Jurnal Pengurusan 77 (2026)
https://doi.org/10.17576/pengurusan-2026-77-1

Directors' Foreign Experience, Compensation and Company Performance: Evidence from China

(Pengalaman Antarabangsa Pengarah, Imbuhan, dan Prestasi Syarikat: Bukti daripada China)

Yuchen Meng
Norman Mohd Saleh
Hamizah Abdul Razak
(Faculty of Economics and Management, Universiti Kebangsaan Malaysia)

ABSTRACT

Costs and benefits are both associated with directors' foreign experience, complicating the relationship between foreign experience and firm performance. However, the existing literature has focused mainly on the impacts of such directors on reporting and financial indicators. Limited evidence has examined the relationship between directors' foreign experience and firm performance, overlooking the role of directors' compensation. Drawing on Resource Dependency Theory, this study examines whether directors' foreign experience influences company performance and whether compensation serves as a mechanism through which organisational outcomes are enhanced. Analysing 26,026 observations of Chinese A-share listed companies between 2010 and 2022 using panel data regression analyses, results indicate that directors' foreign experience is positively associated with company performance, with directors' compensation acting as a partial mediator of this relationship. Overall, these results highlight the importance of appointing directors with foreign experience and the critical role of competitive compensation in attracting such talent to improve firm performance.

Keywords: Directors' foreign experience; compensation; performance; resource dependence theory; corporate governance

ABSTRAK

Terdapat kedua-dua kos dan manfaat yang berkaitan dengan pengalaman antarabangsa dalam kalangan pengarah, yang menjadikan hubungan antara pengalaman antarabangsa dan prestasi firma bersifat kompleks dan tidak bersifat malar. Namun begitu, kebanyakan kajian terdahulu hanya menumpukan kepada kesan pengarah berpengalaman antarabangsa terhadap pelaporan dan prestasi kewangan. Bukti adalah terhad mengenai hubungan antara pengalaman antarabangsa pengarah dan prestasi firma, manakala peranan Imbuhan pengarah masih kurang diberi perhatian. Bersandarkan Teori Kebergantungan Sumber, kajian ini mengkaji sama ada pengalaman antarabangsa dalam kalangan pengarah mempengaruhi prestasi syarikat serta sama ada imbuhan pengarah berfungsi sebagai mekanisme yang dapat meningkatkan prestasi organisasi. Melalui analisis 26,026 pemerhatian syarikat tersenarai A-Share di China bagi tempoh antara 2010 hingga 2022 dan menggunakan analisis regresi panel data, dapatan kajian menunjukkan bahawa pengalaman antarabangsa pengarah mempunyai hubungan positif dengan prestasi syarikat, dengan imbuhan pengarah bertindak sebagai mediator separa dalam hubungan tersebut. Hasil kajian ini menekankan kepentingan melantik pengarah yang mempunyai pengalaman antarabangsa serta menyediakan imbuhan yang berdaya saing bagi menarik bakat berkualiti dalam meningkatkan prestasi syarikat.

Kata kunci: Pengalaman antarabangsa pengarah; prestasi syarikat; imbuhan pengarah; teori kebergantungan sumber; tadbir urus korporat

INTRODUCTION

Poor corporate governance is a contributing factor to corporate collapse and weak company performance worldwide. In China, evidence of poor corporate governance includes the Evergrande Group (2021), Fantasia Holdings (2021) and HNA Group (2021) (Khan et al. 2021). These issues can substantially impede a country's capital market and economic development. One of the rarely discussed governance factors in the literature is the role of directors' foreign experience in shaping company performance (Gianetti et al. 2015; Le et al. 2022; Machado et al. 2023; Ning et al. 2019). Directors' foreign experience (DFE) refers to directors who have lived, studied or worked in countries other than the company's home country. Such experience is particularly vital in a newly emerging economy, where most directors are homegrown and subject to local stereotypes. Therefore, beginning in the early 1990s, provincial governments in China have initiated policies to attract individuals with foreign experience, foster entrepreneurial activity and facilitate the establishment of new businesses (Zweig 2006; Giannetti et al. 2015). These efforts reached a crucial milestone in 2008, when the Chinese central government introduced the 'Thousand Talents Plan', aimed at advancing the development of strategic emerging industries

(Yuen & Wen 2018). However, the extent to which DFE contributes to company performance, and the mechanisms through which it actually enhances such performance, remain open questions.

Previous studies have investigated the role of DFE and dividend payouts (Tao et al. 2022), environmental behaviour (Fei 2022), corporate environmental practices or disclosure (Le et al. 2022; Ning et al. 2022), stock price crash risk (Cao et al. 2019), voluntary information disclosure, analyst coverage, earnings forecast accuracy and earnings management (Hao et al. 2021). With the exception of Le et al. (2022), these scholars prove that DFE positively affects company outcomes. Amongst them, only Ning et al. (2019) and Gianetti et al. (2015) show that DFE increases company value and performance, respectively. These findings indicate that bringing in directors with valuable expertise and insights may enhance performance. Conversely, given the initial scarcity of DFE (Gianetti et al. 2015) in China, attracting such talent necessitates substantial investment in compensation packages that reflect their value in the competitive international talent market (Hahn & Lasfer 2016; Masulis et al. 2012; Pathak & Chandani 2023). Additionally, these directors may focus on the recruitment of high-quality talent, leading to higher compensation levels for directors.

Thus, increased compensation expenditures may negatively affect performance outcomes. Whilst the eligibility of DFEs for higher compensation is a general consensus, the specific outcomes for directors' compensation and company performance remain unclear. Therefore, this study defines directors' compensation as the sum of fixed and variable pay components awarded to directors, designed to attract, motivate and retain key talent.

Driven by the critical role of governance in improving company performance, shaping capital markets and fostering economic development, and by the limited research on the impact of DFE, this study aims to expand the literature on the effects of DFE on company performance. Additionally, this study examines the role of compensation as a mechanism through which DFE may influence organisational performance.

Gianetti et al. (2015) suggest that DFE is related to the following: (1) exposure to superior management practices, which may include values, corporate culture and mental framework; (2) important international business connections; and (3) improved monitoring function due to the lack of local ties. The argument that directors bring diverse connections, perspectives and experiences to the boardroom is based on the resource-based view, whilst their independence from local ties aligns with agency theory. Previous studies indicate that boards with foreign experience promote effective governance and ultimately drive improvements in business performance (Pucheta-Martínez et al. 2020). However, DFE may also create challenges, occasionally leading to conflicts and disagreements due to varying interpretations (Paolone et al. 2024), which could impair performance (Tejerina-Gaite & Fernández-Temprano 2021; Machado et al. 2023; Masulis et al. 2012). This paradox implies a complicated relationship, thereby enhancing the complexity and intrigue of the investigation. Consequently, regardless of their origin, the resources that directors bring to the board, including their professional networks, are key factors influencing compensation (Chen et al. 2020).

This study uses data from Chinese listed A-shares from 2010 to 2022 to test the hypotheses. The Chinese A-share market offers a unique context, with distinct corporate governance practices and a regulatory environment that substantially differ from those in Western markets (Jiang & Kim 2020). The findings of this study indicate that DFE positively affects company performance. The results justify the importance of diverse perspectives in enhancing corporate governance effectiveness and aligning directors' incentives with long-term shareholder value. This argument indicates that the skill, expertise and networks of international directors are highly valued, leading to improvements in governance and performance.

This study contributes to the literature on board composition by emphasising the beneficial effects of appointing DFE on their compensation and, in turn, on corporate performance. The findings reveal that DFE can notably improve corporate performance, with compensation acting as a partial mediator in the relationship between DFE and corporate outcomes.

The remainder of this paper is organised as follows. Section 2 presents the literature review and hypotheses development. Section 3 explains the research methodology employed in this study. Section 4 reviews and discusses the research findings. Section V highlights the conclusion, implications and gaps for future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

THEORETICAL UNDERPINNING

Generally, upper echelons theory holds that the values, experiences and characteristics of board members and top executives influence their perceptions and strategic decisions (Hambrick & Mason 1984; Zhu et al. 2018). A leader's education, professional experience and cultural background shape their cognition and interpretation of information, thereby guiding their strategic choices that can enhance performance. However, this study draws on resource dependence theory (RDT) for predicting specific director characteristics. According to this theory, organisations cannot rely solely on their own resources for survival and success (Pfeffer & Salancik 2015). RDT emphasises the role and diversity of the board of directors (Adams et al. 2010) as a bridge to external linkages that help companies secure crucial resources for improving performance, such as global networking, knowledge of global markets and diverse perspectives. The board's positive characteristics are considered as a form of capital or resources (Hillman & Dalziel 2003) from its members. Such foreign market experience and knowledge, which are often scarce in the local market, are crucial for organisations aiming international expansion, engaging in cross-border operations or developing strategies that position the company to gain a competitive advantage in the global economy.

Furthermore, Hillman and Dalziel (2003) argue that RDT posits a direct, positive relationship between board-acquired resources and company performance. These resources act as protection for the firm from external dependencies, uncertainty and transaction costs, thereby promoting organisational survival. The demand for DFE is notably high due to the relatively recent liberalisation of China's markets (Yuan & Wen 2018).

Contrary to the dominant research direction, this paper advances a framework positing that DFE enhances firm performance through two distinct pathways: through their personal human capital and through their influence on board composition. Specifically, their direct competencies are applied in governance, whilst their board involvement facilitates the appointment of highly capable directors. This hypothesis is based on the unique knowledge and norms acquired by these individuals through direct exposure to multinational corporations and global business ecosystems (Xiang et al. 2024).

Schmidt et al. (2023) emphasise that leadership competencies, including strategic foresight and analytical skills, are critical for navigating today's complex business landscape. Directors with these competencies may prioritise the acquisition of extensive knowledge to successfully leverage resources and gain a competitive advantage. Indirectly, competent directors can enhance governance by designing compensation structures that align the interests of managers and shareholders (Aslam et al. 2019; Sheikh et al. 2018; Zoghlami 2021). Such compensation design leads to substantially high overall compensation, thereby helping attract skilled directors, particularly those with international expertise (Pucheta-Martínez & Gallego-Álvarez 2020; Schmid & Baldermann 2021). Studies indicate that offering high compensation is a strategy to recruit directors that can handle complex global markets (Giannetti et al. 2020; Peng & Jiang 2021).

However, the relationship between DFE and compensation varies by context. In Western countries, DFE often commands higher compensation due to their strategic value (Schmid & Baldermann 2021). Conversely, in China, whilst such directors are recognised as important, the compensation premium is less pronounced (Cao et al. 2019). This discrepancy is attributed to differences in governance structures, where foreign experience is viewed as only secondary to other compensation determinants (Conyon & He 2011).

Variations in compensation reflect the strategic value from directors, such as international market knowledge and governance capabilities. Sun et al. (2024) support the idea that DFE tend to receive higher pay than those without because they can reduce uncertainty and foster innovation. Overall, although foreign experience is generally associated with high compensation in global contexts, the strength of this relationship is influenced by regional governance structures and cultural perceptions of foreign expertise (Sun et al. 2024; Schmid & Baldermann 2021).

DIRECTORS' FOREIGN EXPERIENCE AND COMPANY PERFORMANCE

Early studies document several company-level characteristics that affect corporate performance outcome, including general board characteristics (Pucheta-Martínez & Gallego-Álvarez 2020), board diversity (Abtahi et al. 2023; Khan et al. 2024), management's academic experience (He et al. 2021), foreign directors (Samara & Yousef 2023) and board internationalisation (Ashraf & Qian 2021).

Studies have shown that DFE provides remarkable contributions to effective governance, which, in turn, enhances company environmental performance (Ullah et al. 2021; Wang et al. 2022), reduces corporate tax avoidance (Wen et al. 2020) and diminishes earnings management (Ashraf & Qian 2021). Furthermore, managers with international exposure are more likely to foster an innovative corporate culture (Yuan & Wen 2018) and play crucial roles in driving strategic change within their organisations (Samara & Yousef 2023). These studies often use the presence of foreign directors as a proxy to examine the impact of international experience. The overall benefits of DFE highlighted by these studies include fostering innovation, upholding ethics, broadening the perspective in strategic decision-making and enhancing external linkages.

Another study indicates that foreign board experience does not always translate into improved performance, especially in settings where decision-making is heavily dependent on local context. Boards with international experience may occasionally misinterpret and misalign with local market demands, negatively impacting company performance (Tejerina-Gaite & Fernández-Temprano 2021). Similarly, Machado et al. (2023) show a reduction in return on equity (ROE) and return on assets (ROA) due to an increase in the number of foreign directors. Masulis et al. (2012) find that whilst DFE can help bridge cultural gaps in international markets, they perform poorly in terms of board meeting attendance and receive higher compensation, revealing its insignificant association with improved company performance. Therefore, the contradicting findings have prompted further exploration of this issue.

Emerging markets such as China show a strong demand for boards comprising individuals with foreign experience and advanced skills because they offer unique and valuable insights. Specifically, appointing DFE brings in intangible resources (Xiang et al. 2024). Building on RDT, DFE acts as boundary spanners who provide vital inter-organisational linkages. These linkages offer the firm with three key resource typologies: (1) relational capital in the form of global professional and institutional networks; (2) informational capital, comprising tacit knowledge of regulatory environments, consumer behaviours and competitive dynamics in international marketplaces; and (3) cognitive diversity, which introduces various frames of reference and problem-solving approaches (Xiang et al. 2024). The combination of these resources mitigates uncertainty in international operations and introduces performance-enhancing opportunities that are not accessible through domestic boards alone. Consistent with national talent policies, Chinese companies are proactively seeking, inviting and recruiting managers with international experience to fill critical positions within their organisations (Yuen & Wen 2018). However, boards with such expertise are scarce. Given the mixed findings in the existing literature on the relationship between nationality diversity and company performance, and drawing upon resource dependency and upper echelons theories, the following hypothesis is presented:

H_1 The director's foreign experience is positively associated with corporate performance.

COMPENSATION AND COMPANY PERFORMANCE

A compensation package is typically designed to align executive and director incentives with company performance. Various package combinations, such as bonuses, stock options and long-term incentives, can be used to motivate directors and drive shareholder value (Gan et al. 2020). Several factors influence the structure and value of these packages, such as the company's financial structure, external economic conditions (Frydman & Saks 2010) and a comprehensive assessment of financial and non-financial performance indicators (Gan et al. 2020). Consequently, the outcomes of well-aligned compensation packages include promoting R&D investment (Lu et al. 2020) and enhancing overall company performance (Almarayeh 2023; Dias et al. 2020). De Angelis and Grinstein (2020) posit that appropriate compensation is crucial for recruiting and retaining directors and top managers, ensuring they prioritise shareholder interests and mitigate the risk of exploitation (Olaniyi & Olayeni 2020).

Director compensation reflects the perceived market value of talent (LeBlanc 2020). In short, the market value of this director reflects a combination of talents that balance governance expertise, strategic insight and behavioural competence. The basic requirements include financial and ethical competence for organisational oversight, which is coupled with strategic insight and industry knowledge to guide long-term value creation. Interpersonal skills, constructive challenge of management and emotional intelligence to foster harmony and effective boardroom dynamics are equally critical. Furthermore, specialised expertise, such as in technology, international markets or crisis management, as well as cognitive diversity to enhance decision-making and mitigate strategic blind spots, are of considerable importance in modern boards (LeBlanc 2020). These boards' expertise, experience, knowledge, reputation and skills, which encompass the board's capital, help improve the provision of resources by the board (Hillman & Dalziel 2003), thereby directly optimising company performance (Xiang et al. 2024). This fact prompts companies to benchmark their practices against industry standards to attract and retain top talent as directors (Pathak & Chandani 2023; Lux et al. 2023). Consistent with RDT, the qualities of these directors (incorporated into compensation packages) are expected to exert a positive influence on company performance.

However, the relationship between board compensation and performance remains contentious, particularly in companies that offer high compensation despite poor performance. For example, Zoghlami (2021) note that potential investors are sceptical of rising board compensation due to overcompensation. Afrifa and Adesina (2018) suggest a non-linear SME board relationship: beyond an optimal level, the remuneration of directors reduces firm performance. Cohen et al. (2023) note that in the case of CEO compensation, whilst ESG-linked compensation may improve ESG outcomes, it does not necessarily translate to improved financial performance. Additionally, compensation has adverse effects; for instance, stock options in a compensation package can increase company-level risks and leverage (Liu et al. 2020). Zhou et al. (2021) further indicate that excessive stock pay compensation can also adversely affect innovation.

Although many studies have explored executive compensation, the specific relationship between directors' compensation and company performance remains unclear. Given the mixed results in this area from different contexts, this study presents the second hypothesis:

H_2 Directors' compensation and corporate performance are positively associated.

MEDIATING ROLE OF DIRECTORS' COMPENSATION BETWEEN DIRECTORS' FOREIGN EXPERIENCE AND CORPORATE PERFORMANCE

This study argues that DFE may not only directly affect company performance but also present indirect effects through the compensation structure. This expectation is consistent with the first hypothesis, which posits the direct influence of improved monitoring quality, strategic advising and board decision-making processes on DFE. Previous studies have shown that DFE can affect executive compensation (Conyon et al. 2019); however, its impact on directors' compensation remains underexplored. If DFE can affect directors' compensation, which may be positively associated with company performance, then directors' compensation can mediate the relationship based on the above argument.

The effectiveness of corporate governance mechanisms is influenced by DFE and their successful utilisation of their abilities to improve business performance. Directors are accountable for corporate success, and an appealing executive compensation structure can increase their willingness to act in the best interests of shareholders, thereby lowering agency costs and improving company performance. Therefore, directors with substantial exposure, particularly in countries with strong investor protection, advanced management practices, robust rule of law and low corruption, are posited to influence board practices. Specifically, they can facilitate the recruitment and retention of high-calibre board talent by advocating for competitive, internationally benchmarked compensation schemes. This ‘learning channel’, through which DFE transmits governance norms, is consistent with the findings of Iliev and Roth (2018).

Although various individual characteristics and ownership structures influence director compensation in China (Chen & Keefe 2018), the convergence towards internationally recognised governance standards creates inherent pressure to raise compensation levels. Consequently, as hypothesised in H_2, boards that successfully recruit members with appropriate expertise, experience and reputation can enhance firm value. Theoretically, this examination is novel because it tests the model of dynamic resources → resources → outcomes, where one set of directorial resources (foreign experience) facilitates the acquisition of another (high-quality board human capital), ultimately driving performance.

This issue is critical in emerging markets, where these countries have generally weak corporate governance and poor management practices (Quan et al. 2023). The extent to which directors’ pay mechanisms can improve corporate governance and management performance is crucial to shareholders. Thus, the following hypothesis is presented:

H_3 The relationship between directors’ foreign experience and corporate performance is mediated by directors’ compensation.

METHODOLOGY

SAMPLE DATA

The study analysed A-share data from listed companies in China between 2010 and 2022, primarily sourced from the China Securities Market and Accounting Research Database. Aiming to ensure data quality, inappropriate samples, including companies at risk of delisting (ST and *ST companies), as well as those with incomplete data, were excluded. Additionally, listed insurance and financial companies were removed due to their distinct financial treatments, which could skew results. Winsorisation was applied at the 1st and 99th percentiles to mitigate the influence of extreme values on the analysis. The final dataset comprised 26,026 observations.

TABLE 1. Number of observations

Item	#
Initial observations (2010–2022)	33,338
ST&ST* (All industries)	(2304)
Listed insurance and financial companies (Non-ST&ST*）	(1360)
Incomplete data	(3648)
Final sample	26,026

MEASUREMENT OF VARIABLES

Figure 1 summarises the framework for this study. The dependent variable is company performance (Perform), measured through three key indicators: Tobin’s Q (Tbq), return on total assets (ROA) and return on equity (ROE). Tobin’s Q is the primary measure, whilst ROA and ROE are used for robustness testing. These indicators are widely recognised in prior research. A high Tobin’s Q indicates high investment returns and growth potential. ROA reflects the efficiency of asset utilisation, with high values signalling strong profitability. Similarly, a high ROE demonstrates effective use of equity to generate profits, indicating robust operational capability and competitive advantage in the market.

The independent variable of interest is the presence of DFE. A company is deemed to have such a director if at least one director has studied or worked abroad (Giannetti et al. 2015). The definition is stricter than that of Ning et al. (2022), which identifies foreign culture through three components: foreign work, foreign education and foreign visiting or training. The study employs a dummy variable: it is set to 1 if the company has at least one director with foreign experience and 0 otherwise. The study identifies Compensation as the mediating variable, considering that it incentivises employees to be highly dedicated to their work. Compensation is defined as the average pay of all directors within the company, with a logarithmic transformation applied to this measure.

Based on prior research, the selected control variables include the actual number of directors (Number), company size (Size), the asset–liability ratio (ALR), growth rate of operating income (Growth), earnings per share reserve (EPSR) (Arcelus et al. 2005; Skhvediani et al. 2024), proportion of independent directors (IDR), shareholding of the largest shareholder (LHR) and the ratio of tangible assets to total assets (TBR) (Chen et al. 2021). Table 2 presents the measurement description of these variables.

TABLE 2. Variable definition table

Variable type	Variable name	Variable symbol	Measures
Dependent variable	Tobin Q	TBQ	Market value / Total assets
	Return on assets	ROA	Net profit after tax / Average total assets × 100%
	Return on equity	ROE	Net profit / Average net assets × 100%

Independent variable	Directors' Foreign Experience	DFE	Dummy variable, 1 if the director has foreign experience, and 0 otherwise
Mediating variable	Compensation	Compensation	Natural logarithm of the average compensation of directors
Control variables	Number of directors	Number	Actual number of directors in the company
	Company size	Size	Natural logarithm of total assets
	Asset–liability ratio	ALR	Total liabilities / Total assets
	Operating income growth rate	Growth	(Operating income for the current period − Operating income for the same period last year) / (Operating income in the same period of the previous year)
	Earnings per share reserve	EPSR	Ending value of earnings per share / Ending value of paid-in capital for the period
	Independent director ratio	IDR	Number of independent directors / Number of board of directors
	Largest holder rate	LHR	Share of the largest shareholder
	Tangible assets ratio	TBR	Total tangible assets / Total assets

EMPIRICAL MODEL

Aiming to examine the impact of *DFE* on *Tobin's Q*, *ROA* and *ROE* of corporate performance (*Perform*), this paper establishes the following model, based on Gianetti et al. (2015):

$$Perform_{it} = \alpha + \beta_1 DFE_{it} + \lambda_1 Number_{it} + \lambda_2 Size_{it} + \lambda_3 ALR_{it} + \lambda_4 Growth_{it} + \lambda_5 EPSR_{it} + \lambda_6 IDR_{it} + \lambda_7 LHR_{it} + \lambda_8 TBR_{it} + \delta_i + \mu_t + \varepsilon_{it} \qquad (1)$$

where *Number*, *Size*, *ALR*, *Growth*, *EPSR*, *IDR*, *LHR* and *TBR* are control variables. A significant β1 coefficient indicates an association between *DFE* and *Perform*.

Aiming to examine the impact of *DFE* on *Compensation*, this paper establishes the following model (equation 1):

$$Compensation_{it} = \alpha + \beta_2 DFE_{it} + \lambda_3 Number_{it} + \lambda_4 Size_{it} + \lambda_4 ALR_{it} + \lambda_5 Growth_{it} + \lambda_6 EPSR_{it} + \lambda_7 IDR_{it} + \lambda_8 LHR_{it} + \lambda_9 TBR_{it} + \delta_i + \mu_t + \varepsilon_{it}. \qquad (2)$$

A significantly positive β_2 coefficient indicates that *DFE* is associated with higher Compensation levels, and vice versa.

Aiming to investigate whether *Compensation* plays a mediating role in the impact of *DFE* on *Perform*, this paper establishes the following mediating-effect test model.

$$Perform_{it} = \alpha + \beta_1 DFE_{it} + \gamma\, Compensation_{it} + \lambda_1 Number_{it} + \lambda_2 Size_{it} + \lambda_3 ALR_{it} + \lambda_4 Growth_{it} + \lambda_5 EPSR_{it} + \lambda_6 IDR_{it} + \lambda_7 LHR_{it} + \lambda_8 TBR_{it} + \delta_i + \mu_t + \varepsilon_{it}. \qquad (3)$$

A significantly positive Compensation indicates its mediating role on the impact of DFE on Perform. The comparison is initially conducted using two estimation methods: the fixed-effects and random-effects models. The Hausman test was used to determine which model should be used.

$$Y_{it} = \alpha_i + \beta X_{it} + \epsilon_{it} \qquad (4)$$

The mediating test is then conducted using the three-step method of Baron and Kenny (1986) for mediating effects (Figure 1). This method was selected due to its alignment with the study's theory-building objectives, providing a transparent, sequential test of the proposed chain: (1) the effect of DFE on company performance, (2) the effect of DFE on compensation and (3) the attenuation of the direct DFE–performance relationship upon including the mediator. This stepwise logic offers distinct empirical evidence for each link in the theoretical model, thereby elucidating the resources → resources → outcomes mechanism central to our contribution. After establishing the presence of mediating effects, the Sobel test can be used to assess their significance. The calculation formula of the Sobel test is as follows:

$$z = \frac{a \,.\, b}{\sqrt{b^2 \,.\, SE_a^2 + a^2 \,.SE_b^2}} \qquad (5)$$

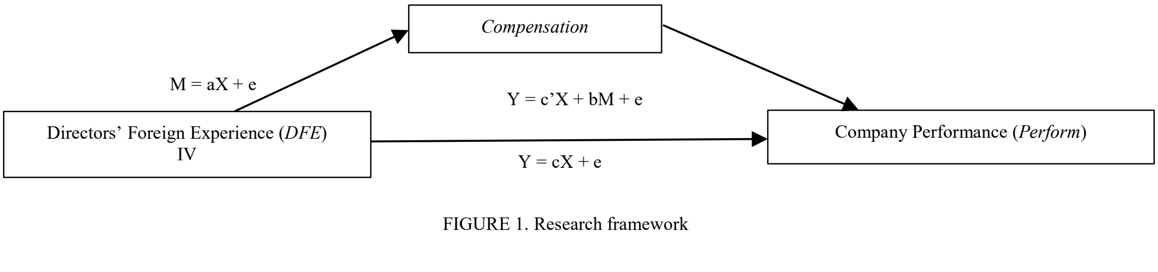

FIGURE 1. Research framework

The analysis recognises potential endogeneity, because firm performance may itself influence the appointment of DFE and the level of director compensation, raising concerns of reverse causality. Whilst firm- and year-fixed effects mitigate some omitted-variable bias, they cannot fully address selection or simultaneity bias. Consequently, the results are best interpreted as indicating associations consistent with the proposed theoretical mechanisms, not as conclusive proof of causality.

RESULTS AND DISCUSSION

Table 3 presents the results of the descriptive statistical analysis, revealing the overall characteristics of the sample.

TABLE 3. Variable definition table

Variable	N	Mean	p50	sd	min	max
Tbq	26026	1.984	1.602	1.170	0.848	7.394
DFE	26026	0.569	1.000	0.495	0.000	1.000
Compensation	26026	12.455	12.476	0.850	6.613	16.504
Number	26026	8.513	9.000	1.620	5.000	14.000
Size	26026	9.691	9.605	0.569	8.695	11.460
ALR	26026	0.419	0.413	0.202	0.053	0.869
Growth	26026	0.313	0.118	0.801	−0.625	5.490
EPSR	26026	0.266	0.199	0.230	0.010	1.336
IDR	26026	37.591	36.360	5.320	33.330	57.140
LHR	26026	34.014	31.890	14.825	8.330	73.650
TBR	26026	0.924	0.955	0.090	0.520	1.000

CX

The variables are as follows: Tobin's Q (*Tbq*), director with foreign experience (*DFE*), n-Log directors' compensation (*Compensation*), actual number of directors (*Number*), Company size (*Size*), the asset–liability ratio (*ALR*), growth rate of operating income (*Growth*), earnings per share reserve (*EPSR*), proportion of independent directors (*IDR*), shareholding of the largest shareholder (*LHR*) and the ratio of tangible assets to total assets (*TBR*).

The results of the descriptive statistical analysis reveal 26,026 observations, with the variables exhibiting varying degrees of variability. More than half of the companies have DFE (56.9%), which is higher than the average percentage reported by Gianetti et al. (2015) (46.3%). The minimum and maximum numbers of directors are 5 and 14, respectively. The lowest (highest) shareholding of the largest shareholder is 8.33% (73.65%). Overall, these results reflect the diversity of strategies and management practices across companies.

The correlation analysis reveals a significantly positive relationship between *DFE* and *Tbq* (r = 0.071). *DFE* is also positively correlated with Compensation (r = 0.146). These results imply that the internationalisation role of DFE may enhance company value and increase directors' compensation. The highest correlation coefficient is between *Size* and *ALR* (0.517), indicating that larger companies are more likely to have higher ALRs. This result may be attributed to larger companies generally having easier access to debt financing due to their size and market position, thus providing superior credit ratings and borrowing capacity. The correlations also indicate that larger companies tend to offer higher compensation and typically have more directors.

TABLE 4. Correlation analysis

	Tbq	*DFE*	*Compensation*	*Number*	*Size*	*ALR*	*Growth*	*EPSR*	*IDR*	*LHR*	*TBR*
Tbq	1.000										
DFE	0.071***	1.000									
Compensation	−0.031***	0.146***	1.000								
Number	−0.123***	0.087***	−0.044***	1.000							
Size	−0.358***	0.071***	0.282***	0.272***	1.000						
ALR	−0.259***	−0.056***	−0.007	0.155***	0.517***	1.000					
Growth	−0.002	−0.007	−0.039***	−0.008	0.019***	0.089***	1.000				
EPSR	−0.079***	0.020***	0.135***	0.129***	0.278***	−0.002	−0.058***	1.000			
IDR	0.042***	−0.015**	0.002	−0.512***	0.008	−0.015**	0.003	−0.005	1.000		
LHR	−0.105***	−0.037***	−0.102***	0.002	0.163***	0.041***	−0.003	0.158***	0.052***	1.000	
TBR	−0.015**	−0.035***	−0.025***	0.011*	−0.027***	0.059***	−0.007	0.128***	−0.006	0.115***	1.000

Note: The variables are as follows: Tobin's Q (Tbq), director with foreign experience (DFE), n-Log directors' compensation (Compensation), actual number of directors (Number), Company size (Size), the asset–liability ratio (ALR), growth rate of operating income (Growth), earnings per share reserve (EPSR), proportion of independent directors (IDR), shareholding of the largest shareholder (LHR) and the ratio of tangible assets to total assets (TBR).
*, ** and *** significant at the 10%, 5% and 1% levels, respectively (2-tailed).

The VIF test was conducted to check for multicollinearity amongst the control variables. The results show that the individual VIF values and their average are below 5, indicating no serious multicollinearity issues amongst the control variables.

TABLE 5. VIF collinearity test

Variable	VIF	1/VIF
Number	1.52	0.657604
Size	1.68	0.595926
ALR	1.44	0.693832
Growth	1.01	0.988286

EPSR	1.17	0.857317
IDR	1.40	0.712808
LHR	1.06	0.943751
TBR	1.05	0.954874
Mean VIF	1.29	
Variable	VIF	1/VIF

The Hausman test indicates that a fixed-effects regression should be used. As shown in Table 6, Model (1) does not include control variables, whilst Model (2) contains these variables. In Model (1), the coefficient for *DFE* is positive but insignificant. However, with the addition of control variables in Model (2), the *DFE* coefficient becomes 0.04546, positive and significant at the 1% level, indicating that having DFE can enhance corporate performance by approximately 4.5%. This result demonstrates a positive relationship between DFE and firm performance, as measured by Tobin's Q, thereby supporting Hypothesis 1. The finding indicates that foreign-experienced board members contribute to value creation by introducing diverse cognitive perspectives and international management practices (Roth 1995). Thus, DFE enhances operational and managerial efficiency (Huo et al. 2021) and supports the firm's internationalisation.

Consistent with the resource-dependence view, this study aligns with emerging literature that regards DFE as a strategic resource for improving governance quality and strategic decision-making (Ullah et al. 2021; Wang et al. 2022). Foreign directors act as boundary spanners, providing relational networks, informational capital and cognitive diversity that help firms navigate complex environments and identify growth opportunities (Yuen & Wen 2018). Specifically, the presented sample, derived from high-growth emerging-market firms with explicit internationalisation strategies, represents a setting in which the informational networks and diverse cognitive frameworks of foreign directors are particularly valuable for navigating complexity and identifying growth opportunities. The R^2 value increases from 0.179 in Model (1) to 0.224 in Model (2), indicating superior explanatory power with the inclusion of control variables.

TABLE 6. Baseline regression

	(1) Tbq	(2) *Tbq*
DFE	0.01437	0.04546***
	(1.00)	(3.24)
Number		−0.00438
		(−0.64)
Size		−1.02528***
		(−33.38)
ALR		0.66913***
		(13.08)
Growth		−0.01912**
		(−2.47)
EPSR		0.11605**
		(2.16)
IDR		0.00502***
		(2.94)
LHR		−0.00898***
		(−10.54)
TBR		−0.14483
		(−1.58)
_cons	2.34560***	11.93471***
	(96.90)	(36.65)
N	26026	26026
R^2	0.179	0.224
Year	Yes	Yes
FE	Yes	Yes

Note: The variables are as follows: Tobin's Q (*Tbq*), director with foreign experience (*DFE*), n-Log directors' compensation (*Compensation*), actual number of directors (*Number*), Company size (*Size*), the asset–liability ratio (*ALR*), growth rate of operating income (*Growth*), earnings per share reserve (*EPSR*), proportion of independent directors (*IDR*), shareholding of the largest shareholder (*LHR*) and the ratio of tangible assets to total assets (*TBR*). t-statistics are in parentheses. * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$

In the mediation analysis, the first model shows that DFE significantly impact Tobin's Q, with a coefficient of 0.04546 (Table 7, Column 1). Additionally, Table 7, Column 2, indicates that DFE has a significant positive impact on Compensation, revealing a regression coefficient of 0.02942 ($p < 1\%$). This finding implies that DFE are associated with high compensation, either because this experience is factored into compensation packages or because it attracts high-quality directors who provide positive contributions to company performance.

In the third model (Table 7, Column 3), compensation significantly affects Tobin's Q, with a coefficient of 0.09815 ($p < 1\%$). After controlling for the mediator variable (*Compensation*), the association of DFE with Tobin's Q remains significant, despite a slight reduction in coefficient from 0.04546 to 0.04257. This result indicates a partial mediating effect, that is, compensation partially mediates the relationship between overseas directors and Tobin's Q.

These findings support Hypothesis 2, which states that DFE are positively associated with compensation, potentially leading to improved performance. This finding aligns with the argument of Becker and Huselid (1992) that managers are highly motivated to advance the company's long-term interests when their compensation is closely tied to performance. Similarly, Chen et al. (2021) highlight the role of compensation as an incentive in enhancing performance. The empirical results of this study imply that DFE not only receive higher compensation but are also incentivised (through this compensation) to improve corporate performance. This result supports Hypothesis 3, which proposes that compensation mediates the relationship between DFE and company performance.

Overall, these results indicate that DFE not only directly contribute to performance but also operate through a structural governance channel: foreign-experienced directors facilitate the adoption of internationally benchmarked, performance-sensitive compensation schemes, which, in turn, attract and retain higher-calibre board talent. This 'learning channel' (Iliev & Roth 2018) transmits global governance norms and aligns director incentives with shareholder interests, thereby minimising agency costs and enhancing strategic oversight. In the context of emerging markets such as China, where governance practices are increasingly converging with international standards, the adoption of competitive compensation acts as a mechanism through which DFE translates into tangible firm value. Thus, the results advance the model of *resources* → *resources* → *outcomes*, in which one form of directorial resource (international experience) enables the acquisition of another (high-quality human capital), ultimately driving superior performance.

TABLE 7. Mediation analysis

	(1) *Tbq*	(2) *Compensation*	(3) *Tbq*
DFE	0.04546***	0.02942***	0.04257***
	(3.24)	(3.44)	(3.03)
Compensation	-	-	0.09815***
	-	-	(9.04)
Number	−0.00438	−0.03274***	−0.00116
	(−0.64)	(−7.85)	(−0.17)
Size	−1.02528***	0.77323***	−1.10117***
	(−33.38)	(41.39)	(−34.64)
ALR	0.66913***	−0.31695***	0.70024***
	(13.08)	(−10.18)	(13.68)
Growth	−0.01912**	−0.01188**	−0.01795**
	(−2.47)	(−2.52)	(−2.32)
EPSR	0.11605**	0.02238	0.11386**
	(2.16)	(0.69)	(2.12)
IDR	0.00502***	−0.00975***	0.00598***
	(2.94)	(−9.40)	(3.50)
LHR	−0.00898***	0.00025	−0.00901***
	(−10.54)	(0.48)	(−10.59)
TBR	−0.14483	0.20792***	−0.16524*
	(−1.58)	(3.74)	(−1.81)
_cons	11.93471***	5.19260***	11.42504***
	(36.65)	(26.22)	(34.63)
N	26026	26026	26026
R^2	0.224	0.348	0.227
Year	Yes	Yes	Yes
FE	Yes	Yes	Yes

Note: The variables are as follows: Tobin's Q (Tbq), director with foreign experience (DFE), n-Log directors' compensation (Compensation), actual number of directors (Number), Company size (Size), the asset–liability ratio (ALR), growth rate of operating income (Growth), earnings per share reserve (EPSR), proportion of independent directors (IDR), shareholding of the largest shareholder (LHR) and the ratio of tangible assets to total assets (TBR). t-statistics are in parentheses. * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$

ROBUSTNESS TESTS

In addition to Tobin's Q, additional indicators were also considered to gain a comprehensive understanding of the association between *DFE* on *Perform*. Two commonly used financial ratios, *ROA* and *ROE*, were selected to test the robustness and validity of the findings. This approach strengthens the overall assessment and enhances the credibility of the conclusions.

In the robustness test, in addition to the alternative-variable method, this study also uses a standard method that does not control for year. Therefore, the influence of year effects on the model results can be assessed. Omitting year control helps examine the consistency of relationship between these variables across years, thereby verifying the robustness of the results. This method not only simplifies the model but also avoids multicollinearity. According to the results in Table 8 (Model 3), consistent results from the uncontrolled and controlled years indicate the negligible impact of year on the conclusion, further enhancing the credibility of the model results. The inclusion of a multi-year pandemic period, encompassing the primary year of disruption and its immediate surrounding years, introduces highly exogenous volatility. This finding accounts for the attenuated explanatory power of the regressions using ROE and Tobin's Q, with the latter showing particularly high unpredictability.

The 2020 data are removed from Table 8 Model (4), reducing the number of observations from 26,026 to 23,485. Aiming to improve robustness, the data for the global COVID-19 outbreak in 2020 were removed. The COVID-19 pandemic in 2020 caused widespread economic and social shocks, leading to sudden changes in specific variables, such as a spike in unemployment and a sharp decline in consumption. These disruptions may have abnormal effects on the relationships between variables, reducing the representativeness of the results. Therefore, the 2020 data are removed from the robustness test to assess whether the model results are consistent in the absence of pandemic interference, thereby confirming the reliability of the conclusions. As shown in Table 8 (Model 4), the results after removing 2020 are consistent with those including it, indicating the robustness of the model and its independence from the extreme conditions of the pandemic year. Additionally, the R-square rises to 0.248, indicating improved model robustness. The unexpected factors introduced by the pandemic year increase the impact on the data, and the model can more accurately capture the proper relationships between variables after removing this year, improving the degree of fit. The consistency of the conclusions also indicates that the model results do not depend on abnormal years, further strengthening the reliability of the research conclusions.

TABLE 8. Robustness test results

	Model (1) *ROA*	Model (2) *ROE*	Model (3) *Tbq*	Model (4) *Tbq*
DFE	0.00449^{***}	0.04854^{**}	0.06088^{***}	0.04751^{***}
	(4.64)	(1.99)	(3.91)	(3.26)
Number	−0.00034	-0.02625^{**}	-0.03773^{***}	−0.00362
	(−0.73)	(−2.20)	(−5.04)	(−0.51)
Size	0.05226^{***}	0.26485^{***}	-0.77080^{***}	-1.09294^{***}
	(24.71)	(4.95)	(−30.41)	(−34.53)
ALR	-0.17292^{***}	-0.90670^{***}	0.57225^{***}	0.71476^{***}
	(−49.08)	(−10.18)	(10.16)	(13.51)
Growth	0.00504^{***}	0.04996^{***}	0.00773	-0.02103^{***}
	(9.46)	(3.71)	(0.90)	(−2.63)
EPSR	0.04310^{***}	0.10350	0.12177^{**}	0.06304
	(11.66)	(1.11)	(2.08)	(1.14)
IDR	−0.00019	-0.01294^{***}	0.00309	0.00514^{***}
	(−1.59)	(−4.36)	(1.63)	(2.91)
LHR	0.00060^{***}	0.00294^{**}	-0.01298^{***}	-0.00916^{***}
	(10.26)	(1.98)	(−14.35)	(−10.42)
TBR	0.01558^{**}	−0.13132	-0.33650^{***}	-0.15744^{*}
	(2.48)	(−0.83)	(−3.38)	(−1.68)
_cons	-0.40016^{***}	-1.33908^{**}	10.10177^{***}	12.55768^{***}
	(−17.85)	(−2.36)	(32.95)	(37.38)
N	26026	26026	26026	23485
R^2	0.148	0.008	0.044	0.248
Year	Yes	Yes	No	Yes
FE	Yes	Yes	Yes	Yes

Note: The variables are as follows: Tobin's Q (*Tbq*), director with foreign experience (*DFE*), n-Log directors' compensation (Compensation), actual number of directors (*Number*), Company size (*Size*), the asset–liability ratio (*ALR*), growth rate of operating income (*Growth*), earnings per share reserve (*EPSR*), proportion of independent directors (*IDR*), shareholding of the largest shareholder (*LHR*) and the ratio of tangible assets to total assets (*TBR*). t-statistics are in parentheses. * $p < 0.1$, ** $p < 0.05$ and *** $p < 0.01$

The coefficients for DFE on ROA and ROE are 0.00449 ($p < 1\%$) and 0.04854 ($p< 5\%$), respectively, indicating that having DFE is significantly positively associated with company performance. Across all models, the influence of DFE on performance indicators (ROA, ROE and Tbq) is positive and significant, indicating that having DFE on the board can have a significant positive impact on corporate performance. This result is supported by the robustness tests conducted across multiple alternative dependent variables, which further enhances the credibility of the conclusions. The Size, ALR and Growth indicators have a significant impact on different performance indicators (ROA, ROE and Tbq); therefore, considerable attention should be provided to the management of these indicators to improve the overall performance of the company.

The findings confirm a significant mediating effect of compensation on the relationship between DFE and company performance, regardless of the selected dependent variable. This finding reinforces the reliability of the research conclusions, aligning with the upper echelons theory and a previous research by Zhu et al. (2018). Their research highlights the influence of team contractual governance on corporate performance through improved strategic decision-making. The presence of DFE offers diverse perspectives and advanced management concepts, further boosting corporate performance. Additionally, the study supports Adams et al. (2010) on the benefits of board diversity. The results validate Hambrick and Mason's upper echelons theory, emphasising the role of directors' personal characteristics in decision-making. Furthermore, the research indicates that international education and experience enhance directors' skills and perspectives, including strategic foresight and analytical skills (Schmidt et al. 2023), positively impacting corporate performance. The directors are also expected to possess management skills on a complex global market (Giannetti et al. 2020; Peng & Jiang 2021). Logically, directors' behaviour is linked to their compensation because it aligns their interests with those of shareholders (Aslam et al. 2019; Sheikh et al. 2018; Zoghlami 2021). Two main points should be considered. Firstly, recruiting directors with international experience can be costly (Pucheta-Martínez & Gallego-Álvarez 2020; Schmid & Baldermann 2021; Sun et al. 2024). Secondly, these directors may advocate for higher compensation to attract and retain top talent in the country for their companies.

CONCLUSION

This study diverges from prior work on discrete governance outcomes by theorising and testing a sequential resource-based model. DFE is posited to enhance firm performance not only directly but also indirectly by necessitating competitive compensation to attract such scarce talent, which, in turn, attracts higher-calibre directors, a mediating mechanism previously underexplored in the literature. These conclusions are based on panel-data regression analyses of 26,026 firm-year observations from Chinese A-share-listed companies spanning 2010 to 2022.

The key findings of this study indicate that DFE have a significantly positive impact on company performance. Utilising fixed-effect regression and mediation analysis, this study demonstrates the association of DFE with firm performance, a relationship that is significantly mediated by director compensation. The findings confirm that whilst recruiting internationally experienced directors is a substantial investment, their compensation serves as a strategic mechanism that aligns interests and attracts top-tier governance talent. This strategy helps translate their unique human capital into improved corporate outcomes. This study conducted several sensitivity checks to ensure the robustness of the findings. Firstly, using alternative performance metrics (ROA and ROE) and estimating models without year controls yielded results consistent with the primary Tobin's Q models, confirming that the conclusions are not driven by variable selection or time-specific effects. Secondly, excluding the volatile 2020 pandemic year from the sample produced estimates that were directionally unchanged and improved model fit. This exclusion reinforced that the reported relationships are not artefacts of exogenous economic shocks.

THEORETICAL AND PRACTICAL IMPLICATIONS

This study advances the literature on board diversity by elucidating the positive effects of appointing DFE on their compensation and, consequently, on corporate performance. The findings reveal that DFE significantly enhance corporate performance, with compensation functioning as a partial mediator in the relationship between DFE and corporate outcomes. This study offers key theoretical implications for RDT. Moreover, the study reveals that directors' human capital, specifically foreign experience, acts as a critical buffer against environmental uncertainty, not merely through direct advice, but by facilitating the acquisition of other vital resources (i.e. high-calibre board talent via competitive compensation). This insight refines the theory by illuminating an intra-organisational resource conduit; one key resource (foreign experience) is strategically deployed to secure another (governance talent), thereby extending the theory's logic beyond direct firm-environment linkages to internal governance mechanisms.

The results yield two key practical implications. Firstly, they offer empirical support for public policy, reinforcing the economic rationale behind China's strategies to repatriate foreign-experienced professionals. Secondly, they provide a governance roadmap for firms, indicating that a deliberate focus on board internationalisation, operationalised through competitive, globally benchmarked compensation packages, can serve as a tangible lever to improve firm performance in competitive and rapidly integrating markets. Third, based on the underlying argument for DFE, firms should move beyond a generic preference for 'international experience' and specifically target candidates with exposure to jurisdictions characterised by strong investor protection, advanced management practices and transparent governance norms. The charter of the nomination committee should explicitly include this criterion, and the search process should prioritise verifying the depth and relevance of a candidate's overseas professional network and market-specific knowledge.

However, this study also has several limitations. Firstly, the data are restricted to Chinese-listed companies from 2010 to 2022, potentially limiting the applicability of the findings to other contexts. Additionally, the study does not provide insights into the specific reasons influencing the mediating role of compensation; whether it stems from the alignment of incentives between directors and shareholders inherent in the compensation packages, or from the board's behaviour in appointing the most qualified local and international talents, remains unclear due to a lack of detailed compensation and board member data. The study also acknowledges the simplicity of the binary measure of DFE, failing to capture the variation in the extent, intensity or proportion of such experience on the board. Furthermore, the study inherently assumes that firms with varying levels of international exposure, beyond their board composition, are equivalent for analysis.

The study also fails to identify specific behavioural traits or characteristics of DFE compared to local directors, further limiting the ability to draw definitive conclusions regarding their effects on company performance. Additionally, despite the use of firm- and year-fixed effects to control for unobserved heterogeneity and time-specific shocks, the estimated relationships may still be affected by reverse causality and selection bias. For instance, higher-performing firms may self-select into appointing DFE and offering higher compensation. Despite its robustness, the proposed methodology cannot conclusively rule out these alternative causal directions. Therefore, the findings should be interpreted as identifying strong conditional associations rather than definitive causal effects. The results of this study must also be carefully interpreted. Future research could extend on this study by examining detailed compensation package data in relation to specific traits and characteristics of DFE, comparing them with local directors and analysing their roles in the governance structure and processes, as well as their impact on diverse corporate performance measures. Overall, this study provides insights into corporate governance and board composition, particularly the importance of effectively utilising the foreign experience of directors in companies.

REFERENCES

Abtahi, Z., Chkir, I. & Benkraiem, R. 2023. Board diversity and corporate innovation: New evidence from the Canadian context. *Finance Research Letters* 55.

Adams, R.B., Hermalin, B.E. & Weisbach, M.S. 2010. The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature* 48(1): 58-107.

Afrifa, G.A. & Adesina, O.O. 2018. How does directors' remuneration affect SMEs' performance? *Review of Accounting and Finance* 17(2): 238–258.
Almarayeh, T. 2023. Board gender diversity, board compensation and firm performance. Evidence from Jordan. *Journal of Financial Reporting and Accounting* 21(3): 673–694.
Arcelus, F.J., Mitra, D. & Srinivasan, G. 2005. On the incidence of deferred taxes, intangibles and non-linearities in the relationship between Tobin's Q and ROI. *Journal of Economics and Business* 57(2): 165-185.
Ashraf, B.N. & Qian, N. 2021. The impact of board internationalisation on real earnings management: Evidence from China. Sage *Open* 11(3).
Aslam, E., Haron, R. & Tahir, M.N. 2019. How director remuneration impacts firm performance: An empirical analysis of executive director remuneration in Pakistan. *Borsa Istanbul Review* 19(2): 186–196.
Baron, R.M. & Kenny, D.A. 1986. The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology* 51(6).
Becker, B.E. & Huselid, M.A. 1992. The incentive effects of tournament compensation systems. *Administrative Science Quarterly*: 336–350.
Cao, F., Sun, J. & Yuan, R. 2019. Board directors with foreign experience and stock price crash risk: Evidence from China. *Journal of Business Finance & Accounting* 46(9-10): 1144-1170.
Chen, Z. & Keefe, M.O.C. 2018. Board of directors' compensation in China: To pay or not to pay? How much to pay? *Emerging Markets Review* 37: 66-82.
Chen, X., Xiao, H. & Zhang, Y. 2021. To what extent did independent directors help firms' recovery during the COVID-19 pandemic? Evidence from China. *Applied Economics* 53(38): 4464-4480.
Cohen, S., Kadach, I., Ormazabal, G. & Reichelstein, S. 2023. Executive compensation tied to ESG performance: International evidence. *Journal of Accounting Research* 61(3): 805-853.
Conyon, M.J. & He, L. 2011. Executive compensation and corporate governance in China. *Journal of Corporate Finance* 17(4): 1158–1175.
Conyon, M.J., Haß, L.H., Vergauwe, S. & Zhang, Z. 2019. Foreign experience and CEO compensation. *Journal of Corporate Finance* 57: 102–121.
De Angelis, D. & Grinstein, Y. 2020. Relative performance evaluation in CEO compensation: A talent-retention explanation. *Journal of Financial and Quantitative Analysis* 55(7): 2099-2123.
Dias, A., Vieira, V. & Figlioli, B. 2020. Tracing the links between executive compensation structure and firm performance: evidence from the Brazilian market. *Corporate Governance: The International Journal of Business in Society* 20(7): 1393–1408.
Fei, Q. 2022. Opposite effects of returnee and non-local independent directors on firm's environmental disclosure and performance. *Applied Economics* 54(11): 1257–1277.
Gan, H., Park, M.S. & Suh, S. 2020. Non-financial performance measures, CEO compensation, and firms' future value. *Journal of Business Research* 110: 213–227.
Giannetti, M., Liao, G. & Yu, X. (2015). The brain gain of corporate boards: Evidence from China. *The Journal of Finance* 70(4): 1629–1682.
Hahn, P.D. & Lasfer, M. 2016. Impact of foreign directors on board meeting frequency. *International Review of Financial Analysis* 46: 295-308.
Hambrick, D.C. & Mason, P.A. 1984. Upper echelons: The organisation as a reflection of its top managers. *Academy of Management Review* 9(2): 193–206.
Hao, Y., Han, D., Ning, C. & Liao, J. 2021. Culture from overseas and corporate transparency: Evidence from China. *International Journal of Finance & Economics* 26(2): 2491-2516.
He, K., Chen, W. & Zhang, L. 2021. Senior management's academic experience and corporate green innovation. *Technological Forecasting and Social Change* 166.
Huo, C., Malik, T.H. & Wang, X. 2021. Foreign independent directors (FID) on Chinese firms: The isomorphism and conformance-performance conflict. *SAGE Open* 11(3).
Iliev, P. & Roth, L. 2018. Learning from directors' foreign board experiences. *Journal of Corporate Finance* 51: 1–19.
Jiang, F. & Kim, K.A. 2020. Corporate governance in China: A survey. *Review of Finance* 24(4): 733–772.
Khan, I., Khan, I., Khan, I.U., Suleman, S. & Ali, S. 2024. Board diversity on firm performance from resource-based view perspective: New evidence from Pakistan. *International Journal of Productivity and Performance Management* 73(3): 649–675.
Khan, M.T., Al-Jabri, Q.M. & Saif, N. 2021. Dynamic relationship between corporate board structure and firm performance: Evidence from Malaysia. *International Journal of Finance & Economics* 26(1): 644–661.
Le, H.N.M., O'Connell, B.T. & Safari, M. 2022. The influence of overseas study and work experience on corporate environmental disclosures: Evidence from Vietnam. *Meditari Accountancy Research* 30(3): 524–561.
LeBlanc, R. 2020. *The Handbook of Board Governance: A Comprehensive Guide for Public, Private and Not-for-Profit Board Members*. 2nd Ed. John Wiley & Sons.
Liu, S., Qi, H. & Xie, Y.A. 2020. Executive compensation and capital structure. *Applied Economics* 52(8): 825–838.

Lu, X., Sheng, Y. & Wang, J. 2020. The influence of executive compensation incentives on R&D investment: the moderating effect of executive overconfidence. *Technology Analysis & Strategic Management* 32(10): 1169–1181.

Lux, D., Raval, V. & Wingender, J. 2023. Compensation structure impact on executive value judgment shift resulting in occurrence of fraud. *Journal of Financial Crime* 30(5): 1291–1304.

Machado, V.N., Sonza, I.B., Nakamura, W.T. & Mendes, J.S. 2023. Does foreign experience influence executive compensation in emerging markets? *Emerging Markets Finance and Trade* 59(11): 3656–3670.

Masulis, R.W., Wang, C. & Xie, F. 2012. Globalising the boardroom—The effects of foreign directors on corporate governance and firm performance. *Journal of Accounting and Economics* 53(3): 527–554.

Ning, C., Hao, Y., Liu, Z. & Liu, Y. 2022. Business social norms from overseas and corporate social responsibility performance: Evidence from China. *Asia-Pacific Journal of Accounting & Economics* 29(1): 191-221.

Paolone, F., Pozzoli, M., Chhabra, M. & Di Vaio, A. 2024. Cultural and gender diversity for ESG performance towards knowledge sharing: Empirical evidence from European banks. *Journal of Knowledge Management* 28(11): 106-131.

Pathak, M. & Chandani, A. 2023. Board composition, executive compensation, and financial performance: panel evidence from India. *International Journal of Disclosure and Governance* 20(4): 359–373.

Pfeffer, J. & Salancik, G. 2015. External control of organisations—Resource dependence perspective. In *Organisational Behavior 2*. 355-370. Routledge.

Pucheta-Martínez, M.C. & Gallego-Álvarez, I. 2020. Do board characteristics drive firm performance? An international perspective. *Review of Managerial Science* 14(6): 1251-1297.

Quan, X., Ke, Y., Qian, Y. & Zhang, Y. 2023. CEO foreign experience and green innovation: Evidence from China. *Journal of Business Ethics* 182: 535–557.

Samara, I. & Yousef, I. 2023. The impact of foreign directors and firm performance on strategic change. *Review of International Business and Strategy* 33(3): 466–492.

Schmid, S. & Baldermann, S. 2021. CEOs' international work experience and compensation. *Management International Review* 61(3): 313–364.

Schmidt, D.H., van Dierendonck, D. & Weber, U. 2023. The data-driven leader: developing a big data analytics leadership competency framework. *Journal of Management Development* 42(4): 297–326.

Sheikh, M.F., Shah, S.Z.A. & Akbar, S. 2018. Firm performance, corporate governance and executive compensation in Pakistan. *Applied Economics* 50(18): 2012-2027.

Skhvediani, A.E., Gutman, S.S., Rodionova, M.A. & Perfilova, J.A. 2024. Being green as an instrument for increasing firm value: case of US transport and logistics companies. *International Journal of Logistics Systems and Management* 47(1): 105-124.

Sun, S., Wang, Y., Wang, Y. & Mao, M. (2024). CEOs' diverse career experiences and the effectiveness of compensation contracts: Evidence from compensation stickiness. *Journal of Systems Science and Systems Engineering* 33(1): 52–76.

Tao, Q., Wei, K. J., Xiang, X. & Yi, B. 2022. Board directors' foreign experience and firm dividend payouts. *Journal of Corporate Finance* 75.

Tejerina-Gaite, F.A. & Fernández-Temprano, M.A. 2021. The influence of board experience on firm performance: does the director's role matter? *Journal of Management and Governance* 25: 685-705.

Ullah, F., Jiang, P., Shahab, Y. & Zheng, C. 2021. Board of directors' foreign experience and stock price informativeness. *International Journal of Finance & Economics* 26(4): 5160–5182.

Wang, Y., Qiu, Y. & Luo, Y. 2022. CEO foreign experience and corporate sustainable development: Evidence from China. *Business Strategy and the Environment* 31(5): 2036-2051.

Wen, W., Cui, H. & Ke, Y. 2020. Directors with foreign experience and corporate tax avoidance. *Journal of Corporate Finance* 62.

Xiang, X., Chen, C.R., Liu, Y., Mughal, A. & Tao, Q. 2024. Are directors with foreign experience better monitors? Evidence from investment efficiency. *Review of Quantitative Finance and Accounting* 62(2): 799–840.

Yuan, R. & Wen, W. 2018. Managerial foreign experience and corporate innovation. *Journal of Corporate Finance* 48: 752-770

Zhou, B., Li, Y. M., Sun, F.C. & Zhou, Z.G. 2021. Executive compensation incentives, risk level and corporate innovation. *Emerging Markets Review* 47.

Zhu, R., Zhou, Q. & Wu, Z. 2018. Does entrepreneurial team contractual governance really promote new venture performance? A moderated mediation model. *Nankai Business Review* 21(5): 30–40.

Zoghlami, F. 2021. Does CEO compensation matter in boosting firm performance? Evidence from listed French firms. *Managerial and Decision Economics* 42(1): 143–155.

Yuchen Meng
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor, MALAYSIA.
E-Mail: mengyuchen0425fiona@gmail.com

Norman Mohd Saleh (corresponding author)
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor, MALAYSIA.
E-Mail: norman@ukm.edu.my

Hamizah Abdul Razak
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor, MALAYSIA.
E-Mail: hamizahabdrazak@ukm.edu.my