The Impact of Top Management Characteristics on Performance of Bank

—Research on Talent Strategy under the “Belt and Road” Initiative

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Abstract—The “Belt and Road” Initiative and establishment of the AIIB have provided a convenient international environment and conditions for Chinese financial institutions to ‘go global’ and carry out cross-border business and transnational operations. Senior management personnel are major important factor for improving the profitability and transnational operation of China's banking industry. Under the background of the ‘Belt and Road’ initiative, China's banking industry should pay attention to the selection, training and reserve of senior managers and cultivate the necessary human resource for the bank's own development and transnational operations.

Keywords—“Belt and Road” Initiative; banking industry; senior management; performance

I. INTRODUCTION

With accelerating process of economic globalization, the international cooperation is becoming increasingly close, while the international competition is more intensive. With the ‘Belt and Road’ Initiative, excellent human resource is needed for globalization of banking industry.

In order to better understand the requirements and direction of developing for banking industry under the ‘Belt and Road’ Initiative, the first point is to find out the current human resource situation of banking industry. And to provide suggestions on human resource development and senior managers reserve of banking industry.

At present, China has basically formed a pattern that is joint-stock commercial banks as the growth point and the state-owned commercial banks as the main body. Listed commercial banks play a role as the forerunner of Chinese commercial banking system reform. The listed commercial banks will be the target in this study.

After the separation of ownership and control of the company, the relationship of senior management and interest of the organization has become closer. The top management staff of listed banks, as the main force in formulation and implementation of bank strategy is the key factor of corporate governance. Therefore, the background characteristics of executives will affect the choice of their own behavior and strategy. What's more, it will also affect carrying out cross-

border business and transnational operations. Thus, the characteristics of the top management (i.e., gender, the education background, professional skills, and working years) may have a certain impact on their business decisions and performance of the listed banks.

In this article, a research towards the senior management background of listed commercial banks has been conducted. The research analyzed the relationship between the senior management background and the performance of listed commercial banks. And put forward practical suggestions on the allocation of human resources and the improvement of banking performance. Analyzing the factors which affect the performance evaluation of banks will help with improving the competitiveness of banks.

II. PREVIOUS STUDY ON THE SUBJECT

A. Overview

Bank performance generally refers to the bank management activities of the effectiveness, which represents bank operating efficiency and management performance. The bank's business efficiency level is mainly reflected in the profitability, assets operation ability, solvency and development ability etc. The analysis of bank performance can not only promote the improvement of organization and individual performance, but also improve the management and business process optimization, then ensure the realization of strategic objectives.

The influence of the background characteristics of managers on the listed Chinese banks has been paid more and more attention by scholars since the theory of bank was put forward. The relationship research between the background of the top management and banks in foreign countries has started in 1980s. High-level echelon theory points out some characteristics of the bank managers, such as age, gender, education background, professional background and work characteristics will have important impact on their behavior and decision-making.

A survey tested A shares data in 2006 on senior staff working years that has concluded that the average term of office has a positive correlation with bank performance.. The

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study of the effect of CFO on the accruals quality of firms shows that the gender of CFO has a significant correlation with accruals quality [3].

B. Gender of Senior Management

In the gender characteristics of listed bank executives, female managers tend to use a variety of networks to learn other people's experience of management and decision-making skills, making it in the face of good opportunities or serious threat was more helpful to make rational decisions and make the right choice of mergers and acquisitions.

In the listed companies, female executives can play a supervisory role on the board of directors and this role is significant [8]. There are results show that the higher the proportion of female executives, the better the earnings quality [9]. Through the study of listed companies data finding that the proportion of female executives is higher, the level of corporate performance is better [5]. Within the bank, the chairman of female directors pay more attention to establish of interpersonal relationships.

However, some studies have found that the closer the proportion of men and women in the executive, the easier to give full play to the supervisory functions of the board of directors, which is conducive to the improvement of corporate governance [1].

China is deeply influenced by Confucianism. As a result, Chinese women generally have no confidence, weakness and careful. They are usually more willing to ask for advice. Previous studies have shown that men tend to be more assertive than women and are more likely to have higher risk and higher returns. The relationship between the characteristics of senior executives and the motivation of bank information disclosure are raised [12].

C. Education Background of Senior Management

The basic point of the top echelon theory is that senior members are from different cognitive basis, values and insight into the role of these characteristics that will affect the strategic choice of organization and organizational performance [14]. A person's formal educational background contains a wealth of complex information that reflects a person's knowledge and skills base [4]. The relationship between the average degree and bank performance proved that in the financial industry has a positive influence on the average degree of bank performance, but it does not exist in other industries [15].

Average executive education level is helpful to the growth of banks. That means the higher the level of executive education, the greater the acceptance of bank risk. In the face of changes in the bank, the demand for rapid decision-making executives will be more quickly and get accurate decision-making [17]. There is a positive correlation between the academic background of the top management and the R & D investment ratio of the bank. When executives have an economic background, they will lower the discount rate and the cost of financing, which will increase the bank's benefit.

Education level contains a large number of personal information. To a certain extent, it reflects a person's values, as

well as the family economy situation. These factors played roles in a person's thinking mode, behavior pattern, which have important impact on shaping personality.

D. The Length of Working Period of Senior Management

Some scholars believe that the young managers have energy and active thinking, easy to learn and master new knowledge, preference for new things and forward a strong sense of risk, easy to accept the new change of thought and behavior and tend to take high risk strategy. Compared with young managers, elder senior executives tend to be more conservativ [10].

But some scholars believe that the influence of executives' age on corporate governance performance is not a linear relationship. Taking the listed companies of Chinese small and medium enterprises in 2006-2010 as the main research object, systematically investigated the influence of the characteristics of top managers on the sustainable development of enterprises. The results showed that the age of senior managers and the sustainable growth of enterprises in the inverted U shape relationship [7].

In China, a research shows that executives' average tenure has no significant impact on bank earnings quality [11]. According to the World Bank survey data, in which 1109 listed companies in China are studied, it is confirmed certain promoting effect degree of the managers can improve the performance of the bank with the increase of managerial tenure.

The length of working periods of senior management can show the manager's own ability and rich experience to a certain extent, which will affect the manager's choice of development strategy and development goals.

E. The Specific of Banks

Obviously, because of the special operation and the unique function in the allocation of resources, compared with non-bank corporates, banking has its own industry characteristics. As an affiliated shareholder or loan provider, the effective governance of the bank may guarantee the high quality of business decisions, and promote the effective integration of resources in the economy [2].

When using empirical analysis method to study the governance of listed bank, and providing evidence for listed banks governance theory, since the sample space limitation, information about banks had been as state confidential secrets, which has greatly restricted the research on the corporate governance of listed banks. But with more and more Chinese commercial banks are listed, the credibility of information disclosure, timeliness and integrity are constantly improving. More reliable data on bank operations and corporate governance information are available. Therefore, listed commercial banks as the research object to provide more empirical evidence and policy recommendations for the banking governance theory.

III. RESEARCH METHOD

A. Hypotheses

According to current economic development stage and macroeconomic background, three hypotheses are put forward:

- Hypothesis 1: the performance of Chinese listed commercial banks is positively correlated with the gender (male) of the senior executives;
- Hypothesis 2: the performance of Chinese listed commercial banks has a positive correlation with the educational background of senior executive;
- Hypothesis 3: the performance of listed commercial banks in China is positively correlated with the length of working period of senior executives.

B. Methodology

- Questionnaire survey: It is a random questionnaire survey. Questionnaires are distributed to 6 listed companies in Kunming and its surrounding areas, including 4 listed banks and 2 listed insurance companies and who are randomly selected on the spot to fill out the volume.
- Quantitative analysis: Based on the annual report of listed banks in China from 2013--2015, the annual net profit of listed banks and the senior managers' working years, gender and the highest educational background were collected manually. This will be descriptive and have a statistical analysis of each variable. According to the previous literature review and theoretical analysis, it takes the gender, educational background and length of working years as the explanatory variables by the linear regression analysis, the quantitative analysis of senior managers is mainly reflected in the application of descriptive statistical analysis, linear regression analysis.

C. Setting Variables

According to the study above, gender, educational background, working years are chosen as the independent variable, and the net profit is chosen as the dependent variable.

In this article, a linear regression model is set:

1) Dependent variable:

Net profit: Bank's annual net profit

2) Argument:

Gender: dummy variable, when the gender of the individual is male, the value is 1; otherwise, it is 0;

AGE: the number of years in which the individual is engaged in banking;

Degree: it represents the highest degree of the individual, which, undergraduate value is 1, master is 2, Dr. and Ph.D. are 3, the greater the value that means the higher education.

IV. DATA DESCRIPTION

Data description will be conducted separately for questionnaire survey and quantitative analysis.

A. Data description for Questionnaire Survey

A total of 100 copies were sent out, 78 were recovered and the recovery rate was 78%. Investigations were made in Kunming and its surrounding areas including: China Construction Bank branch, China Communications Bank branch, China Agricultural Bank branch, China Merchants Bank branch, China Pacific Insurance Company and China Life Insurance. The survey held in the first quarter of 2017. The following is the corresponding result of the survey:

1) Respondent characteristics

It can be seen from the results that 71.79% of the respondents held bachelor degree. A total of 97.43% respondents work in financial sectors, with 65% work in bank. Most of the respondents are general staff, with around 30% are mid level managers. Therefore, the questionnaire is highly targeted and its conclusion has practical significance.

2) Basic attitudes

More than 95% of the respondents believe that the highly educated leadership can lead the team to operate more scientific and effective. Half of the respondents accept an increase in the number of senior management of women, which is interesting to have nearly 50% of people remain neutral. Only 2.56% of respondents do not agree. Half respondents support long-working year manager, while 20% against it.

B. Data Description for Quantitative Analysis

The net profit of 16 listed banks in China from 2013-2015 has been collected, as well as the data regarding gender, highest level of education and working years in these banks. The total sample size is 48 groups.

In all data samples, the proportion of men is much higher than that of women. In the 48 samples, there are 46 male samples, but only 2 are female samples. The number of working age is mainly distributed between 5 and 23 years with 44 samples, which is over 91 percent of the total number of samples. Only a small portion of the work age is less than 5 years (3 samples). Only one sample is 1 year working period which is the shortest. While the remaining one sample worked for up to 36 years.

The annual net profit of the listed banks is mainly distributed between 13454 million and 180,774 million with 36 samples. In all samples, China Industrial and Commercial Bank reached a maximum net profit of RMB 277,131 million in 2015, at the same time, a minimum net profit of RMB 2404 million is in Nanjing Bank in 2013.

For the educational background, 25 samples have Doctor's degree, which is more than half of the samples; 11 samples are master's degree and 12 samples are undergraduate education.

V. DATA ANALYSIS

A. Analysis for Quantitative Analysis

1) Descriptive Statistics

TABLE I. DESCRIPTIVE STATISTICAL TABLE OF VARIABLES

	Net Profit	Age	Degree	Gender
Mean	76346.54	18.66667	2.250000	0.958333
Median	43412.00	19.00000	2.500000	1.000000
Maximum	277131.0	36.00000	3.000000	1.000000
Minimum	2404.000	1.000000	1.000000	0.000000
Std. Dev.	82130.04	9.759520	0.837931	0.201941

Fig. 1. Histogram distribution maps of each variable

Through the descriptive statistical scale and the histogram, calculation and conclusion can be conducted as follow:

- The mean value of NETPROFIT is 76346.54, the maximum is 277131.0 ; the minimum is 2404.000, the standard deviation is 82130.04, the variation coefficient of variable NETPROFIT = $82130.04 / 76346.54 = 107.58\%$. There is very high variability and volatility, so the variable is effective;
- The mean value of AGE is 18.66667, the maximum is 36,; the minimum is 1, the standard deviation is 9.75952, the variation coefficient of variable AGE = $9.75952 / 18.66667 = 52.28\%$, So the data variability is good and the variable is effective;
- The mean value of DEGREE is 2.25, the maximum is 3; the minimum is 1, the standard deviation is 0.837931, the variance coefficient of variable DEGREE = $0.837931 / 2.25 = 37.24\%$, So the data variability is good and the variable is effective;
- The mean value of GENDER is 0.958333, the maximum value of 1, the minimum value of 0, the standard deviation of 0.201941, variable GENDER coefficient of variation = $0.201941 / 0.958333 =$

21.07%, Obviously ,the variability is very small by observing the histogram and the detailed value. In whole sample, women only account for two samples, and indeed do not have a high representation.

2) Establish Regression Model

Establish the model by EVIEWS9.0 software

Model 1: $NETPROFIT = C(1) * AGE + C(2)$

$NETPROFIT = 3049.431 * AGE + 19423.84$

(2.6369) (0.7992)

$R^2 = 0.1313$ Adj- $R^2 = 0.1124$ $F = 6.9532$

Model 2: $NETPROFIT = C(1) * DEGREE + C(2)$

$NETPROFIT = 34866.38 * DEGREE - 2102.811$

(2.5815) (-0.0649)

$R^2 = 0.1265$ Adj- $R^2 = 0.1076$ $F = 6.6641$

Model 3: $NETPROFIT = C(1) * GENDER + C(2)$

$NETPROFIT = 36961.61 * GENDER + 40925$

(0.6189) (0.7001)

$R^2 = 0.0083$ Adj- $R^2 = -0.0133$ $F = 0.3831$

3) Main Regression Analysis

Model 1 and model 2 coefficient of determination are 0.13~0.12, which illustrates in the two all variables under the action can take about 12% of the ability to explain. Although the value is small, according to Li Zinai "Econometric" argument, the company cross section data of coefficient of determination need care without too much attention, mainly concern significantly variable, and the dependent variable is affected by many factors. So that the model explained overall is good.

The overall significance test F statistics of model 1 and model 2 are greater than 6 and the corresponding probability value of about 0, indicating that the equation is significant and test setting is reasonable and effective. However, the coefficient of determination of model 3 is very small, the F statistic is very small. It can not pass the significance test. The model 3 is not ideal.

T statistics of AGE is 2.636885, the corresponding probability is 0.0114. It can reject the null hypothesis is not significant at the 5% level that AGE has a very high explanatory power for NETPROFIT, which estimates the coefficient of AGE is $3049.431 > 0$. It indicates a positive effect with net profit, which means the longer periods the individuals worked, often accompanied by higher bank net profit;

T statistics of DEGREE is 2.581488, corresponding to the probability of 0.0131. It can reject the null hypothesis is not significant at the 5% level that DEGREE has a very high explanatory power for NETPROFIT. DEGREE estimated coefficient of $34866.38 > 0$, which means NETPROFIT has a clear positive correlation effect, that is, the higher the qualifications they got, often accompanied by a higher level of bank net profit;

T statistics of GENDER is 0.618946, the corresponding probability is 0.5390. It can not be rejected at a significant level of 5% of the original hypothesis is not significant. The ability of GENDER to explain NETPROFIT is not obvious. It can be

considered that GENDER difference has no obvious impact on NETPROFIT.

B. Analysis for Questionnaire Survey

Half of the people think that the long work experienced leadership could better lead the development. There are about similar percentage of people chose to neutral or against the statement, which indicating that the number of years in the views of most respondents is very influential that can be used as a further proof of whether the argument is reasonable.

About two-thirds of the people feel that the educational background of executives affect the development of listed corporate performance. 17.95% of people are opposed. It is meaningful to use this data to illustrate the relationship between the educational qualification of executives and the listed banks.

More than half of the people think that the longer the senior management staff have the ability to easily solve the temporary problems, which is conducive to the positive development of enterprises. 32.05% of the opponents believe that the longer of working life, the stronger risk awareness will gradually increase which will take difficult to expand the scale and thus can not expand the way to obtain profit. There are a small number of people who abstain from the issue, and 8.97% of people have other views by only less than 10%, so other factors may not need a further research.

C. Summary

Combined with quantitative analysis - one linear regression equation and qualitative analysis - questionnaire survey results:

It is assumed that there is a positive correlation between the performance of Chinese listed commercial banks and senior managers' working years. In the uni-variate linear model, the corresponding probability of the T-value of the statistic can reject the null hypothesis that the working age has a positive effect on the performance of the listed bank at the significant level of 5%, and for the result in the questionnaire that is also believed as one of the most important factors in the personal qualities of executives, so the hypothesis is true.

It is assumed that the Chinese listed commercial banks have a positive correlation with executive qualifications. In the above analysis, the corresponding probability of the T-value of this factor can reject the null hypothesis at a significant level of 5%. The hypothesis has also been supported by the respondents. So the hypothesis is true.

It is assumed that the business performance of Chinese listed commercial banks is positively correlated with the gender of the executives. In the analysis, because of the lack of "female sample" in the study sample, which can not judge the performance by sex at listed banks. The results of the questionnaire also have no persuasive answer because half of the respondents were neutral. So the assumption can not be established.

VI. CONCLUSION AND RECOMMENDATION

A. Basic Conclusion

From the analysis above, two thirds of the respondents considered that the overall characteristics of the executives is related to the performance of the listed companies. The previous research found that the commercial banks has a certain correlation between them. In particular, the working age of the senior management of the commercial bank and the highest degree of education both have positive correlation with the net profit of the listed bank. The view is supported in the questionnaire by proportion of the total number of 90% interviewee. For gender, the neutral point of view is almost consistent with the agreement, so it can not draw any conclusions.

- There is a positive correlation between senior managers' working years and bank performance. In the empirical study, it is found that the longer working periods, the better performance bank achieve, and the length of working years of the chief executive is the main factor that affects the efficiency. The results proved that the executive background, the average tenure of office and composite life of the bank have significant positive impact on growth ability.
- Executive education has a positive impact on the performance of listed banks. The results show that the executives of the higher level of education, the better performance of the bank, that level of education will affect decision quality. Higher educational level executives, in complex conditions, who are provided with clear thinking, ability of analysis the internal and external environment of banks. They also easy to locate the bank position and make bank strategic decision of high quality to help banks get succeed.
- The hypothesis of the relationship between executive gender and bank performance is not supported. It may due to the overall sample number of women in the article is below ten percent, so there is no ability to explain that gender related to the profitability of listed banks.

B. Suggestions

According to the results of theoretical and empirical analysis, combined with China's unique social, economic and cultural environment, this paper gives suggestions from macro and micro respectively.

In order to better and continuous developing, Chinese government has proposed 'Belt and Road' Initiative. For banking industry, it means banks should strengthen themselves to face with increasingly intensive competition both domestic and international and go globe to achieve new developments. In this process, human resource is a major factor to success. Therefore, the top management characteristic is closely related to the profitability of listed banks. High-quality educational background and working years are greatly related to the bank's net profit, which is also related to the bank's best interests. All of the top managers with these advantages are more capable of

making the decision in the economic crisis, as well as strengthening the development of the bank and leading the bank to a better development trend.

- For senior management recruiting, long related working years and high related qualification will be prior choice. Top management is the core of the bank, they are responsible for the business activities. According to the changes in the market timely they must formulate appropriate policies, which determines the business performance. Excellent and experienced managers can bring the scarcity of resources for the growth of banks. When the bank are facing changes in the market, excellent managers can collect all kinds of information, seize the opportunity to make quick decisions to obtain huge profits.
- To better adopting 'Belt and Road' Initiative, the foreign language, the familiarity with overseas financial environment and other related skills would be good supplement. This requires targeted training. Training can be in various forms, such as language training courses, lectures on international financial situation or improving professional skills.
- Encourage banking practitioners to obtain related certificate, especially those with global recognition. It is better to link the qualifications and the certificate with the salaries incentives to improve the overall quality of bank employees.
- Pay attention to follow-up talent reserve. Establish special management training program for 'Belt and Road' Initiative related plans or countries. The trainee in this program should stay at targeted countries for a certain period of time.

C. Limitation and Further Study

Only one measure to explain bank performance is not comprehensive. The information for the senior manager may not be complete enough and some may not be accurate enough, such as the degrees (there's no distinction between formal education and continuous education). The sample size could be larger.

More targeted research should be conducted, such as what kind of characteristics could better serve cross-border business in new situations.

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