Controls	Yes	Yes	Yes
Year/Ind./Prov. FE	Yes	Yes	Yes
N	54,480	54,480	54,480

Note: dependent variable is *ST*; the independent- and executive-director ratios sum to the board ratio; firm-clustered *t*-statistics in parentheses.

5. Endogeneity and Robustness

Although the baseline absorbs several fixed-effect dimensions, reverse causality and omitted variables remain possible. Lagged board and independent-director measures remain negative; logit, firm-and-year fixed effects, crisis-year exclusion, a board-has-overseas dummy, and the log count of overseas directors all reproduce the core result (Table 6). These checks show that the association is not tied to one timing convention, estimator or exposure definition. They do not, however, eliminate the leverage, size and profitability limitation discussed after Table 4, so causal language is avoided.

Table 6. Endogeneity and Robustness Checks.

Method	Key Variable	Coef.	*t*/*z*	*N*
(1) One-year lag	Board overseas ratio (*t*−1)	−0.022**	(−2.39)	49,207
(2) One-year lag	Overseas indep. directors (*t*−1)	−0.005***	(−3.55)	49,207
(3) Logit	Board overseas ratio	−1.370***	(−3.88)	54,480
(4) Firm + year FE	Board overseas ratio	−0.042***	(−2.84)	54,480
(5) Excl. crisis years	Board overseas ratio	−0.026***	(−3.26)	47,203
(6) Alt. measure ①	Board-has-overseas dummy	−0.011***	(−4.59)	54,480
(7) Alt. measure ②	ln(overseas directors)	−0.007***	(−3.60)	54,480

5.1. Propensity-Score Matching

Overseas directors are not randomly assigned: larger or better-governed firms may both attract overseas talent and face less distress. We therefore use propensity-score matching. Matching requires a clearly defined treatment state, so treatment equals one when the board has at least one overseas-background director. This threshold has a transparent governance interpretation—whether overseas experience is represented at all—and common support; continuous board exposure is retained in the baseline, dose-response and alternative-measure tests. Propensity scores are estimated by logit using board size, management-team size, firm age, listing age, manufacturing, and year and industry effects. Treated observations are matched one-to-one to the nearest control with replacement within a 0.01 caliper.

$$e(X) = \mathrm{P}(Treat = 1|X) = \Lambda(\theta' X) \tag{9}$$

$$ATT = \frac{1}{N_T} \sum_{i:Treat=1} \left[ST_i - ST_{j(i)}\right], j(i) = \underset{j:Treat=0}{\operatorname{argmin}} \left|e(X_i) - e\left(X_j\right)\right| \tag{10}$$

Table 7 reports both the treatment estimate and balance diagnostics. Matching retains 28,197 treated-control pairs. The *ATT* is −0.0133 ($t = -8.85$), with treated and matched-control *ST* rates of 0.0265 and 0.0398. More importantly, every post-match absolute standardised mean difference is below 10%; mean absolute SMD falls from 7.57% to 2.13%, the maximum falls from 13.75% to 5.20%, and pseudo-R^2 falls from 0.0169 to 0.0011. The manufacturing SMD changes sign and rises in absolute value, but remains

5.20%, within the conventional 10% balance threshold. Observable balance is therefore materially improved, although matching cannot address unobserved confounding.

Table 7. Propensity-score Matching (PSM) Results.

Panel A. Treatment-effect Estimate.			
Item	Value		
Treated mean *ST*	0.0265		
Matched-control mean *ST*	0.0398		
ATT	−0.0133***		
t-statistic	−8.85		
Matched pairs	28,197		
Naïve difference	−0.0209		
Panel B. Covariate-balance Diagnostics.			
Covariate	SMD before (%)	SMD after (%)	Bias reduction (%)
lnBoard	13.75	2.62	80.98
lnTMT	11.37	2.55	77.53
lnFirmAge	−0.49	0.17	64.70
lnListAge	−10.01	0.11	98.90
Manufacturing	2.20	−5.20	−135.93
Mean |SMD|	7.57	2.13	—
Max |SMD|	13.75	5.20	—
Pseudo-R^2	0.0169	0.0011	—

Note: treatment is at least one overseas-background director. One-to-one nearest-neighbour matching uses replacement and a 0.01 propensity-score caliper. SMD is the standardised mean difference; absolute values below 10% indicate acceptable covariate balance.

*** denotes significance at 1%.

5.2. Placebo Test

To rule out chance or some unobserved common shock, we run a placebo test: holding the sample structure fixed, we randomly reshuffle the board ratio across firms, re-estimate Equation (5), and repeat 500 times to obtain a distribution of "fake" coefficients. If the real effect exists, the placebo coefficients should cluster near zero and the true estimate should sit at an extreme. As Figure 7 shows, the 500 placebo coefficients have a mean near zero and a standard deviation of about 0.006, spread roughly symmetrically around zero, while the true estimate of −0.030 falls far into the left tail; no placebo coefficient is smaller. The board ratio's effect on distress, then, is not an accident of randomness.

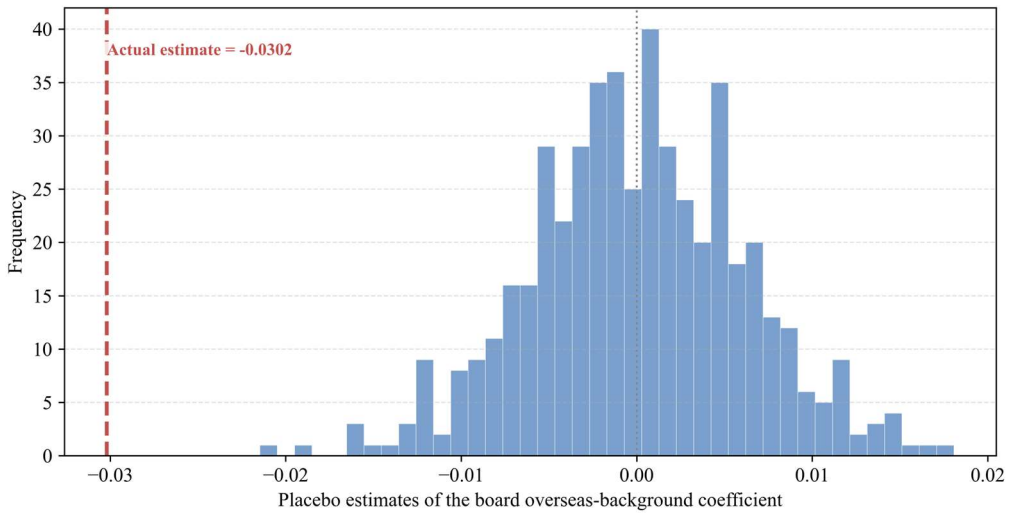


Figure 7. Placebo Test: Distribution of Coefficients from Randomly Reshuffled Board Overseas Ratios.

6. Heterogeneity Analysis

Table 8 reports within-subgroup estimates. The board ratio is significantly negative in eastern firms (−0.036, $t = -4.77$), manufacturing firms (−0.032, $t = -3.25$), and mature firms (−0.050, $t = -2.79$), but not in the central-and-western or non-manufacturing groups, and only marginally (at the 10% level) in young firms. These results show where the coefficient differs from zero; they do

not by themselves show that coefficients differ across groups. The central-and-western subsample is also much smaller (15,996 versus 38,484 observations in the east), producing wider uncertainty and lower power.

Table 8. Heterogeneity Analysis (Subsample Regressions; Dependent Variable: *ST*).

Dimension	Group	*BOD_ratio* coef.	*t*	*N*
Region	East	−0.036***	(−4.77)	38,484
	Central & West	−0.015	(−0.55)	15,996
Industry	Manufacturing	−0.032***	(−3.25)	35,774
	Non-manufacturing	−0.024	(−1.51)	18,706
Maturity	Mature firms	−0.050***	(−2.79)	25,844
	Young firms	−0.010*	(−1.82)	28,636

Note: mature and young firms are split at median listing age. Subsample significance is a within-group test and must not be interpreted as a test of equality across groups. All columns include the full controls and year, industry and province fixed effects.

We therefore use full-sample interaction terms to test between-group moderation directly (Jiang, 2022). For each moderator *M*—east, manufacturing, and mature firm—Equation (11) estimates both the moderator main effect and *BOD_ratio* × *M*:

$$ST_{i,t} = \alpha + \beta_1 BOD_{ratio,i,t} + \beta_2\left[BOD_{ratio,i,t} \times M_{i,t}\right] + \beta_3 M_{i,t} + \gamma' Controls_{i,t} + \mu_t + \lambda_j + \delta_p + \varepsilon_{i,t} \quad (11)$$

The interaction evidence narrows H5. The maturity interaction is −0.066 and significant at 1% (t = −3.72), confirming a stronger board effect in mature firms, where organisational complexity and agency problems create greater monitoring need. The east and manufacturing interactions are negative but insignificant. We therefore cannot reject equality of effects across regions or industries; their split-sample patterns are descriptive and may partly reflect unequal precision. H5 is supported for maturity but not confirmed for region or industry.

Table 9. Interaction Tests (Dependent Variable: *ST*).

Variable	(1) East	(2) Manufacturing	(3) Mature
BOD_ratio	−0.018	−0.025	−0.001
	(−0.69)	(−1.61)	(−0.16)
BOD_ratio × moderator	−0.016	−0.008	−0.066***
	(−0.56)	(−0.43)	(−3.72)
Moderator main effect	Yes	Yes	Yes
Controls	Yes	Yes	Yes
Year/Ind./Prov. FE	Yes	Yes	Yes
N	54,480	54,480	54,480

Note: the moderator *M* in columns (1) – (3) is the east, manufacturing and mature-firm dummy; firm-clustered *t*-statistics in parentheses.

7. Conclusions and Policy Implications

Using 54,480 A-share non-financial firm-year observations from 2008 to 2024, this study finds that aggregate senior-leadership overseas exposure is negatively associated with ST/*ST distress, supporting H1. Role-specific evidence is sharper: management and CEO measures do not support H2, whereas the board ratio supports H3 and remains significant in the joint model. The chairman, correctly classified as a board office, is insignificant as an ancillary role-specific measure. Within the board, the association is concentrated among overseas independent directors rather than executive directors, supporting H4's monitoring-dominance account. Robustness and balanced PSM results reinforce the association. H5 receives only partial support: maturity moderates the effect, but regional and manufacturing differences are not statistically confirmed.

Two theoretical contributions follow. The study moves overseas-background research from offensive outcomes toward defensive risk governance and directly tests the aggregate proposition before decomposing it. It also demonstrates why governance tax-

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onomy matters: management and the CEO belong to decision execution, the chairman belongs to the board, and independent directors provide the cleanest monitoring role. This role-based design identifies where the association resides without treating all senior personnel as interchangeable.

The findings suggest concrete practice. Nomination committees can use a skills matrix that combines international experience with accounting, audit and risk expertise rather than treating overseas experience as a stand-alone credential. Firms can assign suitably qualified overseas independent directors to audit or risk committees, provide induction on China-specific ST and disclosure rules, and review board-level risk dashboards annually. Exchanges and regulators can encourage standardised disclosure of directors' overseas study or work experience and functional committee roles, while using that information only as a supplementary—not determinative—early-warning signal. Investors should likewise assess experience together with independence, expertise and firm fundamentals.

The study has four limits. First, ST/*ST/PT is a China-specific administrative distress proxy; replication elsewhere should use locally comparable default, bankruptcy or distance-to-default measures. Second, missing leverage, size and profitability leave the direction of net omitted-variable bias unresolved, so the estimates are not claimed as causal. Third, audit quality and earnings-management mechanisms are inferred rather than directly observed. Fourth, overseas experience is not separated by country, duration, study versus work, or field. Future research should merge richer financial, audit and biographical data and exploit plausibly exogenous director appointments or policy shocks.

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