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Impact of executives, foreign experience on environmental, social and governmental (ESG) performance of Saudi market

Video Oyunlarında Grafik Tasarım Sanatı: Görselliğin Ötesinde

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Abstract

This study empirically explores the potential role executives with overseas experience can play in ESG performance. The study also explores the effect of foreign experience on single aspects of ESG including environmental, social, and governmental performance. Employing a sample of Saudi-listed firms from 2015 to 2021, the findings document that companies with high foreign experience executives have higher ESG performance. The results also show that the foreign experience of executives positively influences the components of ESG such as environmental, social, and governmental aspects. These findings suggest that foreign experience increases the awareness of executives about the importance of ESG performance in enhancing the link between the firm and its stakeholders. These findings are robust to alternative measurements of executives' foreign experience. This study offers various theoretical and practical implications and highlights the role of executives' overseas experience in higher ESG performance.

Keywords: Executives, foreign experience, ESG performance, Saudi Arabia.

Introduction

Sustainability issues affect every facet of our society, from the individual to the national and worldwide institutions. The primary causes of ecological or social disasters are the overuse of natural resources and rising levels of inequality on a local and global scale (Kuznetsova et al., 2024). In response to economic challenges such as the worldwide financial crisis and the rising risk of climate change, organizations worldwide are increasingly adopting Economic, Social, and Governance (ESG) factors as integral components of their strategic frameworks to optimize resource management (Hąbek, 2014; Al-Absy et al., 2024). ESG integration is perceived to augment corporate reputation and cultivate a favorable market

خلاصة

تستكشف هذه الدراسة بشكل تجريبي الدور المحتمل الذي يمكن أن يلعبه المدبرون التنفيذيون ذوو الخبرة الخارجية في الأداء المستدام (ESG). كما تستكشف الدراسة تأثير الخبرة الخارجية على جوانب فردية من للاستدامة والتي تشمل الأداء البيئي والاجتماعي والحكومي. باستخدام عينة من الشركات المدرجة في السعودية من عام 2015 إلى عام 2021، توثق نتائج الدراسة أن الشركات التي لديها مدبرون تنفيذيون ذوو خبرة أجنبية عالية لديها أداء مستدام أعلى ESG. تظهر النتائج أيضاً أن الخبرة الخارجية للمدبرين التنفيذيين تؤثر بشكل إيجابي على مكونات الاستدامة والتي تشمل الجوانب البيئية والاجتماعية والحكومية. تشير هذه النتائج إلى أن الخبرة الخارجية تزيد من وعي المدبرين التنفيذيين بأهمية أداء ESG في تعزيز الارتباط بين الشركة وأصحاب المصلحة فيها. هذه النتائج تبقى نفسها باستخدام مقياس بديل للخبرة الخارجية للمدبرين التنفيذيين. تقدم هذه الدراسة العديد من الآثار النظرية والعملية وتسلط الضوء على دور الخبرة الخارجية للمدبرين التنفيذيين في تحسين الأداء المستدام ESG.

الكلمات المفتاحية: المدبرون التنفيذيون، الخبرة الأجنبية؛ أداء الاستدامة ESG؛ المملكة العربية السعودية.

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image, potentially attracting a broader customer base and driving sales growth and overall performance (Dhaliwal et al., 2014). Enterprises must forge strong connections with their stakeholders and embrace ESG practices to establish legitimacy and attain competitive advantages (Al-Duais et al., 2021; Qasem et al., 2022), ultimately translating into enhanced financial performance (Ying, Tikuye, & Shan, 2021).

ESG factors have the potential to influence financial accessibility through various direct and indirect pathways (Citterio, & King, 2023). From a stakeholder viewpoint, a strong commitment to ESG principles may signify enhanced bank transparency and greater support for stakeholders, whereas poor ESG performance could indicate a lack of dedication to minority stakeholders, including bondholders (Azmi, Hassan, & Karim, 2021). These signals are crucial from a reputational standpoint, potentially enabling banks with robust ESG credentials to attract more deposits and loans compared to their counterparts with lower ESG commitments (Boubaker, Cellier, & Saeed, 2020). Supporting this notion, Citterio & King (2023) highlighted a positive correlation between ESG performance and financial accessibility. Notably, it is argued that these reputational effects operate through two primary channels: the cost of capital and cash flows (Azmi et al., 2021).

The presence of executives with foreign experience can become an important antecedent of the extent of firms' financial success and their successful implementation of social and environmental strategies. The upper-echelon theory views that top executives with foreign education and working experience are likely to assist a firm in achieving legitimacy, securing access to financial resources, and thus improving its performance by spending more on ESG activities (Lau, Lu, & Liang, 2016; Shahab et al., 2020). Moreover, Liu, Ju, Bai, & Yu (2021) pointed out that firms run by executives with foreign experience or knowledge will be more attractive to capital providers to provide more competitive services. These eventually assist a firm in decreasing the cost of capital increasing its financial performance and maximizing its market value. Many talented individuals in Saudi Arabia are sent to developed countries to further their studies or gain work experience, most of whom would return to join Saudi Arabian companies. These executives who have been exposed to and trained in an environment emphasising ESG practices will become familiar with the practice and try to adopt it in the new workplace.

This study is motivated to be conducted in the Saudi market since firms in Saudi Arabia recently started to accept and integrate ESG practices in their operations to meet Saudi Vision 2030, which imposes certain environmental and societal requirements (Omair Alotaibi & Hussainey, 2016). Saudi Arabia is the second among Middle East and North Africa (MENA) countries in adopting and implementing ESG concepts (Ghardallou, 2022). Further, Saudi Arabia is also a member of the G20 and has vast economic prominence in the Arab region, representing 25% of the total Arab's gross domestic product. (Bamahros et al., 2022). However, the practices and reporting of ESG in Saudi Arabia still discernibly lag behind those of the developed countries. Alotaibi, Edum-Fotwe, & Price (2019) have identified the following obstacles to accepting ESG in Saudi Arabia-listed companies: the perceived high cost of ESG projects, lack of knowledge and awareness for ESG, lack of guidelines, lack of enforcement, and lack of training. Second, since Saudi Arabia is one of the world's largest oil producers (Habbash, Hussainey, & Awad, 2016), excessive oil production would deteriorate environmental conditions and create drastic climate change.

This study makes multiple contributions to the body of current literature. First, there is a clear disparity in the impact of executives' international experience on ESG performance. An exception is a Chinese study conducted in 2018 by Shahab, Ntim, Chengang, Ullah, & Fosu, which suggests that environmental performance is greatly influenced by top management characteristics. In the case of Middle Eastern markets, we still don't fully understand whether CSR companies run by executives with overseas experience are more or less likely to face default. This research tries to fill this gap and add to the study of Shahab et al. (2018) by using a comprehensive measure that includes different aspects of sustainability management. This research also explores the influence of the foreign experience of executives on the individual effect of ESG factors, namely (a) environmental performance, (b) social performance, and (c) governance structure, and provides empirical evidence showing that both aggregated and individual components of ESG. The findings of this research offer significant insights to policymakers, corporate practitioners, and other interested parties concerning the role of executives with foreign experience in enhancing the companies to pay more attention to ESG performance as well as the ability of ESG practices as a good business strategy.

This paper is structured as follows. Section 2 discusses the development of hypotheses relating to ESG, executives' foreign experience, and financial distress risk. Section 3 describes the research design, and

Section 4 discusses the main results. Section 5 discusses the supplementary analyses, while Section 6 concludes the paper.

Study Objectives

The current study objectives are:

1. To investigate the impact of foreign experience of executives in ESG Performance.
2. To explore the effect of executives, foreign experience on single factors of ESG including environmental, social, and governmental performance.

Literature Review

In addition to embracing ESG initiatives, market observers consider various factors when evaluating a company's sustainability as a going concern. One such factor is the characteristics of its executive leadership. According to upper-echelon theory, the attributes of top executives significantly influence the strategic decisions that impact firm performance and long-term growth (Yuan & Wen, 2018). A critical characteristic identified in the literature is international experience among top executives, which has been associated with enhancing a firm's legitimacy, facilitating access to financial resources, and thereby improving overall performance through the adoption of ESG practices (Lau et al., 2016; Shahab et al., 2020).

Le & Kroll (2017) suggested that executives with international work experience or education often leverage their global perspectives and social networks to influence strategic thinking within their organizations. Furthermore, executives with exposure to advanced financial markets are expected to integrate ESG practices and maximize the benefits of corporate social responsibility (He et al., 2022; Shahab et al., 2018). Research by Saini & Singhania (2019) indicated that international backgrounds are more inclined towards social responsibility initiatives. Shahab et al. (2020) found that CEOs with international experience are more likely to implement practices that enhance sustainability and environmental ratings compared to their counterparts without such experience. Wu, Zhang, & Li (2024) found empirical evidence that returnee executives' foreign experience enhances the initiatives of firms' CSR in the Chinese workplace. Shahab et al. (2018) provided empirical evidence that firms with executives experienced abroad show improved environmental performance, which correlates with reduced financial distress.

Overall, existing literature supports the view that firms led by executives with international experience tend to have higher levels of innovation (Quan et al., 2021), exhibit better financial performance (Samara, & Yousef, 2023), and enhance CSR disclosure (Aini, Harymawan, & Kamarudin, 2024). Accordingly, this research argues that the inclusion of individuals with international exposure in senior management positions enhances a company's ESG performance since firms led by executives with global experience and cross-cultural competence are more appealing to capital providers, who are inclined to offer competitive terms that bolster a firm's resilience. This study proposes the following hypothesis:

H1: The existence of executives with overseas experience improves Environmental performance.

H2: The existence of executives with overseas experience improves social performance.

H3: The existence of executives with overseas experience improves governmental performance.

H4: The existence of executives with overseas experience improves weighted ESG performance.

Methodology

A quantitative research method was implemented to accomplish the research goals. Now we explain the research components, including the sampling, data gathering methods, variables, regression model, and analytic approaches.

Sampling

The initial dataset for this study comprises 328 firm-year observations on ESG ratings sourced from the Bloomberg database, covering Saudi-listed firms over the period from 2015 to 2021. After excluding observations with missing data for control variables (17 observations), the final sample consists of 311

firm-years. The inclusion of the financial sector in this analysis aligns with prior research such as Shahab et al. (2018), as this sector significantly impacts society and undergoes rigorous scrutiny from diverse stakeholders. Notably, compared to other sectors, Saudi Arabia's financial sector demonstrates a higher commitment to disclosing both qualitative and quantitative information regarding its Corporate Social Responsibility (CSR) initiatives to stakeholders.

Information regarding executives' international experience was manually collected from the annual reports of the sampled firms. Control variables were sourced from the DataStream database of Thomson Financial Services Group. Detailed descriptions of the sample selection process are provided in Panel A of Table 1, while the distribution of sampled firms across industries is presented in Panel C.

Table 1.
Sample selection and distribution

Panel A: Sample selection procedure (2015-2021)		
Firm-years initial sample (Saudi-listed firms with ESG ratings available from Bloomberg)		328
Less: firm observations with missing data		17
Final sample		311
Panel B: Distribution by year		
Years	Observations	% Observations
2015	42	0.135
2016	42	0.135
2017	42	0.135
2018	44	0.141
2019	45	0.145
2020	48	0.154
2021	48	0.154
Total	311	100.00
Panel C: Industry distribution		
Sector	Observations	% Observations
Banks	48	0.15
Energy	27	0.09
Food & Beverages	21	0.07
Food & Staples Retailing	24	0.08
Health Care Equipment & Svc	17	0.05
Insurance	25	0.08
Materials	34	0.11
Real State	23	0.07
Retailing	19	0.06
Telecommunications Services	29	0.09
Transportation	16	0.05
Utilities	28	0.09
Total	311	100.00

Variables

Dependent variable: ESG performance

This study investigates whether the executives' foreign experience influences Saudi Arabian firms' allocating a company's resources towards Environmental, Social, and Governance (ESG) activities. Following prior studies such as Naseer et al. (2024), this study used Bloomberg's data of overall ESG scores and sub-scores of the three ESG components, i.e., environmental, social, and governance activities, as proxies for ESG performance. Bloomberg's ESG scoring methodology is proprietary and not disclosed in detail. It involves both quantitative and qualitative factors from diverse sources, including public filings, corporate reports, regulatory agencies, news articles, NGOs, and third-party ESG data providers. The ESG index covers environmental, social, and governance activities. The Bloomberg database offers advantages over manual CSR data compilation by operating independently and following professional protocols for data collection.

Independent variable: executives' foreign experience

An executive who has studied and worked abroad, both professionally and educationally, is considered a foreign executive. Considering the long-lasting influence of past experiences on an individual's framework for making decisions, this analysis did not distinguish between returning executives according to how long it took them to reintegrate into the Saudi setting. Following Yuan & Wen's (2018) and Wu, Zhang, & Li's (2024) methodology, this first measure of executives' foreign experience is calculated as the fraction of executives with foreign training or employment history relative to the total number of executives working for companies (FOREXPRT). In the robust analysis, A binary (dummy) variable (FOREXPRTD), assumes a value of one if a company retains at least one executive with foreign education or work experience, and zero otherwise.

Control variables

This study's analysis considers several variables that have been demonstrated to affect the ESG performance of businesses (Shahab et al., 2018; Wu et al., 2024). The board of directors' independence (IND), for example, is determined by dividing the number of independent directors by the total number of directors on the board. The size of the firm is determined by using the natural logarithm of its total assets (SIZE). Leverage ratio measurement (LEV) is calculated by dividing the book value of all debts by the book value of all assets. Cash is the proportion of cash and cash equivalents to the total assets of a company. The division of total assets by the amount of cash and marketable securities yields cash holdings (CASH).

The ratio of net income before exceptional items to total assets is known as return on assets (ROA).

Table 2.
Variable Definitions

Variables	Symbols	Details
Dependent variables		
Overall ESG performance	Overall ESG	Overall ESG, Environmental, social, and governmental scores as taken from the Bloomberg Database, calculating ESG scores by using both quantitative and qualitative aspects sourced from a multitude of origins, such as public filings, corporate reports, regulatory bodies, news media, non-governmental organizations, and third-party ESG data providers. Compared to manual CSR data compilation, the Bloomberg database presents several benefits, as it functions autonomously and adheres to established professional standards for information collection.
Environmental Performance	ENVRON Perform	
Social Performance	SOCIAL Perform	
Governmental Performance	GOVNCE Perform	
Explanatory variables		
Executives' foreign experience	FOREXPRT	The ratio of executives having foreign exposure, work experience, or education to all executives
	FOREXPRTD	A binary variable that equals 1 for a firm with at least one executive with foreign exposure, work experience, or education and 0 otherwise
Control Variables		
Board Independency	IND	The ratio of Independent members serving in the board of directors to the entire board members.
Firm size	SIZE	Natural log of the firms' total assets
Leverage ratio	LEV	Percentage of total debt to total assets
Cash holding	CASH	Cash and marketable securities scaled by total assets
Return on assets	ROA	The percentage of net income before exceptional items to total assets

Study Models

Following is an estimation of this basic OLS regression model, which we used to investigate the relationship between executive overseas experience and ESG performance:

$$\text{ENVRON Perform} = \beta_0 + \beta_1 \text{FOREXPRT} + \beta_2 \text{IND} + \beta_3 \text{SIZE} + \beta_4 \text{LEV} + \beta_5 \text{CASH} + \beta_6 \text{ROA} + \text{error terms} \quad (1)$$

$$\text{SOCIAL Perform} = \beta_0 + \beta_1 \text{FOREXPRT} + \beta_2 \text{IND} + \beta_3 \text{SIZE} + \beta_4 \text{LEV} + \beta_5 \text{CASH} + \beta_6 \text{ROA} + \text{error terms} \quad (2)$$

$$\text{GOVNCE Perform} = \beta_0 + \beta_1 \text{FOREXPRT} + \beta_2 \text{INDit} + \beta_3 \text{SIZE} + \beta_4 \text{LEV} + \beta_5 \text{CASH} + \beta_6 \text{ROA} + \text{error terms} \quad (3)$$

$$\text{Overall ESG} = \beta_0 + \beta_1 \text{FOREXPRT} + \beta_2 \text{IND} + \beta_3 \text{SIZE} + \beta_4 \text{LEV} + \beta_5 \text{CASH} + \beta_6 \text{ROA} + \text{error terms} \quad (4)$$

Where,

ENVRON Perform – environmental performance

SOCIAL Perform – social performance

GOVNCE Perform – governmental performance

Overall ESG – the Weighted ESG Performance Score,

EXECFOR – the proportion of executives with foreign experience;

IND – the proportion of independent directors to all directors.

SIZE – the natural logarithm of total assets.

LEV – the ratio of short-term and long-term debt to total assets;

CASH – cash held by the firm, calculated as the sum of cash and marketable securities divided by total assets.

ROA – return on assets.

Data Analysis Method

Ordinary least squares (OLS) regression analysis was utilized in this study to evaluate the impact of CEOs' overseas experiences on ESG performance in the Saudi market. The main goal of OLS regression analysis is to estimate the linear regression coefficient, which has the effect of minimizing the difference between estimated and actual values (Hosman et al, 2010). The OLS regression approach was employed in this empirical study due to its effective alignment with the examination's aims.

Analyses and Results

Descriptive Data and Correlation

The descriptive statistics of the study's employed variables are presented in Table 3. The mean value of FOREXPRT is 51.2 percent, implying that about half of the top executives serving in Saudi-selected firms had foreign experience, either from education or work outside Saudi Arabia. The weighted ESG score shows a median of 33.13 and a mean of 31.88. For the factors of ESG namely environmental, social, and governmental Aspects, the means are 22.36, 27.01, and 44.32 respectively. This indicates that the aggregated average ESG score as well as its factors have a normal distribution as both mean and median are very close. For control variables, the table shows that, on average, 43.2 percent of board directors are independent. The mean values of SIZE and LEV are 19.34 and 0.548, respectively. CASH has mean values of 0.218 and 0.612, implying that the ability of firms to pay their short-term obligations depends highly on liquid current assets. The mean of ROA is 0.063 with a median value of 0.034.

Table 3.
Descriptive Statistics

Variable	Mean	SD	P50	P25	P75	Min	Max
Overall ESG	32.23	18.37	29.65	17.82	45.61	0.755	73.41
ENVRON Perform	22.36	21.72	16.68	0	37.86	0	89.21
SOCIAL Perform	27.01	18.69	23.93	10.13	42.14	0.423	71.76
GOVNCE Perform	44.32	19.53	42.43	24.97	66.46	2.650	92.81
FOREXPRT	0.523	0.189	0.475	0.486	0.724	0	1
FOREXPRTD	0.401	0.470	0	0	1	0	1
IND	0.432	0.067	0.416	0.383	0.457	0.275	0.643
SIZE (log)	19.34	1.710	17.35	16.232	19.019	14.45	21.488
LEV	0.548	0.265	0.612	0.421	0.827	0.036	0.912
CASH	0.223	0.172	0.153	0.088	0.342	0.029	0.519
ROA	0.063	0.068	0.034	0.015	0.084	-0.141	0.598

The findings shown in Table 4 indicate that the foreign experience of executives is positive and significantly correlated with all the variables of ESG performance. The results show that firms that have more executives with foreign experience spend more money on ESG activities. In general, there are no correlations of more than 50 percent between all the variables of the study's models, implying that multicollinearity is not a serious issue.

Table 4.
Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Overall ESG	1.000									
(2) ENVIRON Perform	0.438***	1.000								
(3) SOCIAL Perform	0.523***	0.584***	1.000							
(4) GOVNCE Perform	0.489***	0.241***	0.435***	1.000						
(5) FOREXPRT	0.297***	0.183***	0.234***	0.261***	1.000					
(6) IND	0.187***	0.098*	0.239***	0.172**	0.096	1.000				
(7) SIZE	0.335***	0.339***	0.326***	0.427***	0.495***	0.192**	1.000			
(8) LEV	-0.212***	0.042	-0.208***	0.233***	-0.135**	0.215***	0.412***	1.000		
(9) CASH	0.112	-0.256***	0.081	0.207***	0.128**	0.183***	0.198***	0.484***	1.000	
(10) ROA	-0.275***	-0.078	-0.282***	-0.216***	0.318***	-0.168***	-0.231***	-0.436***	-0.287***	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Hypotheses Testing Analyses and Discussion

Table 5 shows the findings for Equations 1,2,3 and 4, which investigate the effects of the foreign experience of executives on ESG performance. The study used the proportion of executives with foreign experience (FOREXPRT), The definition of these variables is previously discussed in Section 3.2.3. The analysis process begins by testing the three ESG dimensions before moving on to the ESG composite weighted score, as recorded in the Bloomberg database. According to the results for Models 1,2 and 4, the environmental, social, and weighted ESG, the coefficients of FOREXPRT are ($\beta = 2.962$), ($\beta = 1.841$), and ($\beta = 0.942$), respectively, and all of them are positive and statistically significant at $p < 0.01$. in addition, Model 3, the governmental factor, score coefficient ($\beta = 1.627$) which is positive and statistically significant at $p < 0.01$. These results support H1, H2, H3, and H4, suggesting that a greater percentage of executives with foreign experience serving in firm's top management exhibit a higher ESG performance. The results imply that executives with high foreign experience could increase the awareness of ESG activities' importance in enhancing the relations of forms with their stakeholders, indicating that foreign experience executives assist in allocating more financial resources to engage in more ESG activities.

The overall results reflected in Models 1 to 4 designate that firms that employ more executives with foreign experience have a greater tendency to invest more in ESG activities to develop a sustainable relationship with stakeholders. These findings support previous research showing that executives with global experience are more likely to support social responsibility programs, including Wu et al. (2024). In addition, the findings align with the claims put forth by Citterio & King (2023) regarding the ease of financial resource access for a company's CSR investment. Furthermore, these results support the argument of Le & Kroll (2017) suggested that executives with international experience often leverage their global perspectives and social networks to influence strategic thinking to allocate firms, resources for initiatives like ESG activities.

Consequently, this could optimize the wealth of the shareholders.

Table 5.
OLS regression of the impact of foreign experience of executives on ESG performance

ESG Perform	Predict Sign	Model (1)	Model (2)	Model (3)	Model (4)
		ENVRON Perform	SOCIAL Perform	GOVNCE Perform	Overall ESG
Constant	?	5.313*** (2.656)	4.467*** (2.214)	3.975*** (2.761)	5.842*** (3.543)
FOREXPRT	+	4.16*** (2.962)	3.71 *** (1.841)	2.59** (1.627)	3.82*** (0.942)
IND	+	1.02 (0.033)	0.76 (0.776)	0.926 (0.136)	1.109 (0.384)
SIZE	+	2.92*** (1.754)	3.27 *** (1.955)	4.219*** (0.9173)	3.132*** (2.084)
LEV	-	1.24 (0.386)	-1.968* (-1.030)	1.020 (1.065)	-1.69* (-2.712)
CASH	+	3.94*** (2.52)	4.20*** (1.631)	3.12*** (1.246)	2.38*** (3.162)
ROA	+	3.25*** (0.952)	2.47** (1.132)	1.68* (0.745)	3.24*** (1.021)
Observations		311	311	311	311
Adj. R ²		0.351	0.334	0.298	0.372
YEAR Dummies		Yes	Yes	Yes	Yes
Sector Dummies		Yes	Yes	Yes	Yes

Notes: All variables are defined in Table 2. coefficients are shown in brackets below the T-Values. ***, ** and * indicate significance at the p< 1%, 5% and 10%, respectively.

Robustness Tests and Additional Analyses

I use the binary variable that's used to gauge the executives' foreign experience (FOREXPRTD) in the robustness section. When a company retains at least one executive with international expertise, the binary variable FOREXPRTD assumes a value of one; otherwise, it assumes a value of zero. The control variables utilized for models 1 through 4 are the same ones as are listed in Table 5 of the main regression model. The results align with the primary findings, which indicate that executives with overseas experience significantly boost investment in environmental, social, and governance initiatives. Furthermore, except for IND which performs significant results at a confidence level of 90 percent on models 1 and 3, none of the control variables differ significantly from the main model.

Table 6.
Logistic regression of foreign experience of executives as a dummy value and ESG performance

ESG Perform	Predict Sign	Model (1)	Model (2)	Model (3)	Model (4)
		ENVRON Perform	SOCIAL Perform	GOVNCE Perform	Overall ESG
Constant	?	4.561*** (3.456)	3.212*** (4.843)	4.811*** (3.381)	3.972*** (5.194)
FOREXPRTD	+	2.92*** (0.213)	3.27 *** (0.657)	4.219*** (2.350)	3.132*** (1.289)
IND	+	1.72* (0.934)	0.783 (1.262)	1.897* (0.537)	0.201 (2.021)
SIZE	+	3.56*** (0.056)	3.71 *** (2.054)	4.59** (1.803)	5.82*** (1.348)
LEV	-	0.76 (0.658)	-2.71** (-0.964)	-0.975 (-0.838)	-1.57* (-1.097)
CASH	+	3.23*** (1.581)	4.36*** (0.750)	3.902*** (0.682)	4.08*** (0.287)
ROA	+				
Observations		311	311	311	311
Chi-square		423.098	479.676	548.374	509.365
Prob>chi2		0.000	0.000	0.000	0.000
YEAR Dummies		Yes	Yes	Yes	Yes
Sector Dummies		Yes	Yes	Yes	Yes

Notes: All variables are defined in Table 2. coefficients are shown in brackets below the T-Values. ***, ** and * indicate significance at the p< 1%, 5% and 10%, respectively.

Conclusions

Several studies investigated the effects of executive characteristics on ESG performance; nevertheless, the impact of foreign experienced executives is still not well recognized. Therefore, using a dataset of 311 firm-year observations of Saudi-listed firms from 2015 to 2021, this study examines the impact of executives' foreign experiences on ESG performance. The results highlight how overseas experience is important for top management teams to have a global perspective and cross-cultural competencies to effectively leverage ESG activities. These results are robust across different metrics used to measure executives' foreign experience.

The implications of these findings suggest that investors should consider ESG policies and executive characteristics when making investment decisions, emphasizing the strategic importance of decisions such as investment in ESG activities and the international experience of executives. This study contributes significantly to the ESG literature by integrating stakeholder perspectives and shedding light on the relationship between executives' foreign experience and ESG ratings. Policy implications suggest that Saudi Arabian authorities should continue to encourage public firms to adopt ESG initiatives. Embracing and capitalizing on ESG initiatives can enhance organizations' social and environmental impact while strengthening their financial resilience in an increasingly interconnected global business environment. These initiatives may enable firms to allocate resources towards investment opportunities that enhance financial performance and shareholder value.

Moreover, these results underscore the strategic significance of executives acquiring international experience. Encouraging executives to gain exposure abroad could facilitate the effective integration of ESG initiatives into core business practices, particularly beneficial for companies led by executives with diverse international backgrounds. While the current study contributes to understanding these dynamics, it is not without limitations. Future research should extend these findings to encompass all Gulf countries or comparable markets. Additionally, while financial firms are typically excluded in similar studies, this inclusion of firms invites future research to critically evaluate these assumptions and findings within this context.

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