

Business Strategy and Investment Efficiency

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Abstract: The 2021 Central Economic Work Conference clearly stated that infrastructure investment should be moderately advanced. Efficient investment decisions can not only help enterprises grow, but also play an important role in promoting industrial technology innovation and creation. This paper obtains relevant data of A-share listed companies from 2010 to 2020 from CSMAR database, and uses empirical research methods to test the relationship between business strategy and investment efficiency. The conclusion is that business strategy has a significant impact on corporate investment efficiency. Compared with defenders, the impact on prospectors is greater. Such kind of companies' investment efficiency is lower than that of defenders. The conclusions of this paper are still significant after the robustness test. Further analysis finds that the inefficiency of corporate investment caused by offensive strategies was mainly manifested as exacerbating overinvestment.

Keywords: Business Strategy, Investment Efficiency.

1 INTRODUCTION

The 2021 Central Economic Work Conference clearly stated that investment in infrastructure should be carried out moderately ahead of schedule, and the executive meeting of the State Council immediately made arrangements for expanding effective investment. For the country, expanding effective investment is an important starting point for stabilizing growth and promoting high-quality economic development. For enterprises, expanding effective investment actively will optimize the allocation of enterprise resources, which determines the development potential and competitiveness of enterprises.

Under the assumption of perfect competitive market, the marginal output of each economic project is equal. So the investment efficiency of enterprises only depends on the investment opportunities. Rational managers will invest limited funds in projects with positive NPV. However, in practice, this kind of market doesn't exist. So, the investment decisions made by managers often deviate from the optimal investment level, either over-investment or under-investment, resulting in inefficient investment of enterprises. Investment behavior plays an important role in the daily operation and management of enterprises. Scholars' exploration of the influencing factors of enterprise investment efficiency provides theoretical guidance for enterprises to improve investment efficiency. Taking together, the higher the investment efficiency of enterprises, the stronger the ability to activate corporate funds, the higher the profit margin, thereby enhancing the value of enterprises. However, in the actual business management activities, due to various factors, the phenomenon of low investment efficiency of

listed companies emerges in endlessly. Low investment efficiency not only will affect the value of the enterprise itself, but also may increase the risk of stock price crash, endangering the survival and development of enterprises. Therefore, how to improve the investment efficiency of enterprises has always been the focus of enterprises.

The business strategy determines a company's future goals and long-term action plans for this purpose. Although the foothold of the business strategy is the future, it depends on the company's current behavior and activities. The company's strategy interacts with daily management behavior. The company relies on strategy to guide daily management behavior, and the realization of the company's strategic goals is rooted in the continuous optimization of daily management activities. There are many ways to divide business strategy. The division method of Miles and Snow has been recognized by many scholars and has become the mainstream division method. The main reason is that this division method makes business strategy measurable, which is convenient for scholars to test its economic consequences through empirical research methods. Miles and Snow divide the company's strategy into prospectors, analyzers and defenders. Prior papers show that different types of business strategies have different business characteristics and organizational structure. To maintain their leading role and leading position in the industry, prospectors tend to continue to develop new products and new markets. From the perspective of maintaining market share and ensuring competitiveness, defenders often focus on price, quality or service to develop competitive strategies. Based on this, we expect that prospectors may have more aggressive investment behavior, leading to overinvestment or under-investment, while defenders are more cautious about investment, inefficient investment behavior may be less. We expound the relationship between business strategy and corporate investment efficiency from two perspectives: information asymmetry and uncertainty face by companies. Due to the higher degree of information asymmetry and greater uncertainty, we expect that the non-investment efficiency of prospectors is aggravated.

Based on the above analysis, this paper obtains the relevant data of A-share listed companies from 2010 to 2020 from the CSMAR database. Then we use empirical research methods to test the relationship between business strategy and investment efficiency. The conclusion is consistent with our expectation that business strategy can influence investment efficiency and the impact of prospectors is more significant, and their investment efficiency is lower than that of defenders. Further analysis finds that prospectors have a lower investment efficiency mainly because the offensive strategy increases the over-investment of enterprises.

Compared with the existing papers, the main contributions of this paper are as follows: Firstly, the existing literature mainly studies the economic consequences of business strategy from the aspects of financial accounting behavior and consequences. This paper enriches the economic consequences of business strategy from the aspects of corporate investment efficiency. Secondly, the existing literature mainly explores the factors that affect the investment efficiency from three perspectives: external macro environment, internal features of the company and governance characteristics. The factors affecting the investment efficiency of enterprises are enriched from the perspective of internal features of the company. Thirdly, the practical significance of this paper is that since both investment behavior and business strategy are important components of internal financial management of enterprises, exploring the relationship between them plays an important role in optimizing internal financial management

of enterprises, which is conducive to guiding enterprises to choose a more suitable business strategy for themselves, and provides a way for enterprises to improve investment efficiency.

2 LITERATURE REVIEW

2.1 Factors influencing corporate investment efficiency

As an important part of enterprise management activities, investment behavior will not only affect the value of enterprises, but also affect the level of economic development (Xiong and Gu, 2022). Efficient investment decisions can not only help enterprises grow, but also play an important role in promoting industrial technology innovation. In addition, corporate investment activities are considered to be one of the three major activities to promote GDP growth, which plays a strong role in stimulating the rapid growth of China's economy (Yan et al., 2021). Consequently, investment is vital for companies, industries and countries. However, due to the complexity and variability of the market environment, companies are not always able to make reasonable investment decisions, and inefficient investment behaviors are widespread (Shleifer and Vishny, 1988; Guariglia and Yang, 2016), leading to overinvestment or underinvestment or both. The research on the factors that influence investment efficiency of companies has never stopped. Current literature is mainly based on the these three aspects: First, the internal features of the company, including: accounting information comparability (Yuan and Rao, 2018), accounting information robustness (Zhang et al., 2017), property rights (Ma and Lin , 2021), etc. ; Second, the governance layer characteristics, including: management ability (Yao et al., 2020), executive vertical concurrent (Yan et al., 2021), CEO discretion (Chen et al., 2020), etc. ; Third, the external macro environment, including: government intervention (Wang et al., 2017), industrial policy (Lin and Zhang, 2022), product market competition (Wang et al., 2019), etc. . These studies provide a theoretical basis for enterprises to seek more efficient investment. However, most of these studies ignore the economic consequences of the investment efficiency of enterprises.

2.2 Economic Consequences of Business Strategy

Although a company's strategic choice cannot be simply defined as a certain type of strategy, it's conducive to studying the economic consequences of business strategy by dividing different strategic types and classifying each company into the most suitable strategic type. The mainstream types of business strategy in management are: overall cost leadership and differentiation (Porter, 1980) ; exploratory and exploitative (March, 1991) ; intimate customer, efficient operation and product leading (Treacy et al., 1995) ; Miles and Snow (1978, 2003) divided the strategy into prospectors, analyzers and defenders, according to the radical degree of the strategy adopted by the company. While other classification methods' data can only be obtained through interviews or surveys, making it difficult for data acquisition, Miles and Snow's (1978, 2003) classification method can cover the mainstream classification and can be measured by company's financial data, which is convenient for scholars to conduct empirical analysis. Therefore, Miles and Snow's (1978, 2003) classification method is widely used.

Companies that have different business strategies distinct from each other in operating and organizational structure. Generally, prospectors have more operating projects, wider business

scope, and more complex internal structure, which provides chances and space for management manipulation like earnings management (Sun et al., 2016), excessive investment (Wang et al., 2016), company violations (Meng et al., 2018), etc.. Defenders often have a narrower business scope and a more centralized organizational structure, which is more conducive to the implementation of regulations. It can effectively regulate the behavior of management and reduce the space for management to seek personal interests. The above differences between two types of strategies will finally reflect in and affect the enterprise value. Prospectors tend to invest a lot of money in technology research and development, product creation and market development. While such activities can enhance the growth of companies, they can also increase risks faced by companies now or soon: if successful, the company's performance will increase significantly and achieve value growth; if unsuccessful, the company will suffer huge losses, exacerbating the risk of corporate stock crashes and negatively affecting corporate value. On the contrary, defenders mainly focus on improving the quality of developed products and services and retaining their market share. Therefore, compared with prospectors, defenders have better performance stability, at the same time, they may also lose future growth and may have a negative impact on the future value of the companies.

3 HYPOTHESIS DEVELOPMENT

3.1 Information Asymmetry

From the perspective of information asymmetry, the degree of information asymmetry of prospectors is higher than that of defenders. On the one hand, Liu et al. (2015) believe that when information asymmetry's level is high, the effectiveness of supervision by potential external investors on management will be greatly reduced due to their inability to obtain sufficient information, which provides an opportunity for management to implement opportunistic investment behavior. Overinvestment behavior may occur. On the other hand, due to the existence of information gap, the party who grasps more real and effective information may benefit from its own information advantages by obtaining additional benefits. When making investment decisions, enterprises are in the inferior side of the information. It means they cannot fully obtain the information of the investor or the invested unit. Meanwhile, the investor or the invested unit are in the information advantage side. They tend to hide the information that is not conducive to the investment project, which will affect the analysis and prediction of the investment project by the enterprise managers, resulting in the wrong estimation of the investment return of the project by the enterprise. Finally, the enterprise cannot identify the project with the highest investment return due to the wrong estimation. Missing the optimal investment project reduces the investment efficiency of the enterprise.

3.2 Uncertainty faced by Enterprises

From the perspective of the uncertainty faced by enterprises, prospectors face greater uncertainty. Compared with defenders, prospectors will invest a lot of funds for continuous market development, research and development of new products, etc.. These behaviors are large in number and amount and frequent in changes, making the company's operating environment more unstable. The performance risks faced by companies are so high that they encounter a higher degree of uncertainty. If the investment is successful, it can quickly improve

the enterprise value and competitiveness. If the investment fails, their huge funds may not be recovered or liquidation, exacerbating the risk of corporate share price crash. This uncertainty increases the difficulty of predicting the best level of investment by enterprises, which makes the prediction results deviate greatly from the actual situation. So, it's likely to mislead decision makers to make investment decisions that are not conducive to enterprises and reduce the investment efficiency of enterprises.

Taking together, we posit the following hypothesis:

H1: The investment efficiency of prospectors is lower than that of defenders.

4 SAMPLE, VARIABLES AND RESEARCH DESIGN

4.1 Sample Selection

The data used in this study are collected from the China Stock Market and Accounting Research (CSMAR) database. The sample selection begins with all A-share listed companies from 2010 to 2020, then, following prior paper, eliminates financial firms and other firms that have missing data or negative equity. Finally, the sample contains 18124 firm-year observations. To minimize the effect of outliers, all continuous variables are winsorized at 1st and 99th percentiles.

4.2 Variables

4.2.1 Business Strategy

Based on Bentley et al. (2013), the *Strategy* is composed of six measures, each of which is measured by the rolling prior five-year average. Then sort all variables by industry and year. For the first five variables, the highest quintiles are given a score of 5, the second highest quintiles are given a score of 4, and so on, while the lowest quintiles are given a score of 1. For the last variable, which is reversed-scored, the lowest (highest) quintile are given a score of 5 (1). Finally, we get each company's scores (*Strategy*) ranging from 6 to 30 by adding the six measures per company-year. In this paper, we consider the following strict definitions of strategy-types: defender-type (6–18); prospector-type (18–30).The standard of classification (the score of 18) is the annual median of all company's scores. Refer to Table 1 for details related to the measurement of business strategy.

TABLE I. MEASUREMENT OF BUSINESS STRATEGY

Variables	Measurement
(1) Company's propensity to search for new products ($STRA_1$)	Ratio of R&D expenditure to sales.
(2) Company's ability to produce and distribute products and services efficiently ($STRA_2$)	Ratio of the number of employees to sales.
(3) Company's historical growth or investment opportunities ($STRA_3$)	One-year percentage change in total sales.

Variables	Measurement
(4) Company's focus on exploiting new products and services. ($STRA_4$)	Ratio of selling and administrative expenses to sales.
(5) Company's organizational stability ($STRA_5$)	Standard deviation of the total number of employees.
(6) Company's commitment to technological efficiency ($STRA_6$)	Capital intensity which is measured as net PPE scaled by total assets.

a. All variables are computed over a rolling prior five-year average

4.2.2 Prospectors

An indicator variable equals to 1 if a company belongs to prospector-type (the calculated score of the company is greater than the annual median (18)), and otherwise 0.

4.2.3 Investment Efficiency

This paper draws on Richardson (2006), Wang (2011), Zhang (2014) and other paper's estimation methods of the investment efficiency, and establishes a specific model (1) as follows :

$$\begin{aligned}
Invest_{it} = & \alpha_0 + \alpha_1 Growth_{i,t-1} + \alpha_2 Cash_{i,t-1} + \alpha_3 Size_{i,t-1} \\
& + \alpha_4 Age_{i,t-1} + \alpha_5 Lev_{i,t-1} + \alpha_6 R_{i,t-1} + \alpha_7 Invest_{i,t-1} \\
& + \sum Industry + \sum Year + \varepsilon_{it}
\end{aligned} \tag{1}$$

Often, we use the absolute value of the residual estimated by this model (INV) to measure the investment efficiency of a company. Refer to Table 2 for details related to the specific definition and measurement of each variable in this model.

Control variables: The control variables are chosen based on the literature (e.g., Lv and Zhang 2011; Cheng et al. 2012), including $Growth$, $Cash$, $Size$, Age , Lev , R , $Top1$, $Loss$ 和 Roa . The definitions of these variables are shown in Table 2.

4.3 Research Design

To examine the influence of business strategy on investment efficiency, this paper establishes the regression model (2) as follows :

$$\begin{aligned}
INV_{it} = & \beta_0 + \beta_1 Strategy_{it} + \beta_2 \sum Controls_{it} \\
& + \sum Industry + \sum Year + \varepsilon_{it}
\end{aligned} \tag{2}$$

According to H1, we expect β_1 to be positive and statistic significant. It means that the more aggressive the business strategy, the greater the value of INV , the higher the degree of inefficient investment, the lower the efficiency of corporate investment.

In order to show the impact of different business strategy types on corporate investment efficiency more clearly, this paper replace $Strategy$ with $Prospectors$ in model (2). The regression model (3) is as follows :

$$\begin{aligned}
INV_{it} = & \beta_0 + \beta_1 Prospectors_{it} + \beta_2 \sum Controls_{it} \\
& + \sum Industry + \sum Year + \varepsilon_{it}
\end{aligned}
\tag{3}$$

θ_1 in model (3) quantifies the difference between the impact of the two strategy types on company's investment efficiency. According to H1, we expect θ_1 to be positive and statistic significant, indicating that after controlling other variables, the impact of prospectors on corporate investment efficiency is greater than defenders. The main variables and descriptions in this model are shown in Table 2.

TABLE II. VARIABLE DEFINITIONS

Variables	Definitions
<i>Independent variable</i>	
<i>INV</i>	The absolute value of the residual estimated by model (1). The greater the value, the higher the degree of inefficient investment, that is, a company with a greater INV has a lower investment efficiency.
<i>Dependent Variables</i>	
<i>Strategy</i>	A measure of business strategy, ranging from 6-30 scores. The greater the value, the more aggressive the company's strategy.
<i>Prospectors</i>	An indicator variable equals to 1 if a company belongs to prospector-type (the calculated score of the company is greater than the annual median (18)), and otherwise 0.
<i>Control variables</i>	
<i>Growth</i>	Using tobin Q as an proxy.
<i>Cash</i>	Cash and net short-term investments divided by total assets.
<i>Size</i>	The natural logarithm of total assets.
<i>Age</i>	The natural logarithm of current year minus listed year plus 1.
<i>Lev</i>	Total liabilities divided by total assets.
<i>R</i>	Annual stock return minus comprehensive annual market return.
<i>Top1</i>	The proportion of the largest shareholder in the total number of shares.
<i>Loss</i>	An indicator variable equals to 1 if a company has a negative net profit, and otherwise 0.
<i>Roa</i>	The net income before extraordinary items scaled by total assets.

5 EMPIRICAL RESULTS

5.1 Descriptive Statistics

Table 3 reports descriptive statistics for our main variables. The gap between the maximum and minimum of business strategy (*Strategy*) is large, indicating that there is a big difference in the strategic choices between listed companies. The mean and standard deviation of *Strategy* is 17.807, and 4.175, indicating that the sample distribution is basically reasonable—defender-type companies and prospector-type companies coexist. The mean and standard

deviation of investment efficiency (*INV*) is 0.040 and 0.058, which is not much different from the statistical value of existing research. Other variables are all within a reasonable range.

TABLE III. DESCRIPTIVE STATISTICS

Variables	Obs	Mean	Std	P50	Min	Max
INV	18124	0.040	0.058	0.024	0	0.960
Strategy	18124	17.807	4.175	18	6	30
Prospectors	18124	0.436	0.496	0	0	1
Growth	18124	2.143	2.597	1.596	0.153	122.189
Cash	18124	0.040	0.058	0.024	0	0.960
Size	18124	22.440	1.290	22.294	17.641	28.257
Age	18124	2.588	0.445	2.639	1.609	3.434
Lev	18124	0.472	0.210	0.473	0.007	3.919
R	18124	0.017	0.449	-0.078	-1.057	7.120
Top1	18124	33.107	14.797	30.600	0.290	89.990
Loss	18124	0.127	0.333	0	0	1
Roa	18124	0.024	0.110	0.029	-4.946	0.786

5.2 Empirical Results

This paper uses model (2) to test the relationship between business strategy and investment efficiency. Table 4 presents the main results. In column (1), the coefficient on *Strategy* is significantly positive (t-stat = 4.99), indicating that there is a positive association between business strategy and *INV*. It means business strategy has a significant impact on corporate investment efficiency.

To identify the impact comes from which type of strategy, we use model (3) to test which type of business strategy will have a more significant effect on investment efficiency. The results are shown in Column (2) of Table 4. It can be seen from the table that the coefficient on *Prospectors* is 0.00441 and is significantly positive at 1 percent level, indicating that under the premise that other variables remain unchanged, prospectors' impact on *INV* is greater than defenders. It means other variables remain unchanged, the value of companies adopting prospector-type strategies is greater than that of companies adopting defender-type strategies, so the investment efficiency of companies adopting prospector-type strategies is lower. The result is consistent with H1.

TABLE IV. BUSINESS STRATEGY AND INVESTMENT EFFICIENCY

Variables	INV	
	(1)	(2)
<i>Strategy</i>	0.977*** (9.42)	
<i>Prospectors</i>		0.00297*

Variables	INV	
	(1)	(2)
		(1.80)
<i>Growth</i>	0.0577*** (3.43)	0.000340 (1.23)
<i>Cash</i>	0.898*** (2.69)	-0.0112* (-1.89)
<i>Size</i>	1.015*** (13.23)	-0.00133 (-1.50)
<i>Age</i>	-2.371*** (-14.46)	-0.00339 (-0.94)
<i>Lev</i>	0.0523 (0.18)	0.00836* (1.87)
<i>R</i>	-0.0596 (-1.41)	0.00735*** (4.65)
<i>Top1</i>	0.00249 (0.48)	0.00000288 (0.04)
<i>Loss</i>	-0.221*** (-3.28)	-0.00166 (-1.20)
<i>Roa</i>	-0.526* (-1.77)	0.00666 (1.43)
<i>_cons</i>	-15.95*** (-6.58)	0.0227 (0.81)
<i>Year/Industry</i>	Yes	Yes
<i>N</i>	18124	18124
<i>R²</i>	0.1136	0.0314

a. Standard errors are clustered at the firm level.

b. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

6 ROBUSTNESS TESTS

6.1 Endogeneity Problem

If the independent variable business strategy (*Strategy*) is related to the random error term (ε_{it}), the model has an endogenous problem. To alleviate this concern, we introduce *STRA_mean* (the 'industry-annual' strategic heterogeneity mean), which was first proposed by Wang et al. (2016). The regression results are shown in Table 5 column (1) and (2). The first stage regression results show that the instrumental variable (*STRA_mean*) is significantly positively correlated with the core independent variable (*Strategy*), indicating that the endogenous problem will not affect the above regression results, and the conclusion of this paper is robust.

6.2 Change Interested Variable's Measurement

Referring to the practice of Ye et al. (2014), we replace the measure of *STRA₁*. In specific, we use 'the change value of intangible assets' as an alternative for 'R&D expenditure'. The

measure of $STRA_1$ becomes ' Ratio of the change value of intangible assets to sales. ', and other variables' measurement remain unchanged. Then a new business strategy index is calculated and is used to re-examine the relationship between business strategy and investment efficiency. The regression results are shown in Table 5 column (3) and (4), which are consistent with our main conclusion.

TABLE V. ROBUSTNESS TESTS

Variables	Strategy	INV	INV	INV
	(1)	(2)	(3)	(4)
<i>Strategy</i>	0.977*** (9.42)		0.00104*** (6.79)	
<i>Prospectors</i>		0.00297* (1.80)		0.00639*** (5.91)
<i>Growth</i>	0.0577*** (3.43)	0.000340 (1.23)	0.000463** (2.48)	0.000504*** (2.61)
<i>Cash</i>	0.898*** (2.69)	-0.0112* (-1.89)	-0.000574 (-0.12)	-0.000584 (-0.13)
<i>Size</i>	1.015*** (13.23)	-0.00133 (-1.50)	0.000749 (1.21)	0.000902 (1.44)
<i>Age</i>	-2.371*** (-14.46)	-0.00339 (-0.94)	-0.00897*** (-6.27)	-0.00950*** (-6.68)
<i>Lev</i>	0.0523 (0.18)	0.00836* (1.87)	0.00474 (1.27)	0.00453 (1.21)
<i>R</i>	-0.0596 (-1.41)	0.00735*** (4.65)	0.00706*** (4.51)	0.00713*** (4.54)
<i>Top1</i>	0.00249 (0.48)	0.00000288 (0.04)	-0.0000596 (-1.29)	-0.0000704 (-1.53)
<i>Loss</i>	-0.221*** (-3.28)	-0.00166 (-1.20)	-0.00396*** (-2.78)	-0.00399*** (-2.79)
<i>Roa</i>	-0.526* (-1.77)	0.00666 (1.43)	0.00969* (1.79)	0.00972* (1.78)
<i>_cons</i>	-15.95*** (-6.58)	0.0227 (0.81)	0.0290** (2.12)	0.0432*** (3.29)
<i>Year/Industry</i>	Yes	Yes	Yes	Yes
<i>N</i>	18124	18124	18051	18051
<i>R²</i>	0.1136	0.0314	0.0460	0.0441

a. Standard errors are clustered at the firm level.

b. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

7 ADDITIONAL ANALYSIS

As known, inefficient investment includes overinvestment and underinvestment. To explore the specific performance of inefficient investment of prospectors, we then conduct groping regression and the grouping criteria are the residual in model (1). Specifically, the sample with residuals greater than zero in model (1) is the overinvestment group and the samples with residuals less than zero in model (1) are the underinvestment group. The results are shown in

Table 6. In the overinvestment group, the coefficients are significant at the 1 %, indicating that the inefficient investment of prospectors is mainly reflected in overinvestment.

TABLE VI. GROUPING REGRESSION

Variables	Over		Under	
	(1)	(2)	(3)	(4)
<i>Strategy</i>	0.00120*** (3.81)		0.000116 (1.24)	
<i>Prospectors</i>		0.00667*** (2.89)		0.000981 (1.42)
<i>Growth</i>	-0.00244** (-2.21)	-0.00232** (-2.19)	0.00112*** (3.21)	0.00112*** (3.22)
<i>Cash</i>	-0.0316*** (-2.62)	-0.0301** (-2.51)	0.0177*** (5.49)	0.0176*** (5.49)
<i>Size</i>	0.000767 (0.59)	0.000903 (0.69)	-0.00214*** (-5.32)	-0.00213*** (-5.32)
<i>Age</i>	-0.0141*** (-4.49)	-0.0151*** (-4.91)	-0.00722*** (-8.18)	-0.00727*** (-8.33)
<i>Lev</i>	0.0205*** (5.90)	0.0206*** (5.93)	-0.00444*** (-5.07)	-0.00444*** (-5.06)
<i>R</i>	-0.0000171 (-0.19)	-0.0000240 (-0.26)	-0.0000265 (-1.00)	-0.0000270 (-1.03)
<i>Top1</i>	-0.00434 (-1.12)	-0.00434 (-1.12)	0.000758 (0.72)	0.000760 (0.72)
<i>Loss</i>	0.0196 (1.58)	0.0200 (1.59)	0.00722 (1.49)	0.00723 (1.49)
<i>Roa</i>	0.0510* (1.84)	0.0684** (2.53)	0.0951*** (10.36)	0.0967*** (10.70)
<i>_cons</i>	Yes	Yes	Yes	Yes
	0.0205***	0.0206***	-0.00444***	-0.00444***
<i>Year/Industry</i>	Yes	Yes	Yes	Yes
<i>N</i>	6901	6901	11223	11223
<i>R²</i>	0.0689	0.0671	0.0817	0.0814

a. Standard errors are clustered at the firm level.

b. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

8 CONCLUSION

This paper finds that prospectors usually aggravates the inefficient investment behavior which results in lower investment efficiency. Further analysis finds that the offensive strategy leads to lower investment efficiency, mainly due to the offensive strategy increases overinvestment.

The guiding significance of the research conclusion of this paper lies in: First, for managers, it is necessary to realize that the role of business strategy has two sides. On the one hand, prospector-type strategy can speed up the development of the company to a certain extent, and enhance the value and the development momentum of the enterprise. On the other hand, prospector-type strategy often brings problems like excessive financial leverage and too wide business scope, which may have a negative effect on the company's future performance and inevitably increase the company's risks. Second, for regulators, it is necessary to strengthen the supervision of the company and enhance the external governance environment. Restricting overly aggressive investment decisions of listed companies can reduce the probability of stock price crashes. Such kind of restrictions play an important role in preventing systemic financial risks and maintaining the order and stability of the capital market. Nowadays, Chinese enterprises are still facing the problem of low investment efficiency. With the advancement of supply-side structural reform, enterprises need to continuously improve the efficiency of capital use in order to adapt to the national policy trend, which can alleviate this problem to a certain extent and promote economic growth. Enterprises should not only always pay attention to the possible changes in corporate investment behavior, but also carefully make strategic change decisions—strategy should be in line with the actual situation of the enterprise.

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