

# Integration of Two Jobs and Enterprise ESG Performance

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## Abstract

**At present, environmental problems have become increasingly prominent. How to cultivate the competitive advantage of enterprise ESG and promote the green development of enterprises play an important role in practicing the green concept. This paper empirically analyzes the relationship and mechanism between the integration of two jobs and enterprise ESG performance. The research shows that: first, the integration of two jobs inhibits the performance of enterprise ESG. Second, there are two paths between the integration of two jobs and enterprise ESG performance, that is, the integration of two jobs inhibits enterprise ESG performance by reducing financing constraints and increasing agency costs. Third, the inhibitory effect of the integration of two jobs on the ESG performance of enterprises is more significant in state-owned enterprises and polluting enterprises. This study helps to understand the impact of corporate internal governance structure on green development, and provides a theoretical reference for enterprises and relevant authorities to formulate ESG policies.**

## Keywords

**ESG; Agency Costs; Financing Constraints.**

## 1. Introduction

In recent years, environmental problems have become increasingly prominent, which has aroused widespread concern of governments around the world. How to promote sustainable development and form a lasting competitive advantage has become the focus of attention of all countries (Luyaoyi, 2023; Zhaoxinzhu, 2023). China's new development concept is a profound embodiment in this regard. For enterprises, as the micro main body of a country's economic development, its practice of green development has an important impact on the high-quality economic development (Chen Hong and Zhang Lingxiao, 2023). The performance of enterprise ESG is the main embodiment of green development at the micro level. Therefore, how to cultivate the competitive advantage of enterprise ESG and promote the green development of enterprises plays an important role in the practice of green concept (Wu Yiding et al., 2023; Jiqing et al., 2023).

In fact, the academic research on enterprise ESG performance is more and more abundant, but it mainly focuses on the external environment of the enterprise and pays less attention to the internal factors of the enterprise. For example, xuguanghua et al. (2023) found that economic policy uncertainty will worsen the enterprises' ESG, mainly because under the condition of economic policy uncertainty, enterprises' risk-taking ability is greatly weakened and financing constraints are increased, thus weakening the ability of enterprises to invest in ESG. Lei Lei et al. (2023) found that the shareholding of joint institutions may lead to collusion and fraud of enterprises, reduce the corporate governance ability of enterprises, and then lead to the decline of ESG investment ability of enterprises. Zhou Jing (2023) found that the external governance effect of media attention will improve the ESG performance of heavy polluting enterprises. Li Jing (2022) found that the development of digital economy can effectively improve the performance of ESG of enterprises. In terms of internal environmental factors of enterprises, jimengru and huangyumeng (2022) found that there is a positive correlation between

innovation ability, enterprise size and enterprise ESG performance. It can be seen that the existing studies pay less attention to the internal factors of enterprises on the performance of enterprise ESG, and there is still a literature gap. This paper is a useful supplement to the existing studies. Therefore, this paper empirically analyzes the relationship and mechanism between the integration of two jobs and enterprise ESG performance. The research shows that: first, the integration of two jobs inhibits the performance of enterprise ESG. Second, there are two paths between the integration of two jobs and enterprise ESG performance, that is, the integration of two jobs inhibits enterprise ESG performance by reducing financing constraints and increasing agency costs. Third, the inhibitory effect of the integration of two jobs on the ESG performance of enterprises is more significant in state-owned enterprises and polluting enterprises (Wang Yu et al., 2022; Yang Jie et al., 2022).

The chairman of the board of directors has an important impact on the business behavior of the enterprise. What is the impact of the integration of the two positions on the ESG investment of the enterprise? In the case of the integration of two duties, the chairman's voice in the company increases, which may lead to the decision-making body of the enterprise turning into a single voice, reducing the internal transparency. In addition, it also gives the chairman the possibility of encroaching on the interests of the company and small and medium-sized shareholders, leading to an increase in the agency cost of the enterprise, thereby reducing the efficiency of ESG investment of the enterprise; On the other hand, the chairman of the board generally has good social resources. His direct participation in the operation of the enterprise will play the resource effect of relationship capital and ease the resource constraints of the enterprise. In addition, the combination of the two duties of the chairman of the board can improve the efficiency of enterprise decision-making and avoid the loss of the best investment opportunities caused by the approval at all levels, which may promote the efficiency of enterprise ESG investment. So what is the impact of the integration of two jobs on the performance of enterprise ESG? Is it promotion or inhibition? What is its potential mechanism? The solution to this problem is helpful to understand the micro mechanism of promoting green development (Yang Jie et al., 2023; Wu hangxuan, 2023).

The marginal contributions of this paper are as follows: first, it empirically analyzes the impact of the integration of two duties on the performance of enterprise ESG, which enriches the relevant corporate governance literature. Existing studies have shown that the research on enterprise ESG performance mainly focuses on the external environment of the enterprise, and pays less attention to the internal perspective of the enterprise. This paper empirically analyzes the impact of the integration of two jobs on enterprise ESG performance from the perspective of the integration of two jobs, which enriches the relevant corporate governance research. Second, it analyzes the two mechanisms of the integration of two duties on the performance of enterprise ESG, that is, to improve the agency cost and financing constraints. This helps to provide beneficial thinking for the future direction of corporate governance. Third, the paper analyzes the effect of the integration of two jobs on the performance of enterprise ESG under different property rights and enterprise attributes, which helps to provide reference for the relevant authorities to formulate relevant policies.

## 2. Model Construction and Data Description

### 2.1. Model Setting

This paper focuses on the impact of the integration of two jobs on the performance of enterprise ESG. Referring to the research of Shi Yongdong and wangtongtong (2022), the following model is constructed:

$$ESG_{i,t} = \alpha_0 + \alpha_1 Dual_{i,t} + \sum Controls_{i,t} + \sum Ind + \sum Year + \varepsilon_{i,t} \tag{1}$$

## 2.2. Variable Definition

### 2.2.1. Explained Variable

Enterprise ESG performance. This paper chooses Huazheng ESG rating as the proxy variable of enterprise ESG performance. It is assigned 1-9 by level.

### 2.2.2. Explanatory Variables

Dual. The value is 1 when the chairman and general manager are combined, otherwise it is 0.

### 2.2.3. Control Variables

This paper selects financial leverage, cash flow, growth rate, proportion of independent directors, book to market ratio, equity concentration and property right nature.

## 2.3. Sample Selection and Descriptive Analysis

The research sample of this paper is the Shanghai and Shenzhen A-share enterprises from 2009 to 2021. According to the usual practice, this paper excludes the samples with missing st, Pt and main variables. The main variables are trimmed by 1% up and down.

**Table 1.** descriptive statistical results

Variable	N	Mean	SD	P50	Min	Max
ESG1	30212	6.516	1.115	6	1	9
Dual	30212	0.262	0.440	0	0	1
Lev	30212	3.329	2.825	2.346	1.124	17.86
Cashflow	30212	0.048	0.069	0.047	-0.152	0.243
Growth	30212	0.178	0.401	0.114	-0.544	2.501
Indep	30212	37.54	5.344	35.71	33.33	57.14
BM	30212	0.613	0.250	0.607	0.115	1.168
Top1	30212	34.87	14.81	32.76	9.190	74.82
SOE	30212	0.393	0.488	0	0	1

## 3. Empirical Analysis

### 3.1. Basic Regression

The coefficient of the variable dual to the explained variable ESG is negative, indicating that the integration of the two duties of the chairman significantly inhibits the enterprise from making ESG investment. It may be that the combination of two duties has aggravated the generation of enterprise agency problems, thus inhibiting the enterprise ESG investment. In addition, due to the excessive power of the chairman, the enterprise information transparency is low, and the financing constraints are large, which worsens the enterprise ESG performance.

**Table 2.** basic regression results

	(1)	(2)
Variables	ESG1	ESG1
Dual	-0.180*** (-12.637)	-0.044*** (-3.090)
Lev		0.005** (2.011)
Cashflow		1.707*** (18.850)
Growth		0.016 (1.087)
Indep		0.002 (1.381)
BM		0.569*** (19.256)
Top1		0.005*** (12.498)
SOE		0.428*** (29.975)
Constant	6.563*** (918.149)	5.666*** (115.609)
Observations	30211	30211
Adjusted R-squared	0.098	0.158
Industry	Yes	Yes
Year	Yes	Yes

## 3.2. Robustness Test

### 3.2.1. Sample Selection Deviation

**Table 3.** PSM inspection

	(1)	(2)
Variables	ESG1	ESG1
Dual	-0.029* (-1.869)	-0.035** (-2.365)
Lev	0.003 (0.971)	0.003 (1.333)
Cashflow	1.919*** (16.368)	1.892*** (17.186)
Growth	0.025 (1.304)	0.025 (1.391)
Indep	-0.002 (-1.353)	-0.001 (-0.976)
BM	0.453*** (11.498)	0.448*** (12.180)
Top1	0.005*** (8.709)	0.005*** (8.889)
SOE	0.410*** (18.552)	0.417*** (20.910)
Constant	5.864*** (92.997)	5.854*** (98.916)
Observations	17143	19589
Adjusted R-squared	0.132	0.133
Industry	Yes	Yes
Year	Yes	Yes

Because the sample size of the combination of two jobs in the basic regression in this paper is small, there may be the influence of sample selection bias, so this paper uses PSM method to alleviate the endogenous problem. Specifically, the 1:2 nearest neighbor matching method is used for matching without putting back, and the covariates include all control variables in the basic regression. This paper uses model (1) to re test the matched samples. It can be seen that the conclusion of this paper is still valid after alleviating the sample selection deviation. In addition, this paper also carries out 1:3 matching on this basis. The regression results are shown in the last column of Table 3. The conclusion of this paper is still valid.

### 3.2.2. Missing Variable Inspection

Even if this paper controls some variables in model (1), there may still be the possibility of missing variables. Therefore, this paper controls the following variables on the basis of model (1): female proportion of management (female), shareholding proportion of management (mshare), shareholding proportion of institutional investors (Inst). Table 5 shows that the conclusion of this paper is still valid after alleviating the problem of missing variables.

### 3.2.3. Replace the Test of Explained Variable

We conducted a substitution variable test on the main variables. Specifically, in model (1), this article adopts a 1-9 step by step valuation approach for ESG regression. In the robustness test section, this article assigns values of A level and above to 1, otherwise 0. In addition, this article assigns values of 1 to class C, 2 to class B, and 3 to class A. Model (1) is used to retest. The results indicate that the conclusion of this article still holds after replacing the dependent variable.

**Table 4.** robustness test

	(1)	(2)	(3)
Variables	ESG1	ESG2	ESG3
Dual	-0.028**	-0.017***	-0.016**
	(-1.969)	(-2.682)	(-2.383)
Lev	0.005**	0.001	0.002
	(2.171)	(0.850)	(1.499)
Cashflow	1.443***	0.693***	0.715***
	(15.727)	(17.391)	(17.305)
Growth	-0.024	-0.008	-0.001
	(-1.578)	(-1.145)	(-0.136)
Indep	0.003***	0.000	0.000
	(2.928)	(0.584)	(0.402)
BM	0.542***	0.206***	0.213***
	(18.082)	(15.883)	(15.774)
Top1	-0.001**	0.002***	0.002***
	(-2.098)	(10.888)	(11.376)
SOE	0.389***	0.155***	0.162***
	(24.874)	(24.706)	(24.906)
Female	-0.005***		
	(-8.475)		
Mshare	0.007***		
	(14.633)		
Inst	0.009***		
	(23.252)		
Constant	5.464***	0.131***	2.107***
	(104.319)	(6.061)	(94.262)
Observations	29226	30211	30211
Adjusted R-squared	0.173	0.173	0.168
Industry	Yes	Yes	Yes
Year	Yes	Yes	Yes

## 4. Further Analysis

### 4.1. Mechanism Analysis

As mentioned above, the combination of two jobs will weaken the performance of enterprise ESG. What is the potential mechanism? This paper is tested in this part. First, referring to the practices of Wangxiaopeng and Wang Qing (2022), this paper uses the management expense rate to measure the agency cost of enterprises. The coefficient of dual to the management expense rate is negative, indicating that the combination of two duties aggravates the agency problem of enterprises and weakens the ESG performance of enterprises. Second, this paper refers to the practice of Cheng Wenzhi (2023) and measures the financing constraints of enterprises with KZ index. The coefficient of dual to KZ is negative, indicating that the combination of two jobs will aggravate the financing constraints of enterprises.

**Table 5.** mechanism test

	(1)	(2)
Variables	Mfee	KZ
Dual	-0.007***	-0.120***
	(-2.723)	(-5.647)
Lev	0.004***	-0.379***
	(11.267)	(-112.440)
Cashflow	-0.212***	-19.200***
	(-13.642)	(-143.098)
Growth	-0.041***	-0.488***
	(-15.676)	(-21.850)
Indep	0.000	0.008***
	(1.464)	(4.932)
BM	-0.091***	-1.752***
	(-17.929)	(-40.019)
Top1	-0.000***	-0.014***
	(-6.476)	(-22.598)
SOE	-0.009***	0.507***
	(-3.865)	(23.982)
Constant	0.162***	4.416***
	(19.239)	(60.807)
Observations	30211	30211
Adjusted R-squared	0.066	0.619
Industry	Yes	Yes
Year	Yes	Yes

### 4.2. Section Test

Does the effect of two job integration on ESG performance vary with the nature of property rights? Therefore, this paper tests in this part. This paper divides the samples into two groups according to state-owned enterprises and non-state-owned enterprises. Table 6 indicates that the combination of two jobs is the most serious for the ESG of state-owned enterprises.

On the other hand, for different enterprise attributes, will the inhibition effect of two job integration on enterprise ESG performance be different? This paper divides the sample into heavy polluting enterprises and non heavy polluting enterprises (Pan ai ling et al., 2019). In the sample of polluting enterprises, the variable dual coefficient is -0.074, and in the sample of non

polluting enterprises, the variable dual coefficient is -0.034, both of which are significant, but the impact on ESG of polluting enterprises is more serious.

**Table 6.** grouping inspection

	(1)	(2)	(3)	(4)
	state-owned enterprise	Non state owned enterprises	Polluting enterprises	Non polluting enterprises
Variables	ESG1	ESG1	ESG1	ESG1
Dual	-0.105***	-0.012	-0.074**	-0.034**
	(-3.191)	(-0.756)	(-2.217)	(-2.138)
Lev	0.005	0.002	0.015***	0.001
	(0.985)	(0.694)	(2.989)	(0.393)
Cashflow	1.181***	1.989***	1.599***	1.740***
	(7.941)	(17.617)	(8.013)	(17.147)
Growth	-0.036	0.037**	0.037	0.005
	(-1.399)	(1.990)	(1.071)	(0.325)
Indep	0.008***	-0.004***	-0.003	0.003**
	(4.478)	(-2.640)	(-1.170)	(2.250)
BM	0.794***	0.293***	0.582***	0.579***
	(16.936)	(7.567)	(9.386)	(17.181)
Top1	0.007***	0.003***	0.004***	0.006***
	(10.613)	(5.651)	(3.973)	(12.067)
SOE			0.350***	0.455***
			(11.310)	(28.333)
Constant	5.679***	6.066***	5.753***	5.641***
	(72.588)	(96.305)	(52.587)	(103.316)
Observations	11866	18345	7149	23062
Adjusted R-squared	0.167	0.097	0.119	0.173
Industry	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes

## 5. Conclusion

The integration of two duties has always been an important corporate governance issue. How it affects the performance of enterprise ESG has been widely concerned by academia. Therefore, this paper empirically analyzes the relationship and mechanism between the integration of two jobs and enterprise ESG performance. The research shows that: first, the integration of two jobs inhibits the performance of enterprise ESG. Second, there are two paths between the integration of two jobs and enterprise ESG performance, that is, the integration of two jobs inhibits enterprise ESG performance by reducing financing constraints and increasing agency costs. Third, the inhibitory effect of the integration of two jobs on the ESG performance of enterprises is more significant in state-owned enterprises and polluting enterprises.

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