

A Literature Review of the Impact of Senior Management's Military Experience on Corporate Performance

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Abstract

Senior management is the core of enterprise investment decision-making and execution. In today's companies, many senior executives in the company are veterans with military experience, such as Wang Zhongjun of Huayi Brothers and Ren Zhengfei of Huawei. This paper combs the theoretical basis and the current status of empirical research on the impact of senior management's military experience on company performance, and proposes corresponding countermeasures for future scholars' research from four aspects: broaden the research samples, enrich the research methods, and extend the research Directions and detailed research variables. These suggestions are intended to provide references for military executives to participate in corporate governance and improve corporate performance.

Keywords

Senior Management Experience in the Military; Corporate Performance; Impact.

1. Introduction

Enterprise performance is a measure of the performance of an enterprise's performance, and it is widely concerned by all walks of life. However, whether a company can effectively improve its performance depends on many factors. Among them, senior executives, as the main managers and decision makers of the enterprise, directly affect the improvement of enterprise performance by influencing the formulation of business decisions.

The advanced echelon theory put forward by Hambrick and Mason (1984) explains the role of executives in the organization and management of enterprises. As important managers of enterprises, their thoughts and behaviors will always affect the decisions made by enterprises. Behaviors and beliefs are affected by many factors in the past of managers, such as senior managers' age, educational background, past experience, etc. Companies managed by military executives often have better internal management and control, and will perform better in the industry. So whether the military experience of senior executives can enable the company to achieve better corporate performance, and how does the performance gains brought by military executives bring it?

2. Theoretical basis

In the existing literature, scholars use high-level echelon theory to study the impact of military executives on corporate performance from the perspective of personal characteristics. This theory fills a gap in the field of research from the perspective of management, but the theory is limited to explaining why and how military executives affect corporate performance from the perspective of personal background characteristics. Therefore, more and more scholars study the impact of military executives on corporate performance from the perspectives of psychology, organizational behavior, and branding theory. A large number of psychological studies have shown that early personal life habits and certain experiences will produce deep imprints in the mind. These imprints will form inherent ideas in the mind, and the resulting three views will give rise to a long period of life in the future. Impact. Organizational behavior related theoretical research shows that people with military life can learn things that ordinary people can't learn in daily training. Military executives will apply these abilities to the management of enterprises. These skills will make executives Make better or more difficult decisions when the industry is facing difficult times or executives face crisis pressure.

3. Empirical research

In the existing literature, there are few studies on the impact of military executives on performance, and there are differences. The current research mainly focuses on the impact of military executives on corporate investment decisions, debt financing, and moral literacy. And most of them only focus on studying the impact of a certain executive's military experience on corporate performance. For example, a study by Benmelech and Frydman (2015) found that CEOs with military experience will make more conservative corporate decisions, and they will reduce corporate investment in pursuit of more stable corporate performance. Lin (2013) et al. used the M&A data of S&P 500 companies from 1992 to 2007 and found through empirical analysis that military CEO-led corporate M&As can obtain more outstanding abnormal excess returns when disclosing information to the outside world, and they can also be used for companies. Better long-term and short-term synergy. Wang Yuanfang and Xu Yekun (2020) used the 2004-2014 listed company data sample and found that the audit opinion of the chairman of a private listed company with military experience is standard, and the possibility of implementing earnings management is relatively low, while state-owned enterprises are not significant .

According to psychology and organizational behavior theory, the discipline, sense of honor and caution cultivated by military executives in the military are more sensitive to corporate performance and directly affect corporate financial performance. However, domestic and foreign scholars have not yet reached a consensus on the impact of military executives on company performance. Foreign scholar Duffy (2006) pointed out that CEOs with military experience are related to company performance. Through data research, it is found that military CEOs have longer tenure and better company performance. Malmendier (2011) found that military CEOs are more willing to implement mergers and acquisitions and issue more stocks and choose aggressive capital structures with high debt ratios, leading to poor corporate performance, especially CEOs who participated in World War II. Lai Li (2016) found that military executives are more aggressive in financial decision-making and management in enterprises through empirical research with a large amount of data. Such aggressive actions reduce the debt maturity structure and cash holdings of enterprises, leading to corporate debt. The level is higher. Yanyang Yan and scholar Zhao Minwei (2016) conducted separate researches on military managers. The results of their research concluded that the quality of financial information disclosed by military executives was relatively higher, and financial information disclosure showed a higher positive surplus. Scholar Groysberg (2010) confirmed through in-depth interviews that the ability of the CEO to learn from the army will have an impact on leadership decision-making. Different services will train different military skills. The skills that military executives learn from the Army and Marine Corps will be more flexible in management, and small and medium-sized enterprises will perform better. The Navy and Air Force are more standardized, and military executives are more innovative, and they are more suitable for managing regulatory and innovative industries.

Domestic and foreign scholars have few indirect paths for military executives to influence company performance. The main intermediate media used by domestic and foreign scholars are mostly risk appetite, investment decision-making, and internal control. The main adjustment variables are the nature of company property rights, ownership structure and corporate governance structure. Wang Lu (2016) and Zhang Min (2016) study the impact of executive risk appetite on company performance. Higher risk appetite enables entrepreneurs to try more innovations to improve the company's operational efficiency. Scholars Benmelech and Frydman (2014) used Forbes' rankings of American companies from 1980 to 1991 and from 1992 to 2006 as research samples. Through empirical research and analysis, it is found that there is a relationship between CEOs with military background and company policy, decision-making and company performance. Secondly, the ideological concepts formed by military executives in the army make them more stable. Therefore, military chief executives tend to invest in lower companies, whether it is capital expenditures or R&D expenditures. Luo Jinhui et al. (2017) found through research that companies managed by military executives have

few external donations. Fu Chaoqi (2015) found through empirical research that companies managed by military managers can often have better corporate performance. Scholars also found that military CEOs rarely conduct corporate financing activities in corporate management; he believes that: my country In order to reduce the financial risks of enterprises, military executives often minimize financial leverage. This conclusion contradicts other scholars. The scholar also explained this conclusion: He believes that the military executives of our country receive strict training in the army and the creed that military personnel take obedience to orders as their bounden duty. They also abide by discipline after being discharged. These habits of executives restrain his risk. Preference. Cai Yilin (2018) used data to empirically analyze the impact of military executives on corporate mergers and acquisitions. The research concludes that military executives are more inclined to corporate mergers and acquisitions, and they will often achieve good corporate merger performance. Quan Xiaofeng (2019) found through research that military managers have more aggressive corporate financial performance, so military executives will also improve corporate earnings management. This result is contrary to what other scholars believe is that military executives are conservative and cautious. Chen Weihong et al. (2019) analyzed the data of my country's A-share listed companies from 2005 to 2007, and found that military executives will increase the degree of innovation investment in enterprises, which may be directly related to the adventurous spirit of military personnel. Wu Weihua et al. (2019) analyzed the impact of military executives on corporate innovation and the mechanism of action from the perspective of corporate innovation. Enterprises managed by military administrators achieved better innovation performance, and further research concluded: the longer the service life and the retirement The higher the time rank, the better the innovation performance of the enterprise.

4. Conclusions and prospects

Through the collation of previous documents at home and abroad, it can be concluded that scholars have studied more on the direct impact between military executives and company performance. However, in the existing literature, the theoretical basis, research path and conclusions of various scholars are not the same. On the basis of theory, scholars' research extends from high-level echelon theory to the perspectives of different disciplines such as psychology, organizational behavior, and branding theory to study how military executives affect corporate financial performance; in terms of empirical research, first, the research focuses on In the corporate decision-making and ethical behavior of military decision-makers. However, military executives have little research on corporate performance. Secondly, regarding the influence of military executives on company performance, the intermediary and moderating effects between the two are ignored. Therefore, this issue still needs further study by scholars. Finally, the relevant research is limited to the military experience of a certain senior management team, and the research sample is small, resulting in unrepresentative research results.

In view of the deficiencies of the research status, the following four research suggestions are put forward:

(1) Broaden the research sample. According to previous studies by scholars, the conclusions are different. From reading a large number of documents, it can be concluded that scholars are studying a certain executive and the sample size of the study is insufficient. The strategic decision of an enterprise is not only made by the CEO alone, but is the result of collective action by the senior management in the enterprise and the management team. Therefore, unlike the previous literature that only focused on the background experience of special administrators, it is recommended that scholars study military administrators from the perspective of the entire administrative team.

(2) Enriching research methods. At present, the authors of a large number of documents are using the corporate executive characteristics and corporate financial data to perform multiple linear regression analysis, but there are many current research methods, such as case investigations and questionnaires. When conducting empirical research, in order to make the research results more reliable, when selecting control variables, variables that affect both corporate performance and military executives should be considered to prevent the endogenous problem of the model.

(3) Extended research direction. Future scholars can focus on the indirect path of "military executives → intermediate media → corporate performance", and focus on the moderating effects of internal and external factors that affect military executives and corporate performance. Therefore, relevant research studies the influence mechanism of military executives and corporate performance from two aspects of mediation and regulation.

(4) Refine the research variables. Different years of service, military ranks, and types of service will enable military executives to gain different military experience, and different military life will make individuals' cognitive levels and behavioral capabilities different, which will affect their corporate decision-making capabilities. Scholars can subdivide military executives in more detail in the future exploration process to study their impact on company performance and other aspects of the company.

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