FOREIGN-EXPERIENCED CEOS AND FIRM CASH HOLDINGS

KINH NGHIỆM QUỐC TẾ CỦA CEO VÀ LƯỢNG TIỀN MẶT NẮM GIỮ CỦA DOANH NGHIỆP

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Abstract - This study examines the impact of CEO foreign experience on corporate cash holdings in Vietnam. CEOs with international experience are defined as individuals who have studied and/or worked abroad before returning to Vietnam. Using data from 538 firms listed on the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX) during the 2013–2021 period, the findings reveal a positive relationship between CEOs' international experience and firms' cash ratios. Specifically, firms led by CEOs with international exposure tend to maintain higher cash holdings compared to those managed by domestically experienced CEOs. These results underscore the significant role of internationally experienced CEOs in shaping corporate financial policies and offer important practical implications for corporate managers and investors.

Key words - CEO foreign experience; cash holdings; Vietnam.

Tóm tắt – Nghiên cứu này xem xét tác động của kinh nghiệm quốc tế của CEO đến lượng tiền mặt nắm giữ của doanh nghiệp tại Việt Nam. CEO có kinh nghiệm quốc tế được định nghĩa là những cá nhân đã học tập và/hoặc làm việc ở nước ngoài trước khi trở về Việt Nam. Sử dụng dữ liệu của 538 doanh nghiệp niêm yết trên Sở Giao dịch Chứng khoán TP. Hồ Chí Minh (HOSE) và Sở Giao dịch Chứng khoán Hà Nội (HNX) trong giai đoạn 2013–2021, kết quả cho thấy mối quan hệ thuận chiều giữa kinh nghiệm quốc tế của CEO và tỷ lệ nắm giữ tiền mặt của doanh nghiệp. Cụ thể, các doanh nghiệp do CEO có trải nghiệm quốc tế lãnh đạo có xu hướng duy trì mức nắm giữ tiền mặt cao hơn so với các doanh nghiệp do CEO chỉ có kinh nghiệm trong nước điều hành. Những phát hiện này nhấn mạnh vai trò đáng kể của CEO có kinh nghiệm quốc tế trong việc định hình chính sách tài chính doanh nghiệp và đưa ra hàm ý thực tiễn quan trọng cho nhà quản trị và nhà đầu tư.

Từ khóa – Kinh nghiệm quốc tế của CEO; nắm giữ tiền mặt doanh nghiệ; Việt Nam

1. Introduction

In an increasingly globalized business environment, the international experience of top executives has become a key factor shaping corporate decisions, attracting considerable interest among scholars in finance [1], [2], [3]. Yet, despite the growing body of literature, empirical evidence remains scarce regarding the influence of foreign experience on CEO decision-making in emerging markets, particularly in countries with weak institutional frameworks and underdeveloped financial systems [4], [5], where informal business networks exert greater influence than in developed economies [6], [7], [8]. This research gap is especially pronounced in Vietnam, where recent policy reforms have emphasized the strategic importance of international managerial talent. Resolution No. 01/NQ-CP, which outlines Vietnam's national strategy for economic restructuring, explicitly encourages the appointment of foreign CEOs to lead state-owned enterprises. This policy shift not only signals broader institutional recognition of global managerial expertise but also raises critical questions about its practical implications in transitional economies marked by institutional voids and limited access to external finance.

This study investigates the association between foreign-experienced CEOs and corporate cash-holding behavior in the context of Vietnam's institutional landscape. Using a unique dataset comprising firms listed on the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) during the 2013–2021 period, the analysis indicates that companies led by foreign-experienced CEOs consistently maintain higher cash ratios. This tendency may be explained by increased risk aversion resulting from limited social integration in the domestic business environment [9]. The absence of strong local ties not only exacerbates financing constraints but also reduces institutional support from local authorities [5], thereby weakening the effectiveness of global managerial capabilities [9]. In such settings, foreign-experienced CEOs appear more inclined to pursue conservative financial policies, with a preference for building internal liquidity buffers as a safeguard against cash flow volatility and restricted access to external capital. This behavior is consistent with the precautionary motive for holding cash, and reflects an adaptive financial strategy in the face of institutional uncertainty and structural capital market limitations.

To ensure the robustness of our findings, several empirical strategies are employed. These include alternative measures of cash holdings and the use of various econometric techniques such as Ordinary Least Squares (OLS), Instrumental Variables (IV) estimation, and subsample analyses excluding the COVID-19 period. Across all specifications, the results consistently support a positive association between CEO foreign experience and precautionary cash policies. This study contributes to the literature on executive characteristics and corporate financial behavior by shedding light on the role of international exposure in shaping decision-making under institutional constraints. The findings offer novel insights into how foreign-experienced leadership navigates uncertainty and adapts financial strategies in emerging markets.

2. Literature review and hypothesis development

This study is related to three main bodies of literature. The first is the literature on motives for corporate cash holdings. Prior research identifies four main motives behind corporate cash holdings: transaction, precautionary, tax, and agency [10], [11]. The transaction motive, based on Keynesian theory [12], emphasizes the need for liquidity to support day-to-day operations without incurring asset liquidation or financing costs [13], [14]. The precautionary motive highlights the role of cash as a buffer against earnings volatility and limited capital access, especially in emerging markets or financially constrained firms [15], [16], [17]. The tax motive reflects strategies by multinational firms to avoid repatriation taxes or double taxation on dividends, leading to large offshore cash reserves in pre-reform U.S. firms [18]. Lastly, the agency motive suggests that weak governance may incentivize managers to hoard cash for personal benefit, often at the expense of shareholder value [19], [20].

Second, this study contributes to the literature on how CEO characteristics influence firm cash policies. Custódio et al. [21] show that high managerial ability is associated with lower cash holdings, as capable CEOs better forecast, invest, and manage liquidity. Saidu [22] finds that female CEOs, often more risk-averse, tend to hold higher cash balances for precautionary reasons, though this effect varies by institutional context. Huang-Meier et al. [23] provide evidence that overconfident CEOs typically retain less cash, believing in their ability to generate funds or access capital when needed, and prioritize growth over liquidity. Sheikh and Khan [24] find that CEO ownership affects cash retention nonlinearly: moderate ownership aligns interests with shareholders, encouraging leaner cash positions; excessive ownership may lead to entrenchment and cash hoarding for control. Additionally, former CEOs who retain influence may lead successors to maintain conservative cash strategies, particularly during leadership transitions, preserving internal stability and strategic continuity.

Finally, this study is linked to growing research on the effects of CEO international experience on firm outcomes. Foreign-experienced CEOs are typically well-educated, globally exposed, and embedded in international networks [25]. Their overseas background enhances strategic thinking, facilitates the transfer of global best practices, and improves corporate governance and firm performance [1]. Additionally, their international networks and familiarity with foreign markets enable better access to global capital and support internationalization strategies, particularly in export-driven sectors [26], [27]. Empirical studies further suggest that foreign-experienced CEOs promote information transparency, improve investment efficiency, and reduce principal-agent conflicts [28]. They are also positively associated with corporate innovation, R&D investment, and green and social responsibility initiatives [2], [29]. However, time spent abroad can weaken local ties, making it harder for CEOs to adapt to domestic corporate culture and informal institutional systems [4], [30]. Some returnees may experience reverse cultural shock and lack the political connections that are often critical in emerging markets [5], [31].

In Vietnam, empirical studies examining the influence of CEO foreign experience on corporate decisions remain limited. Nguyen and Ha [32] show that firms led by internationally experienced CEOs tend to outperform those without such leadership. In a subsequent study, Nguyen and Ha [9] find that foreign-experienced CEOs are associated with lower financial leverage, indicating a preference for more conservative financing strategies. This pattern can be explained by the critical role of relationship-based networks in Vietnam's socialist-oriented market economy. Firms that cultivate durable ties with business partners, banks, and government officials gain privileged access to capital and regulatory support, whereas those without such connections face disadvantages. Evidence from China highlights that social ties with bankers and officials facilitate loan access and preferential treatment [6], [33]. Similar findings in Vietnam show that closer ties with government officials help firms secure longer-term credit and regulatory leniency [34]. Foreign-experienced CEOs, however, often lack these locally embedded networks due to their time abroad. In an environment shaped by opaque regulations and relationship-based practices, returnee CEOs often struggle to mobilize local capital and navigate bureaucratic hurdles [4]. As a result, they rely more heavily on internal funds and maintain higher liquidity buffers to manage uncertainty, aligning with broader evidence that a lack of domestic social capital fosters more risk-averse financial behavior [35].

Based on this reasoning, I propose the following hypothesis:

H1: Firms led by CEOs with foreign experience tend to hold higher cash ratios compared to firms led by domestic CEOs.

3. Data and method

3.1. Data

In this study, the research sample comprises non-financial firms listed on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) during the period from 2013 to 2021, with at least three consecutive years of available financial reporting data. Financial data are obtained from Compustat. Information on foreign experience and other CEO characteristics are manually collected from the annual reports of the listed companies. The final sample comprises 538 firms, yielding a total of 3,681 firm-year observations.

3.2. Method

To estimate the effect of a CEO's foreign experience on corporate cash holdings, the following regression model is used:

$$Cash_{i,t} = \beta_0 + \beta_1 Foreign\ Exp_{i,t} + \delta Controls_{i,t} + \vartheta_{\text{ind}} + \gamma_{\text{t}} + \zeta_{i,t} \quad (1)$$

where $Cash_{i,t}$ represents the level of cash holdings for firm i in year t. This study employs two alternative proxies for corporate cash holdings to ensure the robustness of the results. TOTAL CASH is a continuous variable measured as the ratio of cash and cash equivalents to total assets [10], [11]. CASH is a continuous variable measured as the ratio of cash to total assets [36], [37]. $Foreign\ Exp_{i,t}$ is the independent variable, equal to 1 if the CEO of firm i in year t has either lived or studied abroad, and 0 otherwise. The vector of control variables (Controls) includes capital expenditures (CAPEX), firm size (SIZE), operating cash flow (CF), net working capital (NWC), growth opportunities (GROWTH), and financial leverage (LEV). The model also controls for industry fixed effects (ϑ_{ind}) and year fixed effects (γ_t) to isolate the impact of CEO foreign experience on corporate cash holdings from unobserved industry- and time-specific factors. The definition of all variables is provided in Table 1.

Table 1. *Definition of variables*

Variables	Description
TOTAL CASH	Ratio of cash and cash equivalents to total assets.
CASH	Ratio of cash to total assets.
Foreign Exp	Dummy variable equal to 1 if the CEO has studied or lived abroad, and 0 otherwise.
Female CEO	Dummy variable equal to 1 if the CEO is female, and 0 otherwise.
CEO age	Age of the CEO.
CEO tenure	Number of years in the CEO position at the current firm.
CAPEX	Natural logarithm of capital expenditures.
SIZE	Natural logarithm of total assets.
CF	Ratio of operating cash flow to total assets.
NWC	Net working capital, measured as the difference between current assets and current liabilities, is scaled by total assets.
GROWTH	Revenue growth rate from the previous year to the following year.
LEV	Financial leverage, measured as the ratio of total debt to total assets.

4. Results and Discussion

4.1. Descriptive statistics

Table 2. *Summary statistics*

Variable	N	Mean	Std. Dev.	Min	Max
TOTAL CASH	3,681	12.45	13.06	0.01	84.91
CASH	3,681	6.85	7.68	0.01	70.27
Foreign Exp	3,681	0.08	0.28	0.00	1.00
Female CEO	3,681	0.08	0.27	0.00	1.00
CEO age	3,681	49.05	8.14	24.00	78.00
CEO tenure	3,681	5.59	5.25	0.00	29.00
CAPEX	3,681	4.78	6.30	0.00	32.28
SIZE	3,681	27.73	1.48	23.66	33.69
CF	3,681	5.82	12.14	-32.16	39.14
NWC	3,681	18.39	19.81	-25.35	71.27
GROWTH	3,681	16.31	56.80	-71.93	387.48
LEV	3,681	26.19	16.96	0.00	75.28

Table 2 presents descriptive statistics for the variables used in the research sample, which covers the period from 2013 to 2021. The results indicate that the ratio of cash and cash equivalents to total assets averages 12.45%, with cash accounting for 6.85% of total assets. In addition, the variable representing foreign experience has a mean value of 0.08, reflecting the fact that the proportion of CEOs who have studied or worked overseas is very small compared to the total number of CEOs currently managing firms in Vietnam.

4.2. Impact of the CEO foreign experience on firm cash holdings

Table 3 reports the OLS regression results for Model (1), using two measures of corporate cash holdings, TOTAL CASH and CASH, on the full sample. In both specifications, the coefficient on Foreign Exp is positive and statistically significant at the 1% level, confirming a robust link between CEO international experience and higher cash holdings.

Table 3*. Impact of the CEO foreign experience on firm cash holdings*

Variable	TOTAL CASH (1)	CASH (2)
Intercept	-31.65 (-7.51)***	-6.97 (-2.74)***
Foreign Exp	3.08 (4.52)***	1.30 (2.67)***
Female CEO	-1.59 (-2.22)**	-0.61 (-1.74)*
CEO age	0.05 (1.95)*	0.02 (1.14)
CEO tenure	-0.08 (-2.19)**	-0.04 (-1.70)*
CAPEX	-0.02 (-0.79)	-0.01 (-0.54)
SIZE	1.43 (9.81)***	0.42 (4.73)***
CF	0.25 (12.84)***	0.12 (9.73)***
NWC	0.29 (20.67)***	0.10 (10.94)***
GROWTH	-0.00 (-0.70)	-0.00 (-0.46)
LEV	-0.03 (-2.04)**	-0.04 (-4.00)***
R2 (%)	28.77	15.73
Industry and year fixed effects	Yes	Yes
Obs	3,681	3,681

*T-statistics are in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels.*

These findings suggest that, after controlling for other factors, firms led by foreign-experienced CEOs tend to maintain higher cash ratios. This pattern aligns with the view that, in the absence of strong local social networks, such CEOs are more likely to pursue conservative financial strategies. In the Vietnamese context, where informal relationships with government officials, banks, and industry peers play a critical role in resource access and regulatory navigation [5], CEOs with international backgrounds may face structural disadvantages. As a result, their firms often rely more heavily on internal resources, particularly cash, as a precautionary buffer against market frictions and institutional uncertainties.

Holding substantial cash may help enhance liquidity, resilience, and financial flexibility amid weak legal frameworks and limited access to external capital.

To mitigate the potential distortions introduced by the COVID-19 pandemic on the relationship, the baseline model is re-estimated using a pre-COVID-19 subsample (2013–2019). Results in Table 4 show a strong, positive, and statistically significant association between foreign experience and cash holdings at the 1% level across both cash proxies, reinforcing the reliability of the core findings.

Table 4*. Using the pre-COVID-19 subsample*

Variable	TOTAL CASH (1)	CASH (2)
Intercept	-25.16 (-5.81)***	-9.70 (-3.23)***
Foreign Exp	4.29 (5.54)***	2.00 (3.41)***
Female CEO	-1.88 (-2.53)**	-0.64 (-1.43)
CEO age	0.02 (0.65)	0.02 (0.84)
CEO tenure	-0.06 (-1.35)	-0.04 (-1.42)
CAPEX	-0.02 (-0.53)	-0.00 (-0.01)
SIZE	1.20 (7.88)***	0.49 (4.54)***
CF	0.24 (11.61)***	0.12 (8.24)***
NWC	0.29 (18.17)***	0.11 (9.79)***
GROWTH	-0.00 (-0.73)	-0.00 (-0.71)
LEV	-0.02 (-1.56)	-0.04 (-3.37)***
R2 (%)	29.58	16.92
Industry and year fixed effects	Yes	Yes
Obs	2,820	2,820

*T-statistics are in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels.*

To mitigate potential endogeneity concerns, a two-stage least squares (2SLS) instrumental variable (IV) approach is employed, using the one-year lagged foreign experience variable (Lagged Foreign Exp) as the instrument. In the first stage, the binary variable Foreign Exp is regressed on its lagged value along with the full set of control variables. In the second stage, firm cash holdings proxies, including TOTAL CASH and CASH are regressed on the predicted values of Foreign Exp obtained from the first stage. The specifications in each step are given as follows:

1st stage:

$$Foreign\ Exp_{i,t} = \beta_0 + \beta_1 Foreign\ Exp_{i,t-1} + \delta Controls_{i,t} + \vartheta_{\text{ind}} + \gamma_{\text{t}} + \zeta_{i,t} \quad (2)$$

2nd stage:

$$Cash_{i,t} = \beta_0 + \beta_1 \widehat{Foreign\ Exp}_{i,t} + \delta Controls_{i,t} + \vartheta_{\text{ind}} + \gamma_{\text{t}} + \zeta_{i,t} \quad (3)$$

The results in Column (1) of Table 5 indicate that Lagged Foreign Exp is positively and significantly associated with Foreign Exp. The F-statistic exceeds the critical threshold of 10, indicating a strong instrument [38]. The exclusion restriction is also satisfied, as lagged variables are unlikely to directly affect current cash holdings [39].

Table 5. *Instrumental variables (IV) estimation of the effect of foreign-experienced CEOs on firm cash holdings*

Variable	Foreign Exp (1)	TOTAL CASH (2)	CASH (3)
Intercept	-0.16 (-2.63)***	-21.54 (-2.87)***	-5.51 (-1.46)
Lagged Foreign Exp	0.87 (42.77)***		
$\widehat{\text{Foreign Exp}}$		4.37 (4.06)***	1.71 (2.33)**
Controls	Yes	Yes	Yes
R2 (%)	76.22	31.97	15.29
F-stat	1,829.01		
Industry and year fixed effects	Yes	Yes	Yes
Obs.	3,211	1,859	1,859

*T-statistics are in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels.*

Results in Columns (2) and (3) of Table 5 show that $\widehat{\text{Foreign Exp}}$ remains positively and significantly associated with both TOTAL CASH and CASH, providing strong empirical support for Hypothesis 1.

5. Conclusion and Implications

This study provides novel evidence on the role of CEO international experience in shaping corporate cash holding policies within the context of an emerging market. Using a dataset of non-financial firms listed on the HOSE and HNX from 2013 to 2021, we find that firms led by foreign-experienced CEOs tend to maintain higher cash ratios. This supports the precautionary motive hypothesis, suggesting that CEOs lacking strong domestic networks may respond to perceived risks by adopting more conservative liquidity strategies. The findings carry important implications for corporate governance and investment decisions. For corporate governance, appointing CEOs with international backgrounds may signal a strategic orientation toward financial prudence and risk mitigation. Firms led by such CEOs are likely to prioritize liquidity management, internal financing, and cautious investment behavior, which may strengthen resilience but could also constrain growth opportunities if excess cash is not efficiently deployed. For investors, the global experience of a CEO can serve as a useful signal of the firm's approach to liquidity, capital structure, and risk tolerance, thereby shaping expectations about future investment and payout policies.

However, the study is not without limitations. First, our measurement of international experience is binary and does not capture differences in the duration or context of overseas exposure. Second, due to data constraints, it was not possible to control for other CEO characteristics or board-level attributes that may also influence firm cash holdings, potentially introducing omitted variable bias.

Third, although multiple robustness checks were conducted, additional approaches are needed to comprehensively address potential endogeneity issues.

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