CEO Professional Horizon, Management Myopia, and Corporate ESG Performance

Yan Zhao, Fengyue Yuan

Beijing Wuzi University, Beijing 101149, China
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Abstract: ESG governance is crucial for the development of new quality productive forces, and the increased disclosure of ESG reports by listed companies makes it a key measure of corporate sustainable development. This study, based on Shanghai and Shenzhen A-share data from 2013 to 2023, explores the impact of CEO professional horizon on ESG performance. The results show that: (1) CEO professional horizon significantly enhances corporate ESG performance, and this relationship remains robust after robustness tests; (2) CEOs with a professional horizon are more likely to make long-term investments and reduce short-sighted behavior, thereby promoting ESG performance; (3) In non-state-owned enterprises and highly competitive industries, the positive impact of CEO professional horizon on ESG performance is more pronounced.

***Keywords*:** CEO Professional Horizon; ESG; Upper Echelon Theory

1. Introduction

During the collective study of the Political Bureau of the CPC Central Committee, the importance of green development was emphasized: "Green development is the foundation of high-quality development, and new productive forces are inherently green productive forces." As listed companies place increasing emphasis on ESG performance, the proactive disclosure of ESG reports has become a trend, reflecting the importance of enhancing ESG governance for the long-term development of enterprises. The decision-making horizon of CEOs is crucial for corporate long-term investments, affecting the depth and breadth of strategic planning. Visionary CEOs can identify and seize long-term development opportunities, promoting the sustainable development of enterprises. This study focuses on whether CEOs with a professional horizon can enhance corporate ESG performance, the mechanisms of action, and the differences in the impact of different enterprise attributes and levels of industry competition.

Based on the above analysis, this study uses a sample of CEOs from Shanghai and Shenzhen A-share listed companies from 2013 to 2023 to empirically analyze the impact of CEO professional horizon on corporate ESG performance. The research contributions are mainly reflected in three aspects: First, it expands the study of ESG influencing factors: This paper explores the relationship between CEO professional horizon and corporate ESG performance from a strategic layout perspective, providing a new perspective for understanding the drivers of ESG performance. Second, it deepens the Upper Echelon Theory: Integrating the concepts of time and cognition, it breaks through the limitations of single-trait analysis and studies how the CEO's professional horizon affects investment decisions. Third, it discusses the impact mechanism: It deeply explores how the CEO's professional horizon can promote corporate ESG performance by suppressing short-sighted behavior, providing theoretical support and practical guidance for corporate decision-making.

2. Theoretical Analysis and Research Hypotheses

The professional horizon of a CEO is a complex concept that stems from their perception of job security and influences their decision-making preferences and behaviors. Although this horizon is not a directly observable trait, extensive academic research has shown it is closely linked to the CEO's age and expected tenure (Antia et al., 2010; Oh et al., 2016). Firstly, age is a key factor affecting a decision-maker's risk preference and capability. As they age, CEOs may develop a deeper understanding and commitment to social responsibility and ethical standards, accumulate more industry and managerial experience, and be less influenced by short-term performance pressures, thus focusing more on long-term goals. This enhanced sense of social responsibility, rich experience, and stable career may lead CEOs to better comprehend the importance of long-term strategic planning, prompting them to make decisions that align with social and environmental sustainability objectives. Secondly, a CEO's expected tenure, which is their prediction of their future time in office, significantly impacts their decision-making horizon. When CEOs anticipate a short tenure, they may focus more on short-term benefits, preferring decisions that are low-risk and offer quick returns while avoiding those that are high-risk with long-term payoffs. Based on the above, we propose

Hypotheses H1 and H2.

Hypothesis H1: As the age of the CEO increases, the more likely it is to enhance the company's ESG performance.

Hypothesis H2: The longer the CEO's tenure, the more likely it is to enhance the company's ESG performance.

3. Empirical Research

This paper selects CEOs of Shanghai and Shenzhen A-share listed companies from 2013 to 2023 as the research sample and screens the sample according to certain criteria, ultimately obtaining a total of 24,737 research samples.

3.1 Model Specification and Variable Description

This paper designs Model(1) to examine the impact of the CEO's professional horizon on ESG performance, and the model is set up as follows:

$$ESG_{i,t} = \beta_0 + \beta_1 CEOhorizon_{i,t} + \sum Controls + \sum Year + \sum Ied + \varepsilon_{i,t} \quad (1)$$

The definitions of the variables in the aforementioned model are as follows:

3.1.1 Explanatory Variable: CEO Professional Horizon (CEOhorizon)

The professional horizon of a CEO is shaped by time and cognition. Drawing on the research of Ortiz-de-Mandojana et al., this paper places the variables of CEO age and CEO tenure, which encompass the temporal and cognitive aspects that shape the CEO's horizon, within a single framework to analyze the CEO's professional horizon.

3.1.2 Dependent Variable: ESG Performance (ESG)

The dependent variable is ESG performance(ESG). This paper uses the Huarun ESG comprehensive indicator to characterize the company's ESG performance. This indicator ranks the annual ESG performance of companies from low to high into 9 levels, with corresponding values of 1-9 assigned. The larger the data, the higher the company's ESG rating, indicating that the company has fulfilled more responsibilities in terms of environment, society, and governance. Additionally, this paper further selects the FTSE Russell ESG performance score data for robustness testing.

3.1.3 Control Variables

Referring to the practices of Zhang Hui et al. (2022), a series of control variables that may affect corporate ESG performance are included in the model. These include company age (age), company size (size), financial leverage (lev), the proportion of shares held by the largest shareholder (top1), board size (boardsize), the proportion of independent directors (independence), the nature of shareholding (soe), the combination of two positions (dual), revenue growth rate (growth), return on total assets (roa), and capital intensity (capitalintensity). Control variables at the executive team level include the number of executives (Topm_number), the average age of executives (Topm_age), the average tenure of executives (Topm_tenure), and the average compensation of executives (Topm_comp).

3.2 Empirical Results Analysis

3.2.1 Descriptive Statistics

Descriptive statistical analysis results are shown in Table 1. The descriptive statistics in Table 1 indicate that the ESG scores of listed companies range from 1 to 6, with a standard deviation of 1.081, revealing significant differences in ESG performance among companies. The average age of CEOs is 53.83 years, and the average tenure is 5.576 years. These figures suggest that a CEO's age and tenure may influence their professional horizon, thereby affecting corporate strategy and decision-making.

Table 1. Descriptive Statistics of Key Variables

Variable	N	Mean	SD	P25	Median	P75	Min	Max
ESG	24737	4.077	1.081	3	4	5	1	6
CEOage	24737	53.83	7.127	50	54	58	34	72
CEOtenure	24737	5.576	4.265	2	4	8	1	18

3.2.2 Main Regression Results

Table 2 illustrates the impact of CEO professional horizon on ESG performance: for each unit increase in CEO age, the ESG score increases by 0.003 points(significant at the 1% level); for each unit increase in CEO tenure, the ESG score increases by 0.008 points(significant at the 1% level), indicating that CEOs who are older and have longer tenures are more likely to drive their companies' ESG performance.

Table 2. Baseline Regression Results

	(1)	(2)
VARIABLES	ESG	ESG
CEOage	0.003***	
	(3.33)	
CEOtenure		0.008***
		(4.05)
Constant	-2.011***	-1.957***
	(-10.77)	(-10.49)
controls	√	√
Year/ind	√	√
Observations	24,737	24,737
R-squared	0.216	0.216
r2_a	0.214	0.214
F	145.2	145.4

3.2.3 Robustness Test

To ensure the reliability and applicability of the model, this paper conducts the following robustness tests:(1) The dependent variable is replaced with the FTSE Russell ESG rating data instead of the Huarun ESG rating, and the results show that the coefficients for CEO age and tenure are 0.006 and 0.007, respectively, both significant at the 1% level.(2) Considering that the ESG score is discrete count data, a zero-inflated Poisson model is used to regress the main model again, showing that CEO age and tenure are significant at the 10% and 5% levels, respectively.(3) Using lagged independent variables, the results indicate that the coefficients for CEO age and tenure are 0.003 and 0.004, respectively, both significant at the 5% level.(4) Considering that the CEO's professional horizon is related to their educational background and experiences, and intertwined with indicators such as age and tenure, the relationship with corporate ESG performance may partly stem from other personal traits. To gain a deeper understanding, this paper meticulously controls for the CEO's financial and academic background and overseas experience, and reruns the regression. The results show that the coefficients for CEO age and tenure are 0.003 and 0.006, respectively, both significant at the 1% level. These tests further demonstrate that the promoting effect of the CEO's professional horizon on corporate ESG is significantly present.

3.2.4 Mechanism Exploration

The personal characteristics of executives, such as age and educational background, significantly influence corporate decision-making and performance(Hambrick & Mason, 1984). If executives focus on short-term gains, they may harm the long-term value of the company(Hu Nan et al., 2021; Holmstrom, 1999). Drawing on the research of Hu Nan et al.(2021), this paper conducts a text analysis and word frequency count based on the annual report texts of listed companies, using the percentage of the word frequency of managerial myopia keywords in the annual report MDA *100 as a proxy indicator to measure managerial myopia. To verify the mediating role of managerial myopia, a two-step method is used to test the mediating mechanism, with specific regression results shown in Table 3. The negative significance of CEO age and tenure at the 1% level confirms that the CEO's professional horizon inhibits short-sighted behavior. Existing studies have empirically tested the negative impact of managerial myopia on corporate ESG performance. Therefore, the CEO's professional horizon promotes the improvement of corporate ESG performance by suppressing short-sighted behavior.

Table 3. Mechanism Test Results

	(1)	(2)
VARIABLES	Management Myopia	
CEOage	-0.000**	
	(-2.43)	
CEOtenure		-0.000**
		(-2.33)
Constant	0.047***	0.046***
	(6.73)	(6.56)
controls	√	√

	(1)	(2)
VARIABLES	Management Myopia	
Year/ind	√	√
Observations	24,330	24,330
R-squared	0.131	0.131
r2_a	0.129	0.129
F	70.01	69.99

3.2.5 Heterogeneity Analysis

(1) Property Rights Nature.

The analysis indicates that a CEO's professional horizon can suppress short-sighted behavior, thereby enhancing a company's ESG performance. Columns(1)-(4) of Table 4 show that in state-owned enterprises, this effect is not pronounced, while in non-state-owned enterprises, there is a positive correlation between the CEO's professional horizon and ESG performance, indicating that in non-state-owned enterprises, the CEO's professional horizon has a significant impact on ESG performance.

(2) Industry Competitiveness.

Further subgroup regression analysis in columns(5)-(8) of Table 4 reveals that in highly competitive environments, the positive influence of the CEO's professional horizon on corporate ESG performance is more pronounced. This finding suggests that when companies are in competitive industry settings, the CEO's professional horizon plays a more critical role in driving the company's ESG performance.

Table 4. Heterogeneity Test Results

VARIABLES	Property Rights Nature				Industry Competitiveness			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	SOE=1	SOE=0	SOE=1	SOE=0	High	Low	High	Low
CEOage	0.002	0.003***			0.006***	0.001		
	(0.80)	(3.06)			(3.70)	(0.98)		
CEOtenure			0.005	0.014***			0.008**	0.008***
			(1.62)	(5.44)			(2.23)	(3.25)
Constant	-2.383***	-1.387***	-2.350***	-1.305***	-1.676***	-2.367***	-1.556***	-2.331***
	(-8.11)	(-5.10)	(-8.11)	(-4.79)	(-5.29)	(-10.28)	(-4.89)	(-9.79)
controls	√	√			√	√		
Year/ind	√	√			√	√		
Observations	8,107	16,223	8,107	16,223	7,905	16,425	7,905	16,425
R-squared	0.253	0.202	0.253	0.203	0.205	0.225	0.204	0.226
r2_a	0.248	0.199	0.249	0.200	0.201	0.223	0.200	0.223
F	.	89.62	.	90.51	48.29	101.3	49.62	102.0
Chow Test	7.83	8.28	5.42	5.31				
p	0.000	0.000	0.000***	0.000***				

4. Research Conclusions and Recommendations

Based on the Shanghai and Shenzhen A-share sample from 2013 to 2023, the impact of CEO age and tenure on their ESG performance was analyzed. The results show that the CEO's professional horizon can significantly enhance ESG performance, and this effect remains robust after robustness tests; the CEO's horizon helps to suppress short-sighted behavior and promotes long-term investment; in non-state-owned enterprises and high competition environments, the positive impact of the CEO's horizon on ESG performance is greater.

The practical significance of this study lies in: (1) companies should value the cultivation of executives, especially CEOs, with a broad professional horizon to balance short-term and long-term interests; (2) in competition, CEOs need to enhance strategic vision, avoid short-sightedness, and seize long-term opportunities; (3) green development requires policy and regulatory support, while also encouraging enterprises to disclose ESG reports publicly, improve transparency, strengthen communication with stakeholders, and enhance social responsibility and public trust.

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Author Bio

Yan Zhao, born January 1989, female, Han ethnicity, from Baoding City, Hebei Province, Ph.D., Beijing Wuzi University, research direction is digital accounting.

Fengyue Yuan, born March 2001, female, Han ethnicity, from Lvliang City, Shanxi Province, graduate student, Beijing Wuzi University, research direction is digital accounting.