

The Rigorous Prudence and Innovative Spirit of "Literati Executives": An Overview

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Abstract

A number of studies have been conducted on the influence of academic executives on corporate innovation, and it has been concluded that "literary executives" can promote corporate innovation. However, it is well known that the academic experience makes executives develop a rigorous and prudent mindset, and they should be more inclined to risk-averse and prudent strategies, so how can they promote innovation with high risk characteristics? In order to answer this question, the article reviews and summarizes the prudence of "literary executives" and the entrepreneurial spirit that includes innovation, and suggests that the prudence perspective may help us better understand the underlying mechanisms of academic executives' innovation promotion.

Keywords: literary executives, rigorous prudence, innovation, entrepreneurship

1. Introduction

Since the 1990s, a large number of government officials "abandoned politics to pursue business" and intellectuals "abandoned literature to pursue business", which has set off three upsurges of going to the sea to do business, forming a unique phenomenon of "literati going to sea" in the process of my country's economic development. (Guo, W.-J., 2019) As one of the characteristics of managers, academic experience affects the personal behavior of executives, and also plays a vital role in corporate management. Therefore, in the face of this new wave of "literati going to sea", the academic community has begun to pay attention to the impact of the academic experience of executives on enterprises, especially the impact of academic experience of executives on enterprise innovation, and concluded that the academic experience of executives can promote enterprises innovative conclusions, such as Yuan, R. L. and Wen, W., Huang Can *et al.*, Zhang Xiaoliang, etc., Guo Wenjing, Xu Jianbo, etc. But on the other hand, it is well known that executives with academic experience have experienced rigorous academic training in their early years, which makes them have prudent and logical thinking, and are more self-disciplined and conservative in behavior. Some studies have branded executives with academic experience as "risk averse" (Francis, B., Hasan, I., & Wu, Q., 2015), and believe that such executives have a lower risk appetite and are more cautious in decision-making (Qin, F., 2019; Zhu, Y., & Xing, L.-J., 2019; Jiang, B., & Murphy, P. J., 2007). This leads us to think about how the entrepreneurial spirit of prudence, prudence and risk-taking and innovation is reflected in the "literati executives"? How can these two seemingly contradictory characteristics be comprehensively presented in "literati executives"?

In order to answer the above two questions, we first sorted out the existing research from the perspectives of rigor and prudence and entrepreneurial spirit of "literati executives", and clarified that the rigorous prudence and entrepreneurial spirit of "literati executives" are reflected in the Which aspects, and then analyze how the entrepreneurial spirit of prudence, prudence, risk-taking and innovation is reasonably and perfectly presented in the "literati executives".

2. Rigorous Prudence of "Literati Executives"

"Think carefully and act diligently". For scholars, solid and rigorous scholarship is our general understanding. so,

The relatively conservative organizational culture and academic experience of colleges and universities and scientific research institutions have made executives' thinking increasingly "scholarly", forming a rigorous,

Prudent thinking mode, more self-disciplined and conservative in behavior (He, Y.-Q., 2018). Based on the existing research, rigorous and prudent "literati executives" will increase cash holdings, reduce the risk of stock

price crash, reduce inefficient investment, and improve earnings management.

2.1 "Literati Executives" and Corporate Cash Holdings

In the daily operation process of the company, there is usually a certain amount of cash demand with high volatility. The label of "risk aversion" for executives with academic experience is more reflected in the company's financial decision-making. As cash holdings are a way of endogenous financing, when the company faces various uncertain operating risks, it has academic experienced executives, based on their aversion to risk, make the prudent decision to increase their cash holdings to deal with these risks. Research by Zhu Yan et al. (Zhu, Y., & Xing, L.-J., 2019) confirmed this, and found that the academic experience of executives has a significant positive correlation with the level of cash holdings of enterprises. And the impact on the cash holding level of non-state-owned enterprises is more significant. At the same time, Qin Fei (Qin, F., 2019) also obtained a similar finding, that is, the academic experience of executives not only improves the level of cash holdings of the company, but also improves the performance of the company. This result also shows that the academic experience of executives has lower risks preference.

2.2 "Literati Executives" and the Risk of Stock Price Crash

The collapse of stock prices not only seriously damages the interests of shareholders, but also causes panic among investors, which is not conducive to the stability of the financial market, and even endangers the development of the real economy. Most scholars agree that senior executives with academic experience will have an inherent self-supervision and restraint mechanism, often pay more attention to personal reputation and moral hazard, be more cautious and rational in doing things, and be more honest and self-disciplined. Agency costs, which in turn help reduce the risk of stock price collapse (Jiang, B., & Murphy, P. J., 2007; He, Y.-Q., 2018; He, Y., & Han, M.-T.; Lu, G.-H., & Pan, L.-Y., 2021; Lu, G.-H., & Pan, L.-Y., 2021; Du, Y., & Zhou, L., 2019). In addition, scholars He Ying et al. further found that in the case of non-state-owned enterprises, two-in-one, and institutional investors with a higher shareholding ratio, CEO academic experience can reduce the risk of stock price crash.

2.3 "Literati Executives" and Corporate Investment

The investment behavior of an enterprise is the basic premise for the survival, development and profit of the enterprise, and it is also one of the important means of enterprise risk control. Executives with academic experience will analyze the pros and cons based on their professional knowledge, and decide whether to invest prudently. Corporate financialization (Wang, Y., & Meng, F.-P.; Wang, R.-X., 2019). Further, in terms of professional skills and thinking, academic executives have a deeper understanding and understanding of a certain industry, have more accurate judgments and analysis of investment projects, and are more prudent and conservative when making decisions. The investment efficiency (Lou, Y.-N., 2019), on the other hand, it can play a significant role in alleviating the non-efficient investment of enterprises (Hu, S.-J., 2020).

2.4 "Literati Executives" and Earnings Management

Earnings management is a specific manifestation of the economic consequences of the choice of accounting policies. To a certain extent, it will reduce the reliability of corporate accounting information, disrupt the order of the capital market, damage the optimal allocation of market resources, and ultimately affect the value of the enterprise. Improve. Zhou Kaitang *et al.* conducted the first study on the impact of executives' academic experience on corporate financial decision-making. In addition to finding that it will reduce the cost of debt financing, further analysis found that executives' academic experience can reduce the degree of earnings management and improve accounting conservatism. Immediately afterwards, Shen Huayu et al. and Chi Yulian *et al.* found a similar influence mechanism to Zhou Kaitang *et al.*, that is, academic experience can constrain management's earnings management behavior and improve accounting conservatism, and then Affect the audit aspects of the company. The capital allocation efficiency of the company is also improved by restraining the earnings management behavior of the executives through the academic experience of the executives. In addition, some scholars believe that based on its strong risk aversion awareness and corporate governance capabilities, it can effectively reduce the exchange rate risk of listed companies, and significantly improve the negative earnings management level of enterprises. The latest research by Xu Tiexiang et al. found that the academic experience of executives makes the real earnings management level of their enterprises higher, and it is more obvious in state-owned enterprises and domestic "Top Ten" audited enterprises.

3. The Entrepreneurial Spirit of "Literati Executives"

Confucius once said: "The birds and beasts can't be in the same group, I'm not a disciple of the people and whoever is there", this is based on a passion for coexisting with the human world. The meaning of life should be

established through the economy and the people, so the new round of "literati going to sea" in the context of encouraging scientific research activities and encouraging scientific research personnel to start businesses in my country itself reflects the entrepreneurial spirit of scholars. Compared with the rigorous and prudent research on academic executives, academic research on the entrepreneurship of academic executives is less, and it mainly focuses on innovation and social responsibility.

3.1 "Literati Executives" and Corporate Innovation

The spirit of innovation conveyed by the ancient sages, such as "Although the Zhou Dynasty is an old state, its life is renewed", "if the future is endless, and the old is new", has attracted great attention from the ancient society, and has even been passed down for thousands of years. Today, under the background of the country's in-depth implementation of the innovation-driven development strategy, the current innovation places more emphasis on the collaborative innovation between enterprises, universities and research institutes. The core of entrepreneurship is also innovation. For the long-term development of enterprises, "literati executives" will be more inclined to choose innovation, a high-risk behavior, to improve the performance of enterprises. This is exactly one aspect of their entrepreneurial spirit. A good manifestation. Shen Yifeng et al. found that independent directors with academic experience in enterprises can promote enterprise innovation activities. Chen Chunhua et al. regarded the academic experience of executives as a kind of academic capital, and believed that the academic capital of executives increased the innovation investment of enterprises, and innovation investment transformed the academic capital of executives into the innovation performance of enterprises to a certain extent. Jiang *et al.*, Francis *et al.*, Zhang Xiaoliang *et al.* found that executives with academic experience may have a stronger R&D engine, which can significantly promote corporate innovation and R&D investment, improve R&D conversion rate, and then better. Improve business performance. Some scholars have also concluded that "literary executives" can significantly increase corporate innovation input, promote innovation output (Guo, W.-J., 2019), and improve the innovation efficiency of enterprises by weakening R&D manipulation. However, the research of Xu Jianbo *et al.* found that the academic experience of executives has a "double-edged sword" effect on corporate innovation in my country. On the contrary, the improvement effect of innovation has declined. Therefore, appropriately increasing the proportion of senior executives with academic experience in the senior management team can significantly promote corporate innovation investment, improve corporate innovation capabilities, and can also be used as one of the effective ways to enhance corporate innovation awareness.

3.2 "Literati Executives" and Corporate Social Responsibility

Poems with profound realist traditions, such as "Worrying before the world", "Worrying before the world", "Short rats, no food, I millet", all reflect the sense of social responsibility of ancient Chinese scholars. Therefore, in addition to the high requirements of "literati executives" for their own moral standards, "literati executives" are born with a high sense of social responsibility and will actively perform social responsibilities. Based on the existing literature, it is mainly manifested in three aspects: reducing on-the-job consumption, making charitable donations, and making environmental protection investments.

On-the-job consumption is the non-direct monetary benefits that the management of the company obtains in the process of performing their duties, which are related or unrelated to their duties. According to the theory of management power, the management has the motivation to use power to seek rents. In addition to affecting the performance of monetary compensation, It is also possible to use power to increase on-the-job consumption. Zhang Xiaoliang *et al.* found that executives improved their self-discipline awareness through academic experience, which in turn effectively reduced the on-the-job consumption level of corporate executives. In addition, academic experience enables executives to strengthen their moral consciousness, form a stronger sense of social responsibility and a sense of benefiting the world, thereby promoting enterprises to implement more altruistic charitable donation activities, and thus better fulfill their social responsibilities.

4. Evaluation of Existing Research and Prospect of Future Research

Through the above review of current research, we can find that rigorous and prudent entrepreneurial spirit and innovative entrepreneurship are two characteristics that seem to be contradictory to a certain extent, but they are simultaneously presented in "literati executives", and both are The development of enterprises and society has had a positive impact, so it is necessary to analyze why the two have not hindered each other but promoted the development of enterprises together. On the one hand, the rigorous prudence of "literati executives" will enable the company to increase cash holdings, reduce the risk of stock price collapse, reduce inefficient investment, and improve earnings management, which will help the company obtain external financing, thus ensuring innovative sources of capital; On the other hand, the prudence and prudence of "literate executives" make it easier for companies to identify risks, which is conducive to innovation. In addition, prudence and entrepreneurship may

seem contradictory, but in essence, they are both aimed at reducing risks - prudence is to reduce short-term risks, and innovation is to prevent future risks. Therefore, starting from the rigorous and prudent perspective of "literati executives" can help us understand the internal mechanism of "literati executives" promoting innovation.

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