

# **FACTORS INFLUENCING CHINESE COMPANY PERFORMANCE- UNDER THE EQUITY INCENTIVE POLICY\***

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## **Abstract**

The circumstance of a company's performance is tied to its profitability. A company's development is greatly improved by validating its managerial decisions and considering potential economic resource changes. The goods of achieving superior economic results are satisfied shareholders' interests and increase the company's competitiveness. This research presented factors influencing company performance in China, it looked from the perspective of company characteristics and policies. Return on Equity (ROE) was the primary indicator used in this research. The longitudinal and horizontal comparative methodologies were used to analyze the factors from the company characteristics perspective. Regression analysis was used to examine the relationship between company performance and company policies. Furthermore, the content analysis methods were used to summarize factors from company policies that influence their performance.

**Keywords:** Company Performance; Equity Incentive; Chinese Listed Companies; ROE.

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## Introduction

Companies around the world played a decisive role in all aspects, especially a country's national economic system and societal development. They also played a backing and leading part in overall social and economic growth. The term "performance" means to complete a given activity proposed (Monica, 2010). Company performance referred to the business operating efficiency and business performance in a certain period.

There were two measures of company performance, financial measurement and non-financial measurement. In this research, the financial indicators were measured by Return on Equity (ROE), non-financial indicators were measured by employee satisfaction. Company financial performance was affected by both internal and external factors. It was important to know that how these factors affected the performance, also how much of the influence. It was put forward the correct policy suggestions for enterprises, improvement and development, and helped investors predict the changes of company performance, make more reasonable investment decisions according to these factors (Liu Jun, 2013). As the company's valuable wealth and resources, employees were the company's largest resource with full initiative (Lingqing, 2016). Therefore, any company governance was interrelated and mutually influential. It was impossible to reasonably and accurately explain various factors on effects on corporate performance, considering only the influence of a single dimension was unreasonable. This research verified the impact of various factors on the company performance under the equity incentive policy, provided more practical guidance to improve the performance of the enterprise.

As China's market economy deepens, every business needs to prove its overall performance in China's economy market, so this research mainly analyzed factors that influence company performance. XieYing fei (2012) found that proper development strategy formulations require a comprehensive analysis of business performance. The analysis of these entrepreneurial developments needs to be clear and comprehensive. According to previous studies and the situation of Chinese enterprises, this research focused on two questions: 1. What company characteristics can influence company performance? 2. What company policies can influence company performance?

Based on a sample of companies who use equity incentive policies, this research proposed three purposes: 1. to examine what company characteristics influence their performance; 2. to examine what company policies can improve their performance. 3. To suggest how managers can achieve a better company performance. Equity incentives are prevalent in China's enterprises, but incentive results are not flawless. The leaders of enterprises also have mixed attitudes. According to this research, company leaders can see how different factors affect company performance clearly; it can also determine if equity incentives work or not.

## Literature Review

A company's performance is determined by both micro factors (internal components) and macro elements (outside components) (Nicolescu Elena Irina, 2011). Determining which factors influence business performance was important for a company's future development (Dumbrava, 2010). Camelia Burja (2011) stated that performance is a direct result how various economic resources are managed, as well as investment manipulation and the financing of activities from a micro perspective. Dana-Maria Boldeanu and Irina-Bogdana Pugna (2014) pointed out that "performance" problems are a constant in the present state of economic turmoil.

At present, most scholars tried to assess the influencing elements of corporate performance from a single dimension, but many factors in advanced corporate governance were interrelated and mutually influential. It is impossible to reasonably and accurately explain the effects of various factors on corporate performance if people only consider a single dimension's influence on company governance and performance. Peter F. Drucker (1986) proposed five financial indicators to evaluate enterprise performance: profitability index, liquidity index, input-output efficiency index, innovative index, and market reputation index. Non-financial evaluation indicators were used to measure factors relating to an enterprise's long-term development, including customer satisfaction, employee satisfaction, the development of innovative indicators, and industry impact indicators (Perrin Tower, 1996). Non-financial performance was also an indicator of future performance, while financial performance was used to study past performance (Liu Feng, 2008). Therefore, this study combined two kinds of performance since company performance evaluations were crucial to every enterprise.

In the 1950s, some Western enterprises began focused on mining non-financial factors that could drive their long-term development such as the quality of employees, customer satisfaction, and product services. Every country was different due to differing political, economic, and cultural environments. In the United States, most companies shared an overriding motto of putting the shareholder first. In Germany, customers were in the top priority, while employees and shareholders are secondary. In Japan, employee interests were above those of customers and shareholders. Perrin Tower (1996) found three main non-financial indicators: operation, customers, and employees. 15% of the surveyed companies used non-financial indicators that related to operations, 8% of them used customer satisfaction indexes, and less than 2% of them used employee satisfaction indexes. Most Chinese enterprises have not found a company development process focus, but their employees were incentivized by being paid more money and attention from the company. Accordingly, this article chosen to focus on employees as non-financial indicators.

Porter-Lawler's 1968 work *Management Attitude and Achievements* first proposed comprehensive incentive theory. Their theory was based on

Fromm's theory of expectation, Adams's theory of fairness, and Skinner's theory of reinforcement (Porter & Lawler, 1968; Ding Lin, 2012). Lyman Porter and Edward Lawler came up with comprehensive theory to combine various aspects from preexisting theories; it was a more complete model of how motivation works. Their multivariate model explained the relationship existing between job attitudes and job performance. Porter and Lawler's theory improved upon Vroom's expectancy theory.

Equity incentives is a policy that came from the situation of powers separation. It emerged in Western states during the 1950s and was widely practiced in the 1980s (Teng Xiaoyan, 2015), aim to keep talent staff and improve performance. Since the American company Pfizer first introduced a stock option in 1952, it gradually became globally prevalent. This successful experience proved that equity incentive schemes have taken on a positive role in promoting enterprise value creation and furthering social and economic growth since the 19th century. It was introduced in China during the 1990s. Since 2006, China's government has promulgated a state-controlled policy that became the Chinese financial field's focal point of attention in later years. This research explored the impact of various factors, included incentive policies on company performance under an equity incentive policy, and provided practical guidance that can improve enterprises' performances.

Since the 1950s, with a lot of scholar's continuous research, incentive theory gradually develops quickly (Deng Na, 2004). This theory laid the foundation for most enterprises to use equity incentives. With more and more companies started to use equity incentive mechanism, the relationship between equity incentive and company performance had become to a hot topic for scholars and business owners. It had an important theoretical and practical significance to study on the relationship between equity incentive and company performance, and what factors influencing company performance under the equity incentive policy. According to the previous research, there were mainly three kinds of relationship between equity incentive and company performance. By compared the performance of the listed companies that have implemented the equity incentive and non-implemented equity incentive (1) The research by Hall and Leibman (1998) showed that equity incentive has an incentive effect on the improvement of company performance, and there was also a strong positive correlation between manager compensation and company performance. Davis, Hillier (2005) regarded that there was a positive correlation between company performance and equity incentive. Hillgeist (2003) found that the performance and growth rate of listed companies that have implemented equity incentive were larger than listed companies that did not implement the equity incentive. Many researchers (Belliveau, O'Reilly & Wade, 1996; Child, 1972; Finkelstein & Hambrick, 1988; Scott, 2003) also found a direct positive relationship between CEO compensation and company performance. (2) There were some people thought that equity incentive ratio and the company's performance was negatively correlated. Core,

Larcker (2002) and Zong Wenglong, et al (2013) staged that the equity incentive can't improve company performance, and sometimes it decreased the stock price and research input, it also influenced company innovation ability. Other studies (Dillard & Fisher, 1990; Jensen & Murphy, 1990; Kerr & Bettis, 1987; Scott, 2003) found that there was no direct relationship. (3) several studies yielded results that there is an interval effect between them. Xu Yiqun, Shi Shipping (2010) showed that there is an interval effect between operational performance and equity incentive, it presented a positive correlation at the earlier stage, but it declined with the rise of equity incentive ratio.

### **Methodology**

The methodology was mainly divided into two perspectives, one was financial analysis, and the other one was non-financial analysis. Financial was used T-test and regression analysis methods. Non-financial was used content analysis method.

### **Data classification**

The financial analysis drew on secondary data and collected data about Chinese listed companies from 2009 to 2015 that have implemented equity incentives. The data has been primarily obtained from China's security regulatory commission (CSMAR), financial databases, Shanghai and Shenzhen's stock markets, and was supplemented by East money securities, straight flush, and other websites. There were 1226 listed companies reported that implement equity incentives. To ensure the validity and accuracy of these tests, the sample has been strictly selected and narrowed down to 847 samples. This research also selected 1259 companies that did not use equity incentive policies to compare with those who have.

In the non-financial analysis, this research selected references from CNKI, the largest literature database in the world and the most influential literature database in China. There were totally 140 results used in this research. T-test

#### **1. Dependent variables**

In recent years, financial measures were increasingly used to assess a company's value, including EVA (Economic Value Added), MVA (Market Value Added), TSR (Total Shareholder return), SVA (Shareholder Value Added), Tobin Q Value Method, and BSC. However, for current and potential investors, one of the most important indicators was still the Return on Equity (ROE). It was also an important decisive factor for managers (A. Kijewaka, 2016). This paper took ROE as the primary performance indicator.

#### **2. Independent Variables**

(1) EP (enterprise properties), State-owned enterprise was 1, Nonstate owned was 0.

(2) BS (Boarding Size). The board of directors was the most crucial factor that affects equity incentive policy formulation and implementation in governance structures. 9 and below 9 was 1, 10 and over 10 was 0.

(3) EIP (Incentive period). This variable represented the effective years of equity incentives. 5 and under 5 years was 1, 6 and over 6 years was 0.

(4) Industry. It referred to the type of industry that an enterprise belongs to in national economy classifications. High-tech industry was 1, traditional industry was 0.

(5) EISR-companies used equity incentive policies and non-equity incentive policies. NON-EI was 1, EI was 2.

Both longitudinal and horizontal comparative analysis were used in the independent t-test analysis.

Longitudinal comparative analysis:

- (1) The comparative of ROE in different enterprise properties;
- (2) The comparative of ROE in different boarding size;
- (3) The comparative of ROE in equity incentive period;
- (4) The comparative of ROE in different industries.

Horizontal comparative:

The comparative of ROE in companies used equity incentives and non-equity incentives.

## Hypothesis

The influence of state-controlled and non-state-controlled shareholding incentives on corporate performance was significantly different than state-owned and non-state-owned enterprises.

H1.A company's performance in different company properties is significantly different.

Lipton & Lorsch (1992), Changanti, Mahajan and Sharma (1985), Han Dong Ping & Liu Hong (2001), Bebchuk, L.A., and J.M. Fried (2003) have all proved that a small sized board of directors and big sized board of directors perform differently. The performance of small-scale companies on the board was better than that of large-scale ones.

H2.A company's performance is significantly different depending on different boarding sizes.

Laux (2010) thought that a company's characteristics were determined by their equity incentive period. It had a positive effect if the managers made a good choice about the incentive period. Gao Yan (2015) found that incentive time can influence a company's performance.

H3. A company's performance is significantly different in different equity incentive periods.

Any industry that go through a process of rapid growth in its development, sometimes growing steadily or experiencing recession. In this process market competition, strategic decision-making, and the operation and management of

enterprises all differ (Zhu Lisi, 2016). Therefore, different industries have different achievements.

H4. Company performances are significantly different in different industries.

According Ji Qianqian (2011) and Han Fang (2014)'s research, companies that used equity incentives and those that did not have different performances. Hence, this research aligned with the next hypothesis:

H5. Company performances for those that used equity incentives and those that did not are significantly different.

### **Regression**

1. Dependent variables Return on equity (ROE)

2. Independent Variables

1) Equityincentive (EISR=Incentive shares/total shares; 2) Company stability(LS)=The largest shareholder's shares/ total shares;3)Debt level and risk degree (AIR)=Asset liability ratio;4) Market competitiveness (CS)=Log of total assets;5) The growth of business (IRBR)=Increase rate of business revenue;6)The company operational capability(TAT)=Total asset turnover;7)Company profitability (EPS)=Earnings per share.

Foreign and domestic scholars have carried out rich research on the theoretical and practical sides of equity incentive for more than 50 years. This research mainly analyzed factors influencing company performance under equity incentive policies. Seven factors have been selected to use in this research based on previous studies:

$$ROE=\alpha+\beta_1(EISR)+\beta_2(LS)+\beta_3(AIR)+\beta_4(CS)+\beta_5(IRBR)+\beta_6(TAT)+\beta_7(EPS)+\varepsilon$$

Li Zengquan (2000), Zhou Jianbo and Sun Jusheng (2003), Ye Jianfang and Chen Xiao (2008) found that employee equity incentives positively impact their company's value. Chen Bin (2008) stated that the more executives' holdings shares there were, the greater the growth rate of shareholder equity and the higher the rate of return on net assets. This indicated that the implementation of equity incentives played a positive role in companies. Companies that implement equity incentives were better than those who do not. Based on the above analysis, this research proposed its first hypothesis in regression analysis:

H1. Employee equity incentives positively impact company performance. Chen Xiaoyue & Xu Xiaodong (2001), Wang Xiaoli, and Lu Guokun (2007) came to the following conclusion: there was a positive correlation between ownership concentration and corporate financial performance.

H2. There is a positive correlation between ownership concentration and company performance. Luo Shuai (2012) and Duan Wei (2015) both asserted that improving the solvency of an enterprise can improve its performance, which also helped to improve management's equity incentives.

H3. Capital structure has a significant impact on company performance.

According Wang Rui and Long Ziwu (2011), a company's scale had a positive correlation with its performance when under equity incentive policies. Demsetz and Lehn (1985) argued that equity levels were related to the size of the firm and the number of equity incentives as the firm grows (Baker and Hall, 1998; Himmelberg, Hubbard and Palia, 1999; Murphy, 1999).

H4. Company scale has a significant positive correlation with company performance. This research measured the growth of businesses by their increasing revenue rates. Operating income was the first and most important indicators of income statements. Since a company's operating income was the basis of its profits, it was also a good starting point for analysing financial statements (Liu Jianwei, 2009).

H5. The growth of a business positively correlates to its business performance. In this research, the total asset turnover rate was used to measure the quality of business operations, reflecting the overall operational capacity of enterprises. Cao KaiYue (2007) showed that the operating capacities, profitability, and equity incentives are all positively related.

H6. The total asset turnover rate and equity incentives are positively related. Dana Maria Boldeanu and Irina-Bogdana Pugna (2014) found that earnings per share had a positive relationship with return on equity. According to their study, this research proposed its last hypotheses:

H7. Earnings per share have a significant positive correlation with company performance.

## **Content analysis**

Content analysis is a research method based on all kinds of literature. This method transformed non-quantitative literature into quantitative data, then conducted a quantitative analysis based on the chosen data to make deductions and judgments. The general process of content analysis has 6 parts: establishing research objectives, identifying research groups and selecting analysis units, designing an analysis dimension system, sampling analysis processes and quantitative analysis materials, and evaluating, recording and analyzing inferences.

## **Factors**

1. PAC (Personal Ability Cognition): people's self-awareness, self-evaluation abilities;
2. EB (Education Background): a person's level of education;
3. AGE (Personal condition): differing impacts of different age stages;
4. WA (Working Attitude) : appraisal and behavioral tendencies of work, included the work seriousness, responsibility, effort, etc.;



5. JC (Job characteristics) : the value of the work itself, the typical characteristics of the work and its interesting factors, challenging tasks, learnability, autonomy, sense of accomplishment, etc.;

6. WE (Working environment): the working place's natural environment, i.e. office equipment and office layout, and layout;

7. IR (Interpersonal relationship): relationship with colleagues and leaders

8. MM (Management mechanism): enterprise management of people, money, material, information, technology and other elements;

9. LS (Leadership style): the leader's behavior pattern;

10. CC (Corporate culture): corporate culture including cultural values, entrepreneurial spirit, ethics, codes of conduct, historical traditions, business systems, cultural environment.

11. SW (Salary and welfare): wages and other welfare benefits beyond national statutory benefits, included housing, pension, and medical care;

12. OI (Organizational identification): employees feel consistent with their partner organizations in many aspects of behavior and perception, such as the feeling of rational contracts and responsibilities, belonging and dependence;

13. IP (Incentive policy): like equity incentives, wage differences, and other incentive policies;

14. RPE (Reasonable performance evaluation): compared employees' performances against the standard performance, thereby improving employee satisfaction by making the workplace fairer;

15. OTL (Opportunity of training and learning): enterprises carry out activities to improve the quality of personnel, abilities, job performance, etc.;

16. PP (Promotion prospect): employees can receive promotions;

17. SA (Sense of achievement): a sense of accomplishment helped employees fulfill and feel fulfilled by all their tasks;

18. CDP (Career development prospect): further industry and job prospects.

## Results

The result composed with 3 parts. The independent t-test, regression analysis and content analysis.

In the T-test analysis, the first variable EP (enterprise property) was compared to state-owned companies (1) and nonstate-owned companies (0); the second variable BS (boarding size) compared sizes of nine or less people (1) with ten or more people (0); the third variable, companies equity incentive periods (EIP), compared five years or less (1) with six years or more (0); the fourth variable, industry, compared high-tech industries (1) and traditional industries (0); the last one compared companies' ROE unused equity incentives (1) and companies' ROE used equity incentive policies (2).

Table1. Independent T-test

Variable	M	SD	T	P
EP	0.16	0.09	-2.27	0.023
	0.14	0.09		
BS	0.14	0.09	1.59	0.112
	0.12	0.07		
EIP	0.14	0.09	0.58	0.564
	0.13	0.08		
Industry	0.14	0.08	2.15	0.032
	0.12	0.14		
EI&	6.84	9.93	-6.5	0.000
Non-EI	11.24	7.67		

\* $p < .05$

As the statistical test results in Table 1 show, F of EP was 0.001, the significance level was 0.979 and greater than 0.05. The corresponding significance level was 0.023, less than 0.05 ( $F=1.858$ ,  $\text{sig}=0.023$ ). T was -4.384 showed that the average for state-owned companies was lower than that of non-state-owned companies. The results indicated that there was a significant difference in the property of different enterprises. F of industry in homogeneity test measured at 0.089 with a significance level was 0.765, greater than 0.05. The corresponding significance level was 0.032, less than 0.05 ( $F=0.765$ ,  $\text{sig}=0.032$ ). Thus, T was 2.153. The results indicated that there was a significant difference in different industries. If people compared company's performances by looking at those who have equity incentives and no equity incentives, F in homogeneity test measures at 2.788 with a significance level of 0.095, greater than 0.05 ( $F=2.788$ ,  $\text{sig}=0.000$ ). The corresponding significance level was 0.000, less than 0.05, and T was -6.502. Thus, it indicated that there was a significant difference between group 1 and group 2. There was no difference between a company's boarding size and the equity incentive period.

### Regression analysis

Table 2 ANOVA

Model	F	Sig
1	46.183	.000 <sup>b</sup>

The result of test in goodness of fit so that when the regression equation contained different independent variables, F was 46.183, the significance level was less than 0.01, so it had a significant statistical significance. Therefore, the final regression equation analog effect was good.

Table 3 Model summary

R	R Square	Adjusted R Square
.764 <sup>a</sup>	.583	.571

The result in table 3 showed that the correlation coefficient of the model in this research was 0.764, the determination coefficient was 0.583. The explanations of the independent variables chosen in this research reach 0.571, therefore, it was considered that the independent variables of the models' interpreted degree are good.

Table 4 Coefficients

Independent variable	Std. error	T	Sig.
Constant	0.078	-2.57	0.011
EISR	0.002	0.117	0.007
LS	0.021	0.013	0.760
ALR	0.024	-207	0.001
CS	0.004	0.190	0.003
IRBR	0.015	0.120	0.007
TAT	0.007	0.089	0.044
EPS	0.011	12.06	0.000

\*  $p < .05$

The standardization regression coefficient from the equity incentive shares ratio(EISR) to the return on equity (ROE)was 0.117( $t=2.703$ ,  $\text{sig}=0.005$ ). It showed that the proportion of equity incentive to a company's return on equity has a significant positive impact. The coefficient of equity incentive shares ratio (EIR) was 0.117, indicated that when other variables remain constant the return on equity increased by 0.117 percent. Thus, the greater the equity incentive proportion, the higher the company's return on equity and the better it performs. The result showed that this paper's first hypothesis in regression analysis was correct.

The standardization regression coefficient from the largest shareholder (LS) measured against the return on equity was -0.013 ( $t= -.305$ ,  $\text{sig}=0.760$ ). The sig result was greater than 0.05, suggested the largest shareholder (LS) did not affect a company's performance. The results suggested that the listed Chinese companies should not pay attention to their largest shareholder since there was no relationship between the largest shareholder and their performance.

The standardization regression coefficient from the asset liability ratio (ALR) measured against return on equity is  $-0.207(t=-3.501, sig=0.001)$ . It showed that the asset liability ratio (ALR) and company's return on equity has a significant negative relationship. The coefficient of asset liability ratio (ALR) was  $-0.207$ , indicated that when the other variables remain constant the return on equity decreased by 0.207 percent. That was, the greater the asset liability ratio (ALR), the lower the company return on equity.

The standardization regression coefficient from company scale (CS) to return on equity measured at  $0.190(t=3.033, sig=0.003)$ . This demonstrated that the company scale significantly and positively impacted a company's return on equity. The company scale coefficient was 0.190, indicated that when the other variables remain constant the return on equity increased by 0.190 percent. Thus, the greater company scale, the higher the company return on equity and the better the company's performance.

The standardization regression coefficient of the increasing rate of business revenue (IRBR) compared to the return on equity measured at  $0.120(t=2.709, sig=0.007)$ . This showed that increasing rates of business revenue has a significant positive impact on the return on equity. The coefficient of increasing rates of business revenue was 0.120, indicated that when other variables remain constant the return on equity increased by 0.120 percent. That is the greater the increasing rate of business revenue, the higher the return on equity and the better the company's performance. Therefore, the first hypothesis of this paper was proven to be true.

The standardization regression coefficient from total assets turnover (TAT) to the return on equity measured at  $0.089(t=2.023, sig=0.044)$ . The data showed that the total assets turnover significantly and positively impacts company performance. Total assets turnover measured at 0.120, indicating that when the other variables remain constant the return on equity increased by 0.089 percent. That was the greater the total assets turnover, the higher the return on equity and the better the company's performance.

The standardization regression coefficient from earning per share (EPS) compared to the return on equity measured at  $0.617(t=12.975, sig=0.000)$ . This showed that earning per share to the return on equity had a significant positive impact. The coefficient of earning per share measured at 0.617, indicated that when the other variables remain constant, the return on equity increased by 0.617 percent. Thus, the greater the earning per share, the higher the return on equity and the better the company's performance. Therefore, the first hypothesis of this paper proved to be correct.

Table 5 Content Analysis

N.	Dimensions	Ranking
1	Individual dimension	4
2	Company environment	2
3	Incentive	1
4	Opportunity	3

At this step, the researcher used the content analysis method to digitize the 140 literatures. There were 18 factors in the content analysis, and these 18 factors divided into 4 dimensions. If follow the dimension aspects, the incentive dimension was the most important for company's development (see table 5), but if focused on the factors, the salary & welfare was the number 1 and incentive policy was number 2.

Form the factors perspective, salary and welfare ranked first with 20.19% and was the only factor to exceed 10%. Incentives accounted for 8.40%, placing second among the factors. This meant that incentive had a great impact on company performance.

### Conclusion and Discussion

From a company characteristics perspective, the results showed that the average return on equity for state-owned companies was lower than non-state-owned companies. The performance in the high-tech industry was better than in traditional industry. Performances of companies that use equity incentives were better than companies who do not. There were no effect on company performance between the boarding size and equity incentive period.

Regarded company policies, regression analysis was used to examine the relationship between company performance and equity incentive policy, company stability, debt level and risk degree, market competitiveness, the growth of business, the company operational capability, and company profitability. In addition to company stability (ownership concentration), the other six factors all showed a correlation with company performance. Qualitative analysis was used the content analysis method, selected 140 different pieces of research from 2009-2015as this study's sample. Overall, the research suggested that incentive policies have the greatest impact on employees' performance among these four dimensions.

In these factors, a company's scale usually indicated its ability to influence the market and resist risks. The larger the scale was, the better the performance of the enterprise. Assets' turnover rates were positively related to the performance

of the enterprise as one of the factors that can most reflected the management level of a company. Additionally, asset proportions were significantly related to an enterprise's performance. From the viewpoint of capital utilization, the rational allocation of a company's capital structure was also an important aspect for improve its performance. The theory of financial management further showed that reasonable and optimal allocations of the debt to assets ratio was beneficial in maximizing the use of existing assets and improving business performance, but there was an optimal debt ratio. The main business growth rate can positively impact corporate performance. Earnings per share was usually used to reflect the operating results of an enterprise and to measure profit levels of ordinary shares and investment risks. It was one of the most important financial indicators for investors to evaluated their profitability, predict their growth potential, and made relevant economic decisions.

In this research, only the factor of ownership concentration did not correlate with company performance. The reason for this result may be because this research took the proportion of the first large shareholders as the main standard of ownership concentration. However, enterprises with large capital demands or show large market capitalization, such as Vanke, people need to examine the proportion of the top five or ten shareholders to measure the degree of ownership concentration.

From a non-financial performance perspective, four points are very important for companies trying to incentivize their employees. 1. Basic salary and welfare protection; 2. The staff's mental motivation and material motivation after completing tasks; 3. The leader's recognition of employees, which will make them feel important and appreciated in their positions of employment; 4. The employees' prospects. These four factors must be complementary to each other. If one is missing, it will reduce the effects of incentives on employees.

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