# Research on the Impact of the Belt and Road Initiative on the Overseas Business Performance of Chinese-Listed Firms——Quasi Natural Experiment from Cities Along the Belt and Road Initiative

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**Abstract.** This paper examines how the Belt and Road Initiative influences the overseas operational performance of Chinese listed companies. Based on the panel data of Chinese Shanghai and Shenzhen A-share listed companies with overseas revenues from 2009 to 2020, this paper utilizes the DID models to conduct empirical tests. This paper examines the moderating effect of the overseas background of the executive team. It discusses the differentiation effect of the Belt and Road Initiative in the context of heterogeneous companies. The results find that the Belt and Road Initiative significantly reduces the overseas business performance of Chinese listed companies. The overseas background of the executive team can inhibit the negative impact of the Belt and Road Initiative on the companies' overseas business performance. Moreover, the implementation of the Belt and Road Initiative significantly reduces the overseas business performance of large-scale companies but has no significant effect on small-scale companies. Therefore, Chinese firms should strengthen risk management and cost control, build executive teams with overseas backgrounds, and set clear performance targets to enhance the effectiveness of overseas operations.

**Keywords:** The Belt and Road, overseas business performance, DID, PSM-DID.

## 1. Introduction

To respond to the trend of world multipolarity and economic globalization, strengthen opening up to the outside world, and actively integrate into the world trading system, the strategic concept of the Belt and Road Initiative was put forward against the backdrop of the new era of socialism with Chinese characteristics. President of China proposed the idea of The Silk Road Economic Belt in a speech at Nazarbayev University in Kazakhstan on September 7, 2013. In March 2015, to promote the implementation of the Belt and Road Initiative, the Chinese government promulgated the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. Between 2013 and 2022, China's trade in goods with countries along the Belt and Road will double from $1.04 trillion to $2.07 trillion, with an average annual growth rate of 8 percent. The Belt and Road Initiative is committed to strengthening economic ties among countries along the Belt and Road, promoting trade, investment, and technology transfer, and jointly promoting regional connectivity. It aims to bring shared prosperity to the global community, alleviate global poverty, promote political stability, and achieve an organic combination of economic growth and sustainable development.

Scholars have put forward different views on the impact of the Belt and Road Initiative on enterprises along the route. Some scholars believe that the Belt and Road Initiative can promote the long-term development of enterprises, significantly enhance the technological upgrading of enterprises represented by total factor productivity [1]; promote the enhancement of enterprise brand value, and thus increase the economic value of the brand [2]; establish a positive corporate image for Chinese enterprises, increase the legitimacy of the enterprise in the local society, and increase market resources and opportunities [3]. The Belt and Road Initiative in the construction process also brings unpredictability to the cooperation between China and the countries along the route, political conflicts and armed intervention make some countries and regions less politically stable [4]; the legal system of some countries is not perfect, and the business environment needs to be strengthened, which results in the investment risk of Chinese enterprises [5]; As the economic outlook is not optimistic, stress in

the financial sector may have a transmission effect and increase the risk of corporate finance [6]; Natural disaster risk index is high in areas along the Belt and Road Initiative, and companies are facing serious challenges about security issues [7]. To better integrate into the Belt and Road Initiative, enterprises can assist in the construction of infrastructure, promote the economic growth of local less developed areas to feed the development of enterprises [8]; strengthen exchanges and communication with the Chinese government, and actively seek policy support to reduce the risk of enterprise investment [9]; optimize and innovate the business according to the needs of the local market to improve market competitiveness [10]; Actively fulfill social responsibility and improve the acceptance of the host society [11].

Although there is a wealth of research on the regional impact of the Belt and Road Initiative from a macro perspective, there is a relative lack of empirical research and analysis from the micro perspective of enterprises. Research on the overseas business performance of enterprises can provide suggestions and assistance for enterprises to formulate development strategies and cope with risk challenges. Therefore, this paper conducts empirical tests through double-difference models to explore the impact of the Belt and Road Initiative on the overseas business performance of enterprises based on the panel data of China's Shanghai and Shenzhen A-share listed companies with overseas revenues from 2009 to 2020, explores the impact of the Belt and Road Initiative on firms' overseas business performance; examines the moderating effect of the overseas background of the executive team; discusses the differentiation effect of the Belt and Road Initiative concerning heterogeneous firms; and makes suggestions for firms to respond to the Belt and Road Initiative to improve their overseas business performance.

## 2. Theory and Assumptions

### 2.1. The Belt and Road Initiative

The Belt and Road Initiative has profoundly affected global economic integration and free trade, and has promoted countries along the route to realize high-speed economic development, rational allocation of resources, and improved the global governance system [12]. According to the theory of externality, a positive externality means generating a marginal external benefit. Using the framework of the endogenous growth model, Barro confirms that government public investment generates an externality on private capital, especially in infrastructure construction [13]. According to the theory of currency regional advantage and the theory of international monetary power, China's cooperation with countries along the route expands the scope of cross-border circulation of the RMB, which enhances the RMB's market position and enables Chinese multinational enterprises to gain monetary and financial advantages [14]. According to the Factor Endowment Theory, digital capital helps enterprises achieve more effective cost control through digital financial management and supply chain optimization; the application of digital technology improves enterprise production efficiency and organizational efficiency; and digital factors can significantly empower the trade-driven effects of capital factors and technology factors [15]. Accordingly, the research hypothesis is proposed:

H1: The Belt and Road Initiative significantly improves the performance of enterprises operating abroad.

### 2.2. Corporate Internal Governance Structure

A sound internal governance structure improves the company's resilience to overseas markets, reduces risk, and promotes sustained business growth. Role Theory suggests that when an individual assumes a specific role, he or she must satisfy the expectations of others for that role to obtain positive evaluations, and therefore will adopt behaviors that conform to the expectations of the specific role [16]. Since executives with overseas backgrounds receive more attention and higher expectations, they will try to adopt innovative behaviors to gain reputation and achievement, which will improve corporate performance [17]. According to Cross-cultural Management Theory, companies should overcome the conflict between heterogeneous cultures to create effective management behaviors [18].

Executives with overseas backgrounds have greater cultural sensitivity and are better able to understand and adapt to business environments in different cultures, effectively coordinate and integrate teams from different cultures, and thus facilitate the smooth operation of international business. Resource Dependence Theory emphasizes that organizations need to try to draw resources from the external environment to survive, and the more one party to a transaction relies on the other, the more likely it is to be controlled [19]. Executives with overseas backgrounds can provide the organization with a rich network of international resources and relationships, including business contacts, government relations, and supply chain networks, which can help the organization grow globally. Accordingly, the research hypothesis is proposed:

H2: The Belt and Road Initiative and overseas business performance is positively moderated by the overseas background of corporate executives.

## 3. Research Design

### 3.1. Data Sources and Variable Definitions.

#### 3.1.1 Data Sources

With the help of related research, the selection of sample enterprises focuses on 39 core cities[1] along the Belt and Road [20]. The data of this study comes from the database of Csmar, and the listed companies in Shanghai and Shenzhen A-shares with overseas revenues from 2009 to 2020 are selected as the research object of this paper. To ensure the accuracy of the relevant data of the sample enterprises, some sample data are excluded: (1) financial enterprises or financial institutions; (2) enterprises of PT, ST, and *ST; (3) enterprises with missing financial data; and (4) the continuous data are shrinking at the 1% and 99% quantile to avoid the influence of outliers. This paper utilizes Excel and Stata17.0 software to process the data for testing.

#### 3.1.2 Predicted Variable

Overseas operating performance (oversale). Overseas operating performance usually refers to the performance of a company in terms of sales revenue, profit, and market share in overseas markets. According to Yan Hongrong [21], Wu Maierjiang Aishan [22], and other scholars, the ratio of a company's overseas revenue to its operating revenue is selected to define the company's overseas operating performance.

#### 3.1.3 Explanatory Variables

The Belt and Road Initiative (ydyl), is the cross-term constructed by DID. Treat denotes the enterprise dummy variable, and in this paper, enterprises located in the cities along the Belt and Road are set to 1 as the treatment group, and vice versa as the control group is set to 0. Post denotes the time dummy variable, and 2015 is the beginning of the implementation of the Belt and Road Initiative, and it is set to 1 for 2015 and after, and 0 for before 2015. Therefore, the cross-term of the independent variable (Treat * Post) is the core explanatory variable of the research in this paper. If the regression coefficient of this variable is significantly positive, it indicates that the Belt and Road Initiative significantly promotes the overseas business performance of enterprises, and vice versa, it reduces the overseas business performance.

#### 3.1.4 Moderator

Executives' overseas background (oversea), which is the experience and background related to international business that the top executives of a company have during their career. Based on the viewpoint of the Upper Echelons Theory, the decision-making behavior of executives will be reflected in firm performance, and the international background of these executives will also have an

[1] The 39 cities include: Urumqi, Xining, Hohhot, Lanzhou, Yinchuan, Xi'an, Harbin, Changchun, Zhengzhou, Hefei, Wuhan, Nanchang, Changsha, Chongqing, Chengdu, Kunming, Nanning, and Lhasa along the land-based Silk Road Economic Belt; and Dalian, Tianjin, Yantai, Qingdao, Lianyungang, Nanjing, Suzhou, Shanghai, Ningbo, Zhoushan, Fuzhou, Quanzhou, Xiamen, Shantou, Guangzhou, Hong Kong, China, Macao, Shenzhen, Zhanjiang, Haikou, and Sanya along the 21st century maritime Silk Road.

impact on the survival performance of overseas subsidiaries of multinational corporations [23]. This paper assigns a value of 1 to the sample with an overseas background in the executive team and 0 to the opposite.

### 3.1.5 Controlled Variable

To control the influence of other factors on the overseas business performance of enterprises, the following control variables are selected: the enterprise size (size) adopts for the natural logarithm of the total assets of enterprises [24]; Asset-liability ratio (lev) adopts the enterprise asset-liability ratio; Profitability (roa) adopts the ratio of net profit to total assets; Enterprise growth (grow) adopts the annual growth rate of operating income, which is the ratio of the difference between the current year's operating income minus the previous year's operating income and the previous year's operating income; Proportion of independent directors (inddir) adopts the ratio of the number of independent directors to the total number of directors; Ownership concentration (top1) adopts the shareholding ratio of the largest shareholder; Property right (soe) is set as 1 for state-owned holding enterprises and 0 for non-state-owned holding enterprises; Enterprise age (age) adopts the listed years of the enterprise.

## 3.2. Model Design

Difference-in-Difference can control for differences between treatment and control groups, capturing changes in the specific performance of the two groups before and after the implementation of a policy, and are therefore widely used to assess the impact of policy changes and interventions on specific groups or entities. The basic model is set up as follows:

$$Oversale_{it} = \alpha_0 + \alpha_1 Post_{it} * Treat_{it} + \sigma Controls_{it} + \varepsilon_{it} \quad (1)$$

$Oversale_{it}$ denotes overseas business performance. $Treat_{it}$ is a firm dummy variable, if an individual is affected by the policy, the individual is included in the treatment group, and $Treat_{it}$ takes the value of 1; if an individual is not affected by the policy, the individual is included in the control group, and $Treat_{it}$ takes the value of 0. $Post_{it}$ is a time dummy variable, $Post_{it}$ takes the value of 0 before the raise of the Belt and Road Initiative, which is set to 0 before 2015; after the Belt and Road Initiative was raised, $Post_{it}$ takes the value of 1, which is set to 1 in 2015 and thereafter. $Treat_{it} * Post_{it}$ is the cross-term between firm dummy variable and time dummy variable, and its coefficient $\alpha_3$ reflects the net policy implementation. $i, t$ denotes firm $i$ and year $t$ respectively, $Controls_{it}$ denotes control variable, and $\varepsilon_{it}$ denotes the random disturbance term.

## 3.3. Descriptive Statistics

To avoid the influence of extreme values, the continuous data were subjected to the process of shrinking the tails at the 1% and 99% quantile. According to the descriptive statistics after the reduction of tails in Table 1, the data distribution of the variables does not have more obvious outliers, so further regression analysis can be carried out.

In the sample data, the mean of firms' overseas business performance is larger than the median, and the data are right-skewed, indicating that a small number of firms have a very high degree of internationalization that affects the mean, while the majority of firms have a medium degree of internationalization. The dispersion coefficient of the data measuring the Belt and Road Initiative is greater than 1, indicating that there is a large degree of variation in whether firms implement the Belt and Road Initiative, including variation among firms and differences between a firm's pre- and post-decision making due to a change in its place of incorporation. The average value of the asset-liability ratio is 0.435, indicating that the sample firms as a whole have a high proportion of their capital financed, with many firms supporting a larger portion of their assets through borrowing. A high asset-liability ratio implies that firms have higher financial risks. The difference between the maximum value and the minimum value of the asset-liability ratio is 0.87, which reflects the large differences

in financial structure among the sample firms. The minimum value of profitability is negative, indicating that some enterprises have not yet realized profitability.

**Table 1.** Descriptive statistics for key variables

| Variables | Obs | Mean | Std.Dev. | Min | Median | Max |
|---|---|---|---|---|---|---|
| oversale | 16805 | 0.196 | 0.239 | 0 | 0.096 | 0.944 |
| ydyl | 16805 | 0.295 | 0.456 | 0 | 0 | 1 |
| size | 16805 | 22.228 | 1.296 | 19.886 | 22.05 | 26.246 |
| lev | 16805 | 0.435 | 0.207 | 0.059 | 0.428 | 0.929 |
| roa | 16805 | 0.036 | 0.068 | -0.317 | 0.037 | 0.2 |
| grow | 16805 | 0.184 | 0.428 | -0.518 | 0.113 | 2.785 |
| inddir | 16805 | 0.377 | 0.057 | 0.143 | 0.364 | 0.8 |
| top1 | 16805 | 0.341 | 0.148 | 0.003 | 0.321 | 1 |
| soe | 16805 | 0.328 | 0.47 | 0 | 0 | 1 |
| age | 16805 | 9.79 | 6.892 | 1 | 8 | 30 |

## 4. Analysis of Empirical Results

### 4.1. Parallel Trend Test

One of the prerequisites for the use of the Difference-in-Difference is that the treatment group and the control group should meet the assumption of parallel trends, where the trend of the level of overseas business performance of the affected enterprises and the unaffected enterprises remained consistent before the Belt and Road Initiative was proposed. Therefore, this paper adopts the method of Hu Bing [26] and other scholars to test the parallel trend by using the annual effect. Firstly, create time dummy variables, setting the six years before the Belt and Road Initiative is proposed as $post(-n)$ (n=2, 3, 4, 5, 6), in which the previous year is set as the base period; and the six years after the initiative is proposed as $post(n)$ (n=1, 2, 3, 4, 5, 6). The firm dummy variable ($Treat$) is then multiplied with the time dummy variable ($Post$) thereby generating the interaction terms: before 6, Before5, Before4, Before3, Before2, After1, After2, After3, After4, After5, After6, which are incorporated into the model (1) in the regression of overseas business performance ($Oversale$), whose regression coefficients represent the level of enterprises' overseas business performance in 6, 5, 4, 3, and 2 years before the implementation of the policy, and in 1, 2, 3, 4, 5, and 6 years after the addition of the policy, respectively. The regression results are shown in Figure 1, in Before5-Before1, the estimates are all relatively flat and the coefficient value fluctuates above and below 0, indicating that there is no significant difference between the treatment group and the control group. However, the estimates begin to decrease significantly from the current policy period onwards, which indicates that the Belt and Road Initiative has a significant negative effect on the overseas business performance of Chinese listed companies.

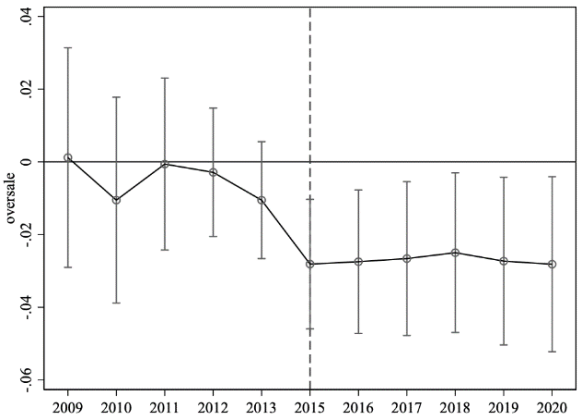



**Figure 1.** Parallel Trend Test Resorts

### 4.2. Baseline Regression Results

The paper uses the two-way fixed effects method to regress model (1) to analyze the impact of the Belt and Road Initiative on enterprises' overseas business performance. Column (1) presents the regression results obtained without adding control variables, and the coefficient of the cross term $Treat * Post$ is -0.022; while in column (2), the coefficient of the Belt and Road Initiative (ydyl) is -0.023 with the addition of enterprise-related control variables; and the results are significantly negative at the 5% level, indicating that the Belt and Road Initiative has a negative impact on enterprises' overseas business performance, which is inconsistent with hypothesis H1. The possible reasons for this result include the Belt and Road route passing through several countries and regions, the political environment in these regions may be unstable, and the increase of political risk leads to the interference of the enterprise's operation in the overseas market, which affects the performance. The laws and regulations of different countries along the Belt and Road route vary greatly, so enterprises need to adapt to different legal environments at the beginning of entering overseas markets, and they may not be able to respond to changes in the legal environment in a timely and effective manner. The Belt and Road region covers a wide range of cultures and values, and enterprises may face challenges in communication, management, and marketing in integrating into a multicultural environment. Some regions may have imperfect infrastructures and weak industrial bases, which may increase the costs and difficulties for enterprises to operate in the early stage, and these costs will not be converted into benefits in the short term. The promotion of the Belt and Road initiative may attract a large number of firms to the relevant markets, leading to increased competition and impacting firms' pricing and market share.

**Table 2.** Baseline Regression Results

| | (1)<br>oversale | (2)<br>oversale |
|---|---|---|
| ydyl | -0.022** | -0.023** |
| | (0.009) | (0.009) |
| size | | 0.017** |
| | | (0.007) |
| lev | | 0.017 |
| | | (0.028) |
| roa | | -0.070** |
| | | (0.030) |
| grow | | -0.008* |
| | | (0.004) |
| inddir | | -0.009 |
| | | (0.046) |
| top1 | | 0.027 |
| | | (0.045) |
| soe | | -0.003 |
| | | (0.015) |
| age | | 0.002** |
| | | (0.001) |
| _cons | 0.173*** | -0.195 |
| | (0.006) | (0.161) |
| Firm/Year | Yes | Yes |
| *N* | 16805 | 16805 |
| $r^2$ | 0.008 | 0.014 |

Standard errors in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

In addition, according to the regression results after adding control variables, responding to the Belt and Road Initiative has a significant positive effect on overseas business performance as the size of the enterprise increases and the number of years of experience grows. The possible reason is that large-scale enterprises usually have richer resources and capital, and have advantages in terms of capital, technology, and brand influence, so they can invest and expand their business in countries along the Belt and Road more easily. Large enterprises with a long history of establishment have accumulated rich experience in operating in the international market, are good at dealing with international business, and can integrate into different cultures, regulations, and market environments quickly. They may have built up broad global business networks and partnerships to seek support and assistance, making it easier to enter new markets and obtain key information. Large enterprises usually have high brand awareness, which helps them win the trust of consumers and partners in countries and regions along the Belt and Road. large enterprises have a scale effect, which can reduce production and operation costs.

### 4.3. Robustness Checks

#### 4.3.1 Substitution of Predicted Variable

To test the robustness of the results, the logarithm of firms' overseas revenues is used as a predicted variable to measure firms' overseas business performance, with no change in the control variables, and the conclusions are re-tested to enhance robustness. The regression results are shown in column (1) of Table 3. For the predicted variable the Belt and Road Initiative (ydyl), the regression coefficient is -1.389, which is significant at the 1% level, and the Belt and Road Initiative has a significant negative impact on firms' overseas business performance. This is consistent with the findings of the previous study and confirms the robustness of the results.

**Table 3.** Robustness Test Regression Results

| | (1)<br>sale | (2)<br>oversale |
|---|---|---|
| ydyl | -1.389*** | -0.033*** |
| | (0.361) | (0.010) |
| size | 1.868*** | 0.018** |
| | (0.259) | (0.008) |
| lev | 1.414* | 0.009 |
| | (0.852) | (0.030) |
| roa | -1.952* | -0.080** |
| | (1.094) | (0.035) |
| grow | 0.092 | -0.005 |
| | (0.138) | (0.005) |
| inddir | -0.895 | -0.008 |
| | (1.991) | (0.055) |
| top1 | -1.695 | 0.016 |
| | (1.707) | (0.048) |
| soe | -0.534 | -0.011 |
| | (0.619) | (0.016) |
| age | 0.235*** | 0.003** |
| | (0.046) | (0.001) |
| _cons | -27.252*** | -0.230 |
| | (5.719) | (0.178) |
| Firm/Year | Yes | Yes |
| *N* | 16805 | 12295 |
| r2 | 0.097 | 0.015 |

Standard errors in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

### 4.3.2 Propensity Score Matching and Difference-in-Difference

Before the implementation of the Belt and Road Initiative, there may be differences in the overseas business performance of the treatment and control groups, which may bias the estimation of the regression results in the data analysis. The DID method can solve the endogeneity problem and reveal the policy treatment effect, but it cannot eliminate the sample selection bias [27]; on the contrary, the PSM can address the sample selection bias but cannot avoid the endogeneity problem [28]. Based on this, this paper finally adopts the combination of PSM and DID, by matching the treatment group and control group, the observed variables between the two groups before and after the treatment are more similar, to reduce the error caused by sample selection to more accurately estimate the impact of the Belt and Road Initiative on the performance of enterprises' overseas operations.

The paper uses a logit regression model in matching, and the matching variables are control variables such as enterprise size, gearing ratio profitability, and so on. Then, calculate the propensity score corresponding to each sample, and apply PSM to find out the control group that is closer to the treatment group in propensity score. Then use 1:1 nearest-neighbor matching, and there are 12,295 samples with successful pairs. Finally, use the matched treatment and control groups to carry out the DID estimation. According to the regression results in column (2) of Table 3, the regression coefficient of the explanatory variable the Belt and Road Initiative (ydyl) is significantly negative, which is consistent with the findings of the previous study, indicating that the study in this paper is robust.

### 4.3.3 Placebo Test

In addition to responding to the Belt and Road Initiative, firms' overseas performance may be affected by other unrelated factors to yield the same results as in the previous section. To exclude this situation and further enhance the robustness of the results, this paper randomly assigns the extracted enterprise samples and randomly generates new treatment and control groups. Then regresses the newly generated treatment and control groups using the model (1), and repeat the operation 500 times. According to the statistical analysis of the regression results, the coefficient kernel density generated after 500 operations is centrally distributed around zero. It can be proved that the randomness factor almost affects the regression results, and the previous study is robust.

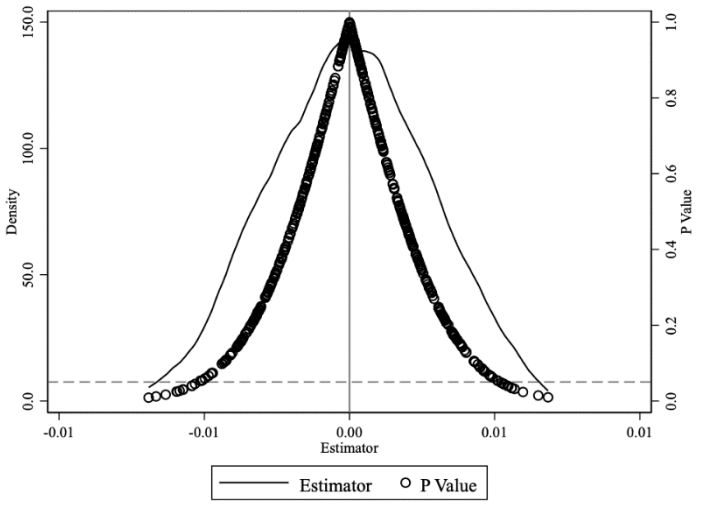



**Figure 2.** Placebo Test

### 4.4. Mechanism Analysis of Moderating Effects

The moderating effect of executives with overseas backgrounds is further examined to investigate the impact of internal corporate governance structure on the Belt and Road Initiative and overseas business performance. First, add moderating variables into the regression model, and the results are shown in column (1) of Table 4. The coefficient of executives' overseas background is 0.04, which is significant at the 1% level, indicating that executives' overseas background can significantly improve

overseas business performance. Then, the cross-term between the Belt and Road Initiative (ydyl) and executives' overseas background (oversea) is added, and the regression is conducted again, yielding the results shown in column (2) of Table 4. The coefficient of the cross-term is 0.026, which is significant at the 5% level, indicating that the negative impact of the Belt and Road Initiative on firms' overseas performance can be mitigated by the presence of overseas background in the executive team of firms, and firms' overseas performance can be improved. This result supports hypothesis H2, which is the Belt and Road Initiative and overseas business performance are positively moderated by the overseas background of corporate executives.

**Table 4.** The Moderating Role of Executives with Overseas Backgrounds

| | (1) | (2) |
|---|---|---|
| | oversale | oversale |
| ydyl | -0.025*** | -0.026*** |
| | (0.009) | (0.009) |
| oversea | 0.040*** | 0.039*** |
| | (0.008) | (0.008) |
| oversea_ydyl | | 0.026** |
| | | (0.013) |
| size | 0.015** | 0.015** |
| | (0.007) | (0.007) |
| lev | 0.020 | 0.018 |
| | (0.027) | (0.027) |
| roa | -0.068** | -0.067** |
| | (0.030) | (0.030) |
| grow | -0.008** | -0.008* |
| | (0.004) | (0.004) |
| inddir | -0.005 | -0.006 |
| | (0.046) | (0.046) |
| top1 | 0.022 | 0.024 |
| | (0.045) | (0.045) |
| soe | -0.000 | -0.001 |
| | (0.015) | (0.015) |
| age | 0.002* | 0.002* |
| | (0.001) | (0.001) |
| _cons | -0.166 | -0.163 |
| | (0.160) | (0.160) |
| Firm/Year | Yes | Yes |
| *N* | 16805 | 16805 |
| r2 | 0.022 | 0.023 |

Standard errors in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

### 4.5. Heterogeneity Discussion

Based on the practice of Zhang Yue[29] and other scholars, taking into account the heterogeneity of different enterprise sizes, the sample is divided into two groups based on the median enterprise size, namely large-scale enterprises and small-scale enterprises, and regress in groups. The results in Table 5 show that the implementation of the Belt and Road Initiative significantly reduces the overseas business performance of large-scale enterprises, while it has no significant effect on small-scale enterprises. This suggests that the Belt and Road Initiative has a heterogeneous impact on the overseas business performance of enterprises and that large-scale enterprises actively fulfill their social responsibility in response to the call of the policy, which has a significant negative impact on the overseas business performance of enterprises in the short term. Possible reasons for this include:

large-scale enterprises usually have complex organizational structures and decision-making hierarchies, and the implementation of global initiatives may require more time and resources to coordinate the work of various departments, thus affecting the flexibility and efficiency of the response. Large-scale enterprises may have highly interconnected operations in multiple countries and regions, involving complex supply and value chains, and the implementation of the Belt and Road Initiative may have a knock-on effect on these interconnected operations, making coordination and management more difficult. Small-scale enterprises, on the other hand, usually have simpler organizational structures and are more flexible and quicker to make decisions, making it easier for them to adapt and adjust their business models in line with the Belt and Road policy.

**Table 5.** Heterogeneity Analysis

| | Large-Scale | Small-Scale |
|---|---|---|
| | oversale | oversale |
| Ydyl | -0.020* | -0.022 |
| | (0.011) | (0.013) |
| size | 0.027*** | 0.020* |
| | (0.009) | (0.011) |
| lev | -0.009 | 0.011 |
| | (0.043) | (0.033) |
| roa | -0.117*** | -0.026 |
| | (0.042) | (0.036) |
| grow | -0.004 | -0.006 |
| | (0.005) | (0.006) |
| inddir | 0.005 | 0.036 |
| | (0.052) | (0.069) |
| top1 | 0.034 | 0.048 |
| | (0.056) | (0.062) |
| soe | -0.013 | 0.012 |
| | (0.018) | (0.018) |
| age | 0.002 | 0.002 |
| | (0.001) | (0.002) |
| _cons | -0.468** | -0.253 |
| | (0.197) | (0.235) |
| Firm/Year | Yes | Yes |
| *N* | 8405 | 8400 |
| r2 | 0.025 | 0.009 |

Standard errors in parentheses
* p < 0.1, ** p < 0.05, *** p < 0.01

## 5. Conclusions and Recommendations

The paper examines the impact of overseas business performance of Chinese listed companies on the Belt and Road Initiative from a micro perspective so that the results of the study can be better targeted to solve the problems faced by enterprises. At present, the government is constantly strengthening policy communication, facility connectivity, and trade flow with countries along the route. Enterprises should pay attention to the following three aspects to enhance the enthusiasm for participating in the construction of Belt and Road and accelerate the pace of going out:

First, strengthen the development of overseas markets and risk management, and improve the competitiveness of enterprises. Enterprises need to conduct in-depth research on the local market, grasp the needs and preferences of local consumers, develop products and services that meet the needs of the local market, and improve their market adaptability and competitiveness. Enterprises can expand their market share and brand influence by establishing cooperative relationships with local

suppliers and customers. In the process of overseas operation, enterprises need to comprehensively assess and analyze the possible political risks, economic risks, social and cultural risks, and so on. Establish a sound risk management system to discover potential risks in time and take corresponding measures to minimize the impacts and losses caused by the risks to the enterprise. Enterprises need to establish good relationships with local governments and communities. This can help enterprises gain more support and understanding, and reduce the risks and challenges caused by cultural differences and social tensions.

Second, the establishment of a localized executive team with an overseas background is the key to success in overseas operations. Enterprises can recruit executives with overseas backgrounds and strengthen training and development programs for existing executives. Encourage them to participate in a variety of international exchange activities and learning opportunities to improve their international perspective and management capabilities, to build a more internationalized executive team. The executive team will be able to better understand and respond to market and cultural differences in different countries and regions, and formulate product and service strategies that better meet market demands by utilizing their rich international management experience and professional knowledge. Enterprises need to establish cross-cultural communication and collaboration mechanisms to promote understanding and cooperation between employees of different nationalities and cultural backgrounds. In addition, enterprises can develop local staff to ensure that they understand and respect local cultural characteristics, identify local market needs, and develop production and sales strategies according to local conditions.

Thirdly, clear performance objectives should be set, cost control and management should be strengthened, and the effectiveness of overseas operations should be enhanced. Enterprises need to set clear performance objectives and targets that are consistent with their strategic goals. Establish a perfect performance evaluation system to regularly estimate and evaluate the operational efficiency and results of the enterprise, control the overall situation, and improve operational efficiency and profitability. Strengthening cost control and management requires the establishment of clear cost objectives and plans. Define the cost level and target for each period and make a reasonable plan according to the target. Establish a cost control system and strengthen cost accounting and analysis. Implement effective cost control measures, identify and solve problems promptly, and improve the efficiency and effectiveness of cost management. Enterprises should strengthen procurement management and reduce procurement costs by selecting reliable suppliers, negotiating prices, and other measures. Enterprises can also improve purchasing efficiency and reduce purchasing costs by adopting centralized purchasing, regular purchasing, and e-procurement.

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