

Research on the Relationship Between Executive Compensation and Corporate Performance Under Mixed Ownership Reform

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Abstract: In the course of China's economic development, state-owned enterprises have always occupied an extremely important position. As the core of the current economic system reform, the reform of state-owned enterprises has received extensive attention from all walks of life. Under the current premise of comprehensively deepening reform, the main theme of marketization of state-owned enterprise reform has never changed. In the last round of state-owned enterprise salary system reform represented by the "salary limit order", it actually aggravated the policy constraints of state-owned enterprises. The new round of state-owned enterprise reform characterized by mixed ownership reform relies on the introduction of market-oriented shareholders of other ownership systems, so as to promote all ownership capitals to learn from each other's strong points, complement each other's weaknesses, promote each other's development, and realize the amplification function of state-owned capital.

Under the background that most state-owned enterprises are actively responding to the reform of mixed ownership, mixed ownership enterprises pose new challenges to the salary incentive system of state-owned enterprises. Due to the low operating efficiency of most state-owned enterprises, the phenomenon of "sky high salary" for senior executives and "upside down performance" emerge one after another, which leads to the lack of vitality and risk resistance ability of state-owned enterprises. The theoretical and practical circles have been paying close attention to this. Through the analysis of the problems in the mixed ownership reform of state-owned enterprises and relevant documents, this paper provides reference for state-owned enterprises to formulate a more effective and reasonable salary incentive system in the new round of state-owned enterprise reform, and actively promotes the maintenance and appreciation of state-owned assets and high-quality development.

Keywords: mixed ownership reform; pay; achievements

1. Introduction

In the decision of the Central Committee of the Communist Party of China on several major issues of comprehensively deepening reform issued at the Third Plenary Session of the 18th CPC Central Committee in November 2013, it was proposed to "actively develop mixed ownership with cross shareholding and mutual integration of state-owned capital, collective capital and non-public capital". This was the first time that the concept of "mixed reform" was explicitly put forward. In 2015, the State Council again issued the opinions on the development of mixed ownership economy by state-owned enterprises. Since then, a new round of state-owned enterprise reform has been in full swing. Subsequently, the 2016 central economic work conference

mentioned mixed reform again. In 2017, the 19th Central Committee of the Communist Party of China emphasized the direction of state-owned enterprise reform of "deepening the reform of state-owned enterprises and developing a mixed ownership economy", further pushing the mixed reform of state-owned enterprises to a climax.

2. Development of Mixed Ownership Reform

In the report of the 15th National Congress of the Communist Party of China, the Party Central Committee redefined the public economy, believing that the public economy includes not only the state-owned economy and the collective economy, but also the state-owned part and the collective component of the mixed ownership. This definition expanded the concept of the public economy and triggered heated discussions among scholars at home and abroad. Li Yaguang proposed in 1999 that enterprises formed by the combination of non unitary ownership economies are all mixed ownership. He believed that this kind of enterprise composition is conducive to learning from each other's strong points and complementing each other's weak points of different ownership elements, so as to better cope with the incentive market competition environment. ^[1] In 2001, Zhang Gaoli proposed the concept of "state-owned enterprises holding the shares and delegating the management rights to private enterprises". Zhang Gaoli believes that the key to the reform of mixed ownership lies in improving the corporate governance structure of state-owned enterprises, establishing a mechanism to effectively motivate professional managers of state-owned enterprises, and forming a joint development force between managers and employees through employee stock ownership, so as to promote the improvement of the performance level of state-owned enterprises. ^[2] In 2004, Liu Xiaoxuan found that the implementation of mixed ownership reform in state-owned enterprises can effectively improve internal operation efficiency. ^[3] Zhu Guanghua pointed out in 2004 that the focus of the mixed ownership reform of state-owned enterprises is to establish a modern enterprise system, strengthen the internal governance structure of the company, and enhance the comprehensive competitiveness of enterprises. ^[4] Xiao Hui proposed in 2004 that the reform of mixed ownership will affect enterprises in three aspects: changing the original single ownership structure; More diversified business entities; The management mode of enterprises has also undergone diversified changes. ^[5] Ma Jian studied the mixed reform enterprises from the perspective of equity concentration in 2008. He believed that when the state-owned shareholders hold absolute control, it is easy for the controlling shareholders to impose non economic objectives on corporate governance, which will harm the interests of other small and medium shareholders. The way to solve this problem is to reduce the state-owned shares. ^[6]

In the Third Plenary Session of the 18th CPC Central Committee, it was clearly proposed that "we should deepen the reform of state-owned enterprises and develop the mixed ownership economy". The reform of mixed ownership has become an important part of the reform of state-owned enterprises. The introduction of non-public economy is conducive to stimulating the vitality of state-owned enterprises, improving operational efficiency, improving governance structure, improving governance level, and promoting the sustainable and healthy development of enterprises. In his research in 2014, Huang Sujian proposed that the mixed ownership reform of enterprises with different capital attributes is conducive to the formation of complementary advantages, the breaking of monopolies and the construction of a better competitive order. ^[7] In his 2014 study, Gao Minghua proposed that the mixed ownership reform of state-owned

enterprises should not be applied across the board. Some state-owned enterprises are not suitable for mixed ownership reform. Gao Minghua believes that the state-owned enterprises that are most suitable for mixed ownership reform are competitive enterprises.^[8] In 2019, Jia Jinpei believed that state-owned enterprises of different nature should adopt different ways to implement mixed reform. Mixed reform of state-owned enterprises mainly needs to be implemented according to types.^[9]

3. Literature Review of Mixed Ownership Reform

The existing academic research on the mixed reform of state-owned enterprises mainly focuses on the proportion of non-state-owned shares, the impact of performance and how to achieve win-win cooperation among enterprises.

In 2013, the Third Plenary Session of the 18th CPC Central Committee clearly defined the development of mixed ownership as an important direction and goal for deepening the reform of state-owned enterprises. At that time, the state-owned enterprises were at an important stage of moving from bigger to stronger, with heavy debts and large demand for funds. And private enterprises are also facing the embarrassing situation of having money but no place to invest, and there is a high voice among private enterprises to broaden investment channels. For this reason, the central government clearly proposed that the mixed ownership economy of cross shareholding and mutual integration of state-owned capital, collective capital and non-public capital, and the implementation of the performance contracting mechanism of non-public teams are conducive to common development.^[10] In addition, under the social background of the country's vigorous implementation of supply side structural reform, the mixed ownership reform can effectively alleviate the overcapacity problem of state-owned enterprises and significantly improve the capacity utilization rate by reducing excessive investment and improving the turnover rate of operating assets, and this improvement effect is more significant in state-owned enterprises with better external environment.

If a long-term partnership contract can be formed between state-owned capital investment and operation entities and other strategic investors to achieve win-win cooperation, some pain points after the merger and reorganization of traditional mixed ownership enterprises can be solved. By urging professional managers and excellent enterprise core backbones to "think like shareholders", organizational goals and personal goals can be better integrated with each other, and their respective interests can be effectively bound. By actively implementing the employee stock ownership plan in enterprises and establishing a mechanism of benefit sharing and risk sharing in the mixed reform, this will provide a new way for the salary incentive system of the new round of mixed ownership reform of state-owned enterprises, form a qualitative leap, and provide practical guarantee for the transformation and upgrading of state-owned enterprises.^[11]

In terms of financial stability of state-owned capital, the mixed ownership reform has introduced a non-state-owned economic component. These non-state-owned capital parties can effectively enhance the information transparency of the company, alleviate agency conflicts, and reduce the possibility of stock price collapse by appointing directors to state-owned enterprises to participate in corporate governance. This role of stabilizing finance is more prominent in state-owned enterprises with weak management power.^[12] In terms of enterprise risk-taking, Tang Yingmei and she Yayun found in 2020 that the mixed ownership reform can significantly

improve the enterprise's risk-taking ability by affecting the checks and balances of mixed entities, especially in areas with more perfect institutional environment, using the data of 2008-2017 of Shanghai and Shenzhen A-share central enterprise listed companies.^[13]

4. Research on The Relationship Between Executive Compensation and Enterprise Performance in Mixed Ownership Reform

The purpose of actively implementing the mixed ownership reform in state-owned enterprises is not simply to reduce the salary level of state-owned enterprise executives, but to encourage the linkage of salary formulation with enterprise performance. Almost all enterprises implementing the mixed ownership reform have a gambling period. During the gambling period, the introduced private management teams often adopt the management mode of low salary and high incentive. The salary level of enterprises is generally low, and the incentive mode focuses on the gambling of business performance. At the same time, mixed ownership enterprises often replace management with gambling agreements, that is, state-owned shareholders hold no control, so effective management and supervision cannot be implemented. Although private teams are employed by the board of directors, the remodeling, authorization and supervision of the salary incentive system are also at the level of the board of directors.

With the continuous advancement of the reform of mixed ownership, there have been many domestic documents confirming the positive significance of the mixed reform of state-owned enterprises. The study found that the executive compensation after the mixed reform was significantly and positively related to enterprise performance, and the reform was initially effective. Qian Kaikai's research found that for enterprises implementing mixed ownership reform, there is a two-way causal relationship between executive compensation and enterprise performance.^[14] Hao Yang's research confirmed that private equity participation can indeed improve the performance of state-owned enterprises, and its main mechanism is to improve the sensitivity of management compensation and resignation to performance to alleviate the lack of supervision and incentives caused by the absence of owners.^[15] Cai Guilong's research confirms that the mixed reform of state-owned enterprises can improve the performance sensitivity of executive compensation of state-owned enterprises, but his research, starting from the form and strength of the mixed reform, shows that the participation of non-state shareholders must be implemented at the level of senior management appointment, and the effect of simply relying on increasing the equity ratio is not significant.^[16] In addition, private shareholders among non-state-owned shareholders can improve the effectiveness of compensation contracts by holding shares and appointing directors. The longer the control chain of state-owned enterprises, the stronger the effectiveness, and the better the sensitivity of private capital to compensation performance.^[17]

The profit seeking nature of non-state-owned shareholders makes them have a strong motivation to supervise the efforts and on-the-job consumption of state-owned enterprise executives, which to a certain extent realizes the "return of owners" of state-owned enterprises and improves the internal governance mechanism of state-owned enterprises. Its concern is whether there is a possibility to reduce the occurrence of moral hazard events after the signing of the compensation contract, and it hopes that the interests of shareholders and senior executives can reach a consensus through the form of incentive contracts to reduce the asymmetry of information acquisition. A large number of research results of domestic scholars have also proved that executive

compensation is positively related to corporate performance. For example, Chen Zhiguang found that there is a significant positive correlation between executive compensation and corporate performance of Listed Companies in Shanghai stock market.^[18] In 2019, Liu Chunji took high-tech companies as the research objects, and found that the increase of executive compensation can promote the increase of enterprise R & D expenses, and thus help to improve enterprise performance.^[19]

Based on the above relevant studies, it can be further found that the correlation between salary and performance is significantly improved after the mixed reform, and the mixed reform helps reduce the impact of manager power on the sensitivity of salary performance, significantly suppresses the negative effect of manager power, and highlights the importance of performance appraisal to the formulation of executive pay. Zhang Dongpo reached a conclusion after studying the listed SMEs on the SME board in 2012, and found that except for the construction and manufacturing industries, the equity incentive effect of other industries is short-term and will not improve the performance of enterprises in the long term.^[20] Dong Shulan found after her research on the relationship between executive compensation and corporate performance in service enterprises in 2017 that executive compensation is positively related to corporate performance in a certain range, but when it exceeds a certain threshold, executive compensation is negatively related to corporate performance, that is, the relationship between executive compensation and corporate performance is inverted-u.^[21]

5. Empirical Analysis

Taking Yunnan Baiyao Group Co., Ltd. as an example, this paper compares the company performance before and after the mixed ownership reform based on the entropy method, so as to study the mixed ownership reform and reasonably evaluate the performance changes of Yunnan Baiyao Group Co., Ltd. before and after the mixed ownership reform.

In terms of the selection of financial performance evaluation indicators, in combination with China's "Rules for the Performance Evaluation of State owned Capital Fund" and the "Rules for the Operation of Enterprise Performance Evaluation (Revised)", four more commonly used and classic financial capacity indicator systems are selected: solvency indicators, profitability indicators, operating capacity indicators and growth capacity indicators.^[22]

Because the existence of enterprises has a certain social nature, that is, in the process of production and operation, enterprises should not only focus on their own development, but also pay attention to the specific contributions made by enterprises to the society. This paper also considers the social performance dimension when analyzing Yunnan Baiyao Group.

At the end of this paper, fourteen secondary indicators are set in combination with the development of Yunnan Baiyao Group and the characteristics of the industry. See the following table for all indicators:

Table 1 Evaluation Indexes and Index Attributes of Yunnan Baiyao Group

| Dimension | Level I Indicators | Level II Indicators |
|------------------------------|--------------------|---|
| <i>Financial Performance</i> | Solvency | Current Ratio X1 |
| | | Quick Ratio X2 |
| | | Asset Liability Ratio X3 |
| | Operational | Total Assets Turnover X4 |
| | | Inventory Turnover X5 |
| | | Total Assets Growth Rate X6 |
| | Profitability | Net Profit Margin on Sales X7 |
| | | Return on Net Assets X8 |
| | | Net Profit Rate of Total Assets X9 |
| | Growth | Net Asset Growth Rate X10 |
| | | Net Profit Growth Rate X11 |
| | | Growth Rate of Main Business Income X12 |
| <i>Social Performance</i> | | Remuneration Paid X13 |
| | | Taxes X14 |

The mixed transformation of Yunnan Baiyao started in July 2016 and ended in its overall listing in July 2019. In order to ensure the timeliness and convenience of research and analysis, this paper will take 2019 as the dividing line, 2017-2018 as the period before the mixed transformation, and 2019-2021 as the period after the mixed transformation. The original data are shown in the table.

Table 2 Original Data of Indicators of Yunnan Baiyao from 2017 to 2021

| Index | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|--------|--------|---------|
| <i>Current Ratio X1</i> | 3.34 | 2.68 | 4.65 | 3.15 | 3.58 |
| <i>Quick Ratio X2</i> | 2.18 | 1.70 | 3.43 | 2.45 | 2.46 |
| <i>Asset Liability Ratio X3</i> | 34.51% | 34.42% | 23.28% | 30.56% | 26.5% |
| <i>Total Assets Turnover X4</i> | 0.93 | 0.92 | 0.74 | 0.63 | 0.67 |
| <i>Inventory Turnover X5</i> | 2.15 | 1.99 | 1.95 | 2.08 | 3.16 |
| <i>Total Assets Growth Rate X6</i> | 12.67% | 9.66% | 63.47% | 11.20% | -5.30% |
| <i>Net Profit Margin on Sales X7</i> | 12.88% | 12.32% | 14.07% | 16.83% | 7.71% |
| <i>Return on Net Assets X8</i> | 21.46% | 17.38% | 14.42 | 14.43% | 7.30% |
| <i>Net Profit Rate of Total Assets X9</i> | 11.98% | 11.33% | 10.43% | 10.51% | 5.49% |
| <i>Net Asset Growth Rate X10</i> | 14.51% | 9.81% | 91.24% | 0.64% | 0.23% |
| <i>Net Profit Growth Rate X11</i> | 6.88% | 5.02% | 26.85% | 32.06% | -49.26% |
| <i>Growth Rate of Main Business Income X12</i> | 8.50% | 9.84% | 11.07% | 10.38% | 11.09% |
| <i>Remuneration Paid X13</i> | 12.78 | 14.23 | 16.54 | 15.01 | 21.14 |
| <i>Taxes X14</i> | 18.78 | 18.70 | 17.69 | 19.60 | 25.52 |

Data source: Baidu Stock Exchange

Because each indicator unit is different, it is impossible to compare and analyze, so before making an evaluation, various indicators must be dimensionless to reduce the impact of dimensional differences and make the data comparable.^[23]In order to ensure the accuracy and uniformity of the data, the extreme value method is adopted for the above data, and all data are converted to the 0-1 range to keep the data consistent. The calculation formula of the extreme value method is as follows.

$$X_{ij}' = \frac{X_{ij} - m_j}{M_j - m_j} \quad (1)$$

Where, M_j is the maximum value of X_{ij} , m_j is the minimum value of X_{ij} .

X3 Asset Liability Ratio is used as a reverse indicator, and its calculation formula is as follows.

$$X_{ij}' = \frac{M_j - X_{ij}}{M_j - m_j} \quad (2)$$

Table 3 Dimensionless Treatment Results of Index Values of Yunnan Baiyao from 2017 to 2021

| Index | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------|-------|-------|-------|-------|-------|
| X1 | 0.335 | 0.000 | 1.000 | 0.239 | 0.457 |
| X2 | 0.277 | 0.000 | 1.000 | 0.434 | 0.439 |
| X3 | 0.000 | 0.008 | 1.000 | 0.352 | 0.713 |
| X4 | 1.000 | 0.967 | 0.367 | 0.000 | 0.133 |
| X5 | 0.165 | 0.033 | 0.000 | 0.107 | 1.000 |
| X6 | 0.261 | 0.218 | 1.000 | 0.240 | 0.000 |
| X7 | 0.567 | 0.505 | 0.697 | 1.000 | 0.000 |
| X8 | 1.000 | 0.712 | 0.503 | 0.504 | 0.000 |
| X9 | 1.000 | 0.900 | 0.761 | 0.773 | 0.000 |
| X10 | 0.157 | 0.105 | 1.000 | 0.005 | 0.000 |
| X11 | 0.690 | 0.667 | 0.936 | 1.000 | 0.000 |
| X12 | 0.000 | 0.517 | 0.992 | 0.726 | 1.000 |
| X13 | 0.000 | 0.173 | 0.450 | 0.267 | 1.000 |
| X14 | 0.139 | 0.129 | 0.000 | 0.244 | 1.000 |

Data source: SPSS17.0 software analysis results

In order to make data processing more meaningful, the influence of zero in the data must be eliminated, so some operations must be carried out on these data, $X_{ij} = X_{ij} + \alpha$. But in order to preserve the original data to the maximum extent, The value of α must also be as small as possible, that is α is closest to the minimum of X_{ij} . Therefore, this paper selects $\alpha = 0.001$.

After dimensionless processing of the data, the entropy value method is used to determine the weight of each index. First, determine the index weight of the i th year under the j th index.

$$P_{ij} = \frac{X_{ij}'}{\sum_{i=1}^n X_{ij}'} \quad (3)$$

$$E_j = -\frac{1}{\ln n} \sum_{i=1}^n P_{ij} \ln(P_{ij}) \quad (4)$$

$$G_j = 1 - E_j \quad (5)$$

$$W_j = \frac{G_j}{\sum_{j=1}^m G_j} \quad j=1,2,3 \cdots m \quad (6)$$

Table 4 Entropy, Difference Coefficient and Weight of Yunnan Baiyao Evaluation Index

| Dimension | Weight | Index | Entropy | Coefficient of Difference | Weight |
|------------------------------|--------|-------|---------|---------------------------|--------|
| <i>Financial Performance</i> | 0.826 | X1 | 0.767 | 0.233 | 0.064 |
| | | X2 | 0.788 | 0.212 | 0.057 |
| | | X3 | 0.805 | 0.195 | 0.052 |
| | | X4 | 0.730 | 0.270 | 0.072 |
| | | X5 | 0.475 | 0.525 | 0.141 |
| | | X6 | 0.708 | 0.292 | 0.078 |
| | | X7 | 0.839 | 0.161 | 0.043 |
| | | X8 | 0.835 | 0.165 | 0.044 |
| | | X9 | 0.858 | 0.142 | 0.038 |
| | | X10 | 0.419 | 0.581 | 0.155 |
| | | X11 | 0.852 | 0.148 | 0.040 |
| | | X12 | 0.841 | 0.159 | 0.042 |
| <i>Social Performance</i> | 0.174 | X13 | 0.730 | 0.270 | 0.072 |
| | | X14 | 0.620 | 0.380 | 0.102 |

Data source: SPSS17.0 software analysis results

The analysis of the above data is not enough to have a clear analysis of the performance data of Yunnan Baiyao Group, so the above data are comprehensively processed to obtain the final score and analyze. The formula for calculating the comprehensive score is as follows.

$$S = \sum_{j=1}^m W_j \times P_{ij} \quad (7)$$

Table 5 Comprehensive Scores of Performance Evaluation of Yunnan Baiyao from 2017 to 2021

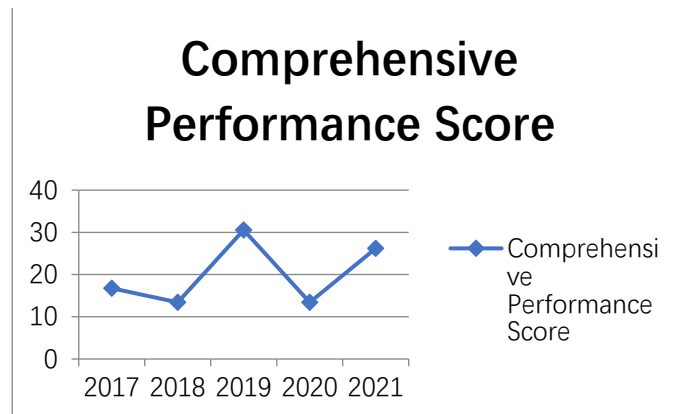
| Dimension | Level I Indicators | Level II Indicators | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------|--------------------|--------------------------|-------|-------|-------|-------|--------|
| <i>Financial Performance</i> | Solvency | Current Ratio X1 | 1.055 | 0.003 | 3.150 | 0.753 | 1.440 |
| | | Quick Ratio X2 | 0.734 | 0.265 | 2.651 | 1.150 | 1.164 |
| | | Asset Liability Ratio X3 | 1.776 | 1.762 | 0.002 | 1.151 | 0.510 |
| | Operational | Total Assets Turnover X4 | 2.918 | 2.822 | 1.071 | 0.003 | 0.388 |
| | | Inventory Turnover X5 | 1.783 | 0.355 | 0.011 | 1.156 | 10.803 |

| | | | | | | | |
|---|---|------------------------------------|---------------------------|--------|--------|--------|--------|
| | | Total Assets Growth Rate X6 | 1.184 | 0.989 | 4.537 | 1.109 | 0.011 |
| | Profitability | Net Profit Margin on Sales X7 | 0.880 | 0.784 | 1.082 | 1.553 | 0.002 |
| | | Return on Net Assets X8 | 1.618 | 1.152 | 0.814 | 0.815 | 0.002 |
| | | Net Profit Rate of Total Assets X9 | 1.107 | 0.996 | 0.842 | 0.855 | 0.001 |
| | | Growth | Net Asset Growth Rate X10 | 1.920 | 1.283 | 12.233 | 0.060 |
| | Net Profit Growth Rate X11 | | 0.838 | 0.810 | 1.137 | 1.215 | 0.001 |
| | Growth Rate of Main Business Income X12 | | 0.001 | 0.671 | 1.288 | 0.942 | 1.298 |
| <i>Social Performance</i> | | Remuneration Paid X13 | 0.004 | 0.659 | 1.714 | 1.017 | 3.810 |
| | | Taxes X14 | 0.937 | 0.870 | 0.020 | 1.645 | 6.745 |
| <i>Comprehensive Performance Score</i> | | | 16.755 | 13.421 | 30.552 | 13.424 | 26.187 |

Data source: SPSS17.0 software analysis results

Displaying the above data in the form of line chart is conducive to better understanding the data and more intuitive analysis of the data.

Table 6 Comprehensive Score Chart of Performance Evaluation of Yunnan Baiyao from 2017 to 2021



It can be seen from the figure that the comprehensive performance score of Yunnan Baiyao Group showed a downward trend from 2017 to 2018, the lowest comprehensive performance score in 2018, and a significant upward trend from 2018 to 2019. From the completion of the

mixed transformation in 2019 to 2021, although the comprehensive performance score of the enterprise has declined, it is still significantly higher than the comprehensive score before the mixed transformation. In general, the mixed reform has played a positive role in encouraging the financial performance of the enterprise, which also shows that the mixed reform has also played a positive role in promoting the comprehensive performance of Yunnan Baiyao Co., Ltd.

6. Conclusion

Through combing and summarizing the relevant literature, this paper can find that the issue of executive compensation incentive has always been paid close attention to by the majority of scholars in China, especially in recent years, the relationship between compensation and performance has shown obvious irrelevance or low correlation. The following conclusions can be drawn:

First, the mixed ownership reform can effectively reduce the salary level of state-owned enterprise executives. The deep-seated reason why this phenomenon is caused is due to the increase of performance appraisal and the improvement of the proportion of performance appraisal in the salary structure. The introduction of non-state-owned shareholders makes the governance mechanism of state-owned enterprises after the mixed ownership reform relatively more sound. Through the establishment of a scientific compensation mechanism, the sense of responsibility and creativity of state-owned enterprise executives can be effectively activated, and the compensation can be linked with performance, so as to finally achieve the goal of "deadadministration" of the mixed ownership reform of state-owned enterprises.

Second, the reform of mixed ownership can optimize the pay gap within state-owned enterprises. This also shows that other ownership shareholders have played a significant positive role in improving the performance of state-owned enterprises while actively reforming and improving the internal compensation contract of state-owned enterprises. Therefore, the main theme of the mixed ownership reform should still be adhered to. While using the mixed ownership reform to improve the corporate governance of state-owned enterprises, it is also necessary to improve some other aspects of governance arrangements, enhance the influence of non-state-owned shareholders, and enable them to play a better role.

Third, the mixed ownership reform can promote the change of executive compensation in the direction of maximizing enterprise performance. This shows that the existence of non-state-owned shareholder directors strengthens the profit objectives of state-owned enterprises, improves the vitality of enterprises, significantly improves the business performance of enterprises, improves the internal compensation contract of state-owned enterprises, and confirms the effectiveness of mixed ownership reform in improving the governance of state-owned enterprises.

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